

UPPER MERION AREA SCHOOL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2020

INTRODUCTORY SECTION

UPPER MERION AREA SCHOOL DISTRICT

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FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Upper Merion Area School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Upper Merion Area School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Upper Merion Area School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note S to the financial statements, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on the Upper Merion Area School District's operational and financial performance. At this point, Upper Merion Area School District cannot reasonably estimate the impact on its operations or financial results. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15, budgetary comparison information on pages 63 and 64, schedule of the school district's proportionate share of the PSERS net pension liability on page 65, schedule of the school district's PSERS pension contributions on page 66, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 67, schedule of the school district's PSERS other postemployment benefit plan contributions on page 68 and schedule of changes in the total other postemployment benefit plan liability and related ratios on page 69 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.

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, on our consideration of the Upper Merion Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Upper Merion Area School District's internal control over financial reporting and compliance.



Limerick, Pennsylvania
November 23, 2020

UPPER MERION AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2020

The discussion and analysis of the Upper Merion Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

SCHOOL DISTRICT HIGHLIGHTS

Upper Merion Area School District is comprised of the municipal subdivisions of the Borough of Bridgeport, the Borough of West Conshohocken and Upper Merion Township in Montgomery County, Pennsylvania, and covers an area of approximately 19 square miles. The School District had an enrollment of 4,257 students in 2019-20. The School District employs approximately 376 professional staff, 277 support staff and 26 administrators.

Upper Merion Area School District consists of five elementary schools, one middle school and one high school.

The School District's commitment to providing an excellent education for each student can be seen in the quality of programs and opportunities the School District maintains and supports.

FINANCIAL HIGHLIGHTS

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District uses site-based budgeting, and the budgeting system is designed to tightly control total site budgets but provide flexibility for site management.

Overall operating expenditures of the General Fund were \$102,446,299. Actual operating revenues exceeded actual operating expenses by \$8,439,355.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.

UPPER MERION AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

- The remaining statements are *fund financial statements* that focus on individual parts of the School District, reporting the School District's operations in more detail than the government-wide statements.

The **Governmental Funds** statements tell how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.

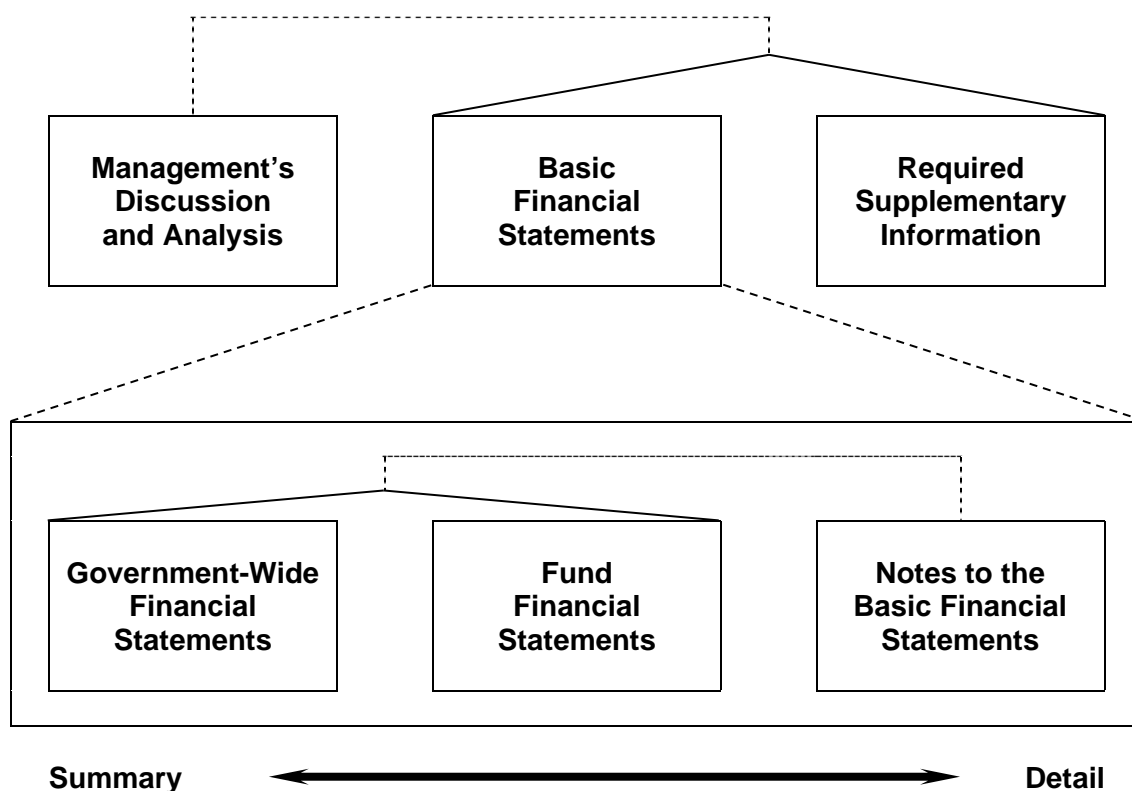
Proprietary Funds statements offer short- and long-term financial information about the activities the School District operates like businesses, such as food services.

Fiduciary Funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

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

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another.

Figure A-1
Organization of the Upper Merion Area School District Annual Financial Report



UPPER MERION AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

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

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except Fiduciary Funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private businesses--food services	Instances in which the School District is the trustee or agent to someone else's resources--Scholarship Funds
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE STATEMENTS

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

UPPER MERION AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2020

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

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

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

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

FUND FINANCIAL STATEMENTS

The School District's fund financial statements provide detailed information about the most significant funds--not the School District as a whole. Some funds are required by state law and by bond requirements.

- **Governmental Funds.** Most of the School District's activities are reported in Governmental Funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Funds statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental Funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and Governmental Funds is reconciled in the financial statements.
- **Proprietary Funds.** These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the School District charges customers for services it provides--whether to outside customers or to other units in the School District--these services are generally reported in Proprietary Funds. The Food Service and Extended Day Funds are the School District's Proprietary Funds and are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

UPPER MERION AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

- **Fiduciary Funds.** The School District is the trustee, or fiduciary, for some Scholarship Funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Position

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

The School District's total net position was \$(77,642,122) at June 30, 2020.

Table A-1
Condensed Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current and other assets	\$ 74,478,332	\$ 250,707	\$ 74,729,039
Capital assets	125,064,906	66,484	125,131,390
TOTAL ASSETS	199,543,238	317,191	199,860,429
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	30,885	-	30,885
Deferred outflows of resources, derivative instruments	40,757,434	-	40,757,434
Deferred outflows of resources, OPEB	1,425,891	18,030	1,443,921
Deferred outflows of resources, pension activity	27,583,000	361,000	27,944,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	69,797,210	379,030	70,176,240
LIABILITIES			
Current and other liabilities	27,295,322	93,280	27,388,602
Long-term liabilities	305,564,946	2,202,609	307,767,555
TOTAL LIABILITIES	332,860,268	2,295,889	335,156,157
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, OPEB	1,666,720	21,914	1,688,634
Deferred inflows of resources, pension activity	10,695,000	139,000	10,834,000
TOTAL DEFERRED INFLOWS OF RESOURCES	12,361,720	160,914	12,522,634
NET POSITION			
Net investment in capital assets	20,027,747	66,484	20,094,231
Restricted	33,857,417	-	33,857,417
Unrestricted	(129,766,704)	(1,827,066)	(131,593,770)
TOTAL NET POSITION	\$ (75,881,540)	\$ (1,760,582)	\$ (77,642,122)

UPPER MERION AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

The School District's total net position was \$(80,015,347) at June 30, 2019.

Table A-2
Condensed Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current and other assets	\$ 72,681,615	\$ 922,444	\$ 73,604,059
Capital assets	126,187,913	76,283	126,264,196
TOTAL ASSETS	198,869,528	998,727	199,868,255
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	49,312	-	49,312
Deferred outflows of resources, derivative instruments	14,626,624	-	14,626,624
Deferred outflows of resources, OPEB	994,814	25,457	1,020,271
Deferred outflows of resources, pension activity	24,621,000	637,000	25,258,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	40,291,750	662,457	40,954,207
LIABILITIES			
Current and other liabilities, restated	28,726,818	256,339	28,983,157
Long-term liabilities	275,707,581	4,190,612	279,898,193
TOTAL LIABILITIES	304,434,399	4,446,951	308,881,350
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, OPEB	1,781,887	45,572	1,827,459
Deferred inflows of resources, pension activity	9,874,000	255,000	10,129,000
TOTAL DEFERRED INFLOWS OF RESOURCES	11,655,887	300,572	11,956,459
NET POSITION			
Net investment in capital assets	18,810,635	76,283	18,886,918
Restricted	31,721,829	-	31,721,829
Unrestricted	(127,461,472)	(3,162,622)	(130,624,094)
TOTAL NET POSITION	\$ (76,929,008)	\$ (3,086,339)	\$ (80,015,347)

A significant portion of the School District's net position is invested in capital assets (building, land and equipment) or in the form of invested bond proceeds to be used for future capital expenditures.

Statement of Activities

The results of this year's operations as a whole are reported in the statement of activities in the financial statements. The two largest general revenues are the Retirement Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers. Table A-3 takes the information from the statement of activities and rearranges it slightly, so you can see our total revenues for the year. The following tables reflect the revenues and expenses for the current and prior periods.

UPPER MERION AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

Table A-3
Changes in Net Position
Year Ended June 30, 2020

	Governmental Activities	Business-Type Activities	Totals
REVENUES			
Program revenues			
Charges for services	\$ -	\$ 823,755	\$ 823,755
Operating grants and contributions	17,925,106	1,311,856	19,236,962
General revenues			
Property taxes	87,797,960	-	87,797,960
Other taxes	3,269,471	-	3,269,471
Investment earnings	1,512,742	6,054	1,518,796
Receipts from member districts	15,070	-	15,070
Gain on discontinued operations	-	1,839,259	1,839,259
Gain on disposition of capital assets	607,757	-	607,757
Other	1,150,554	(421,945)	728,609
TOTAL REVENUES	112,278,660	3,558,979	115,837,639
EXPENSES			
Instruction			
Regular programs	45,357,371	-	45,357,371
Special programs	16,776,734	-	16,776,734
Vocational programs	2,922,909	-	2,922,909
Other instructional programs	163,989	-	163,989
Support services			
Pupil personnel services	5,390,217	-	5,390,217
Instructional staff services	3,959,954	-	3,959,954
Administration services	5,423,266	-	5,423,266
Pupil health	1,410,973	-	1,410,973
Business services	1,060,845	-	1,060,845
Operation and maintenance of plant services	9,332,491	-	9,332,491
Student transportation services	4,094,041	-	4,094,041
Central services	1,758,603	-	1,758,603
Other support services	67,376	-	67,376
Non-instructional services			
Student activities	2,039,017	-	2,039,017
Community services	82,659	-	82,659
Facilities acquisition, construction and improvement	2,975,323	-	2,975,323
Refund of prior year revenues	290,665	-	290,665
Interest on long-term debt	3,686,039	-	3,686,039
Depreciation and amortization, unallocated	4,438,720	-	4,438,720
Food service	-	2,072,568	2,072,568
Extended day	-	160,654	160,654
TOTAL EXPENSES	111,231,192	2,233,222	113,464,414
CHANGE IN NET POSITION	1,047,468	1,325,757	2,373,225
NET POSITION, BEGINNING	(76,929,008)	(3,086,339)	(80,015,347)
NET POSITION, ENDING	\$ (75,881,540)	\$ (1,760,582)	\$ (77,642,122)

UPPER MERION AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

Table A-4
Changes in Net Position
Year Ended June 30, 2019

	Governmental Activities	Business-Type Activities	Totals
REVENUES			
Program revenues			
Charges for services	\$ -	\$ 1,724,790	\$ 1,724,790
Operating grants and contributions	16,812,103	1,283,146	18,095,249
General revenues			
Property taxes	83,807,519	-	83,807,519
Other taxes	4,416,102	-	4,416,102
Investment earnings	1,564,762	5,616	1,570,378
Receipts from member districts	9,735	-	9,735
Other	1,415,903	6,693	1,422,596
TOTAL REVENUES	108,026,124	3,020,245	111,046,369
EXPENSES			
Instruction			
Regular programs	40,982,456	-	40,982,456
Special programs	15,006,625	-	15,006,625
Vocational programs	2,661,902	-	2,661,902
Other instructional programs	177,072	-	177,072
Support services			
Pupil personnel services	4,716,214	-	4,716,214
Instructional staff services	3,311,369	-	3,311,369
Administration services	6,458,461	-	6,458,461
Pupil health	1,480,402	-	1,480,402
Business services	999,609	-	999,609
Operation and maintenance of plant services	8,964,714	-	8,964,714
Student transportation services	6,051,386	-	6,051,386
Central services	1,870,084	-	1,870,084
Other support services	74,651	-	74,651
Non-instructional services			
Student activities	2,008,179	-	2,008,179
Community services	100,640	-	100,640
Refund on prior year revenues	42,517	-	42,517
Interest on long-term debt	3,524,220	-	3,524,220
Depreciation and amortization, unallocated	4,589,973	-	4,589,973
Food service	-	2,143,376	2,143,376
Extended day	-	791,658	791,658
TOTAL EXPENSES	103,020,474	2,935,034	105,955,508
CHANGE IN NET POSITION	5,005,650	85,211	5,090,861
NET POSITION, BEGINNING	(81,934,658)	(3,171,550)	(85,106,208)
NET POSITION, ENDING	\$ (76,929,008)	\$ (3,086,339)	\$ (80,015,347)

UPPER MERION AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

Analysis of these tables indicates that the total net position for governmental activities increased by \$1,047,468.

Business-type activities show a \$1,325,757 increase in total net position.

Capital Assets - At June 30, 2020, the School District had \$125,131,390 invested in a broad range of capital assets, including land, buildings and furniture and equipment.

Table A-5
Government-Wide Activities
Capital Assets - Net of Depreciation

	2020	2019
Land	\$ 3,778,132	\$ 3,778,132
Construction in progress	3,754,864	1,081,665
Buildings and site improvements	113,852,319	117,436,439
Furniture and equipment	<u>3,746,075</u>	<u>3,967,960</u>
TOTAL	<u>\$ 125,131,390</u>	<u>\$ 126,264,196</u>

Debt Administration - As of July 1, 2019, the School District had total outstanding bond principal of \$90,860,000. During the year, the School District made net payments against principal of \$3,320,000, resulting in ending outstanding debt as of June 30, 2020, of \$87,540,000.

Table A-6
Outstanding Debt

	2020	2019
GENERAL OBLIGATION BONDS		
Series of 2012	\$ 5,615,000	\$ 6,020,000
Series of 2013	3,615,000	4,665,000
Series of 2014	4,225,000	5,580,000
Series of 2016	35,185,000	35,690,000
Series of 2017	28,905,000	28,910,000
Series of 2019	<u>9,995,000</u>	<u>9,995,000</u>
TOTAL	<u>\$ 87,540,000</u>	<u>\$ 90,860,000</u>

Other obligations include compensated absences (accrued vacation pay and sick leave for specific employees of the School District) and capital leases. More detailed information about our long-term liabilities is included in the notes to the financial statements.

UPPER MERION AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2020

FOR THE FUTURE

As the preceding information shows, the School District maintains a healthy investment in fixed assets to support and provide comprehensive educational services, considers future implications of current and ongoing financial obligations and prudently manages its financial assets. Academic performance is supported by regionally competitive per pupil spending. Balanced payment schedules on existing debt obligations should mean steady tax implications in the future.

Financial challenges face many school districts in the state of Pennsylvania and Upper Merion Area School District is not alone in this regard. With the passage of Act 1 of 2006, school districts are faced with a cap on the money that can be funded from a property tax increase. The cap is an inflationary index annually calculated by the Pennsylvania Department of Education (PDE). Act 1 does provide for some exceptions that permit districts to increase property taxes in excess of the cap. Exceptions are approved by the PDE. Limited tax relief arrived starting in the 2008-2009 fiscal year as the state distributed a portion of gambling revenue to offset real estate tax increases. The School District was fortunate to receive \$611,347 in the 2019-20 fiscal year that offset property taxes for those property owners who qualified for the homestead exemption.

The 2019-2020 school year was a particularly strong year financially for the Upper Merion Area School District. The District was able to make a \$8,000,000 transfer to the Capital Reserve Fund. In addition, the District assigned \$9,800,000 of general fund balance for retirement stabilization (\$4,600,000), tax assessment appeal refunds (\$2,000,000), future technology purchases (\$1,000,000), food service stabilization (\$1,000,000), and transportation (\$1,200,000). Finally, the unassigned fund balance increased slightly from \$8,357,205 to \$8,966,495.

Upper Merion Area School District faces the common problem of escalating costs for employee benefits, particularly the medical benefit cost and the retirement expense of the PSERS system. Each of these costs is established by outside influences and is not, in large part, a discretionary cost that can be controlled by the School District.

Upper Merion Area School District has committed itself to educational and financial excellence. The District's system of budgeting and internal controls is well regarded and consistently followed. Continued diligence in all financial matters will be a key component of continued successful financial performance well into the future.

CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT

The financial report is designed to provide the citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Michael Keeley, Business Administrator, Upper Merion Area School District, 435 Crossfield Road, King of Prussia, PA 19406-2363, 610-205-6400, mkeeley@umasd.org or visit the School District's website at www.umasd.org.

UPPER MERION AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 28,815,520	\$ 548,149	\$ 29,363,669
Investments	30,706,966	-	30,706,966
Restricted cash and cash equivalents	7,359,672	-	7,359,672
Restricted investments	497,550	-	497,550
Receivables, net	1,824,946	-	1,824,946
Prepaid expenses	567,777	-	567,777
Due from other governments	4,124,968	198,900	4,323,868
Internal balances	580,933	(580,933)	-
Inventories	-	84,591	84,591
Capital assets			
Land	3,778,132	-	3,778,132
Construction in progress	3,754,864	-	3,754,864
Buildings and site improvements	163,226,714	-	163,226,714
Furniture and equipment	18,663,436	412,870	19,076,306
Accumulated depreciation	(64,358,240)	(346,386)	(64,704,626)
TOTAL ASSETS	199,543,238	317,191	199,860,429
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	30,885	-	30,885
Deferred outflows of resources, derivative instruments	40,757,434	-	40,757,434
Deferred outflows of resources, OPEB	1,425,891	18,030	1,443,921
Deferred outflows of resources, pension activity	27,583,000	361,000	27,944,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	69,797,210	379,030	70,176,240
LIABILITIES			
Accounts payable	10,025,303	1,488	10,026,791
Accrued salaries and benefits	10,949,832	12,143	10,961,975
Accrued interest	1,656,004	-	1,656,004
Unearned revenue	-	76,588	76,588
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	3,475,000	-	3,475,000
Bond premiums and discounts, net	603,663	-	603,663
Compensated absences	585,520	3,061	588,581
Portion due or payable after one year			
Bonds payable	84,065,000	-	84,065,000
Bond premiums and discounts, net	9,036,274	-	9,036,274
Compensated absences	5,269,682	27,545	5,297,227
Derivative instrument liability	40,757,434	-	40,757,434
Net pension liability	156,962,000	2,052,000	159,014,000
Net OPEB liability	9,474,556	123,064	9,597,620
TOTAL LIABILITIES	332,860,268	2,295,889	335,156,157
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, OPEB	1,666,720	21,914	1,688,634
Deferred inflows of resources, pension activity	10,695,000	139,000	10,834,000
TOTAL DEFERRED INFLOWS OF RESOURCES	12,361,720	160,914	12,522,634
NET POSITION			
Net investment in capital assets	20,027,747	66,484	20,094,231
Restricted	33,857,417	-	33,857,417
Unrestricted	(129,766,704)	(1,827,066)	(131,593,770)
TOTAL NET POSITION	\$ (75,881,540)	\$ (1,760,582)	\$ (77,642,122)

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 45,357,371	\$ -	\$ 7,147,498	\$ -
Special programs	16,776,734	-	3,683,878	-
Vocational programs	2,922,909	-	242,413	-
Other instructional programs	163,989	-	2,488,246	-
Support services				
Pupil personnel services	5,390,217	-	661,677	-
Instructional staff services	3,959,954	-	271,319	-
Administration services	5,423,266	-	532,829	-
Pupil health	1,410,973	-	156,523	-
Business services	1,060,845	-	107,076	-
Operation and maintenance of plant services	9,332,491	-	816,645	-
Student transportation services	4,094,041	-	1,044,962	-
Central services	1,758,603	-	142,908	-
Other support services	67,376	-	-	-
Non-instructional services				
Student activities	2,039,017	-	230,036	-
Community services	82,659	-	-	-
Facilities acquisition, construction and improvement	2,975,323	-	-	-
Refund of prior year revenues	290,665	-	-	-
Interest on long-term debt	3,686,039	-	399,096	-
Depreciation and amortization, unallocated	4,438,720	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	111,231,192	-	17,925,106	-
BUSINESS-TYPE ACTIVITIES				
Food service	2,072,568	673,952	1,298,379	-
Extended day	160,654	149,803	13,477	-
TOTAL BUSINESS-TYPE ACTIVITIES	2,233,222	823,755	1,311,856	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 113,464,414	\$ 823,755	\$ 19,236,962	\$ -

GENERAL REVENUES

Property taxes, levied for general purposes
Occupational, real estate transfer and amusement taxes
Public utility taxes
Investment earnings
Receipts from member districts
Miscellaneous
Gain on discontinued operations
Gain on disposition of capital assets

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (38,209,873)	\$ -	\$ (38,209,873)
(13,092,856)	-	(13,092,856)
(2,680,496)	-	(2,680,496)
2,324,257	-	2,324,257
(4,728,540)	-	(4,728,540)
(3,688,635)	-	(3,688,635)
(4,890,437)	-	(4,890,437)
(1,254,450)	-	(1,254,450)
(953,769)	-	(953,769)
(8,515,846)	-	(8,515,846)
(3,049,079)	-	(3,049,079)
(1,615,695)	-	(1,615,695)
(67,376)	-	(67,376)
(1,808,981)	-	(1,808,981)
(82,659)	-	(82,659)
(2,975,323)	-	(2,975,323)
(290,665)	-	(290,665)
(3,286,943)	-	(3,286,943)
(4,438,720)	-	(4,438,720)
(93,306,086)	-	(93,306,086)
-	(100,237)	(100,237)
-	2,626	2,626
-	(97,611)	(97,611)
(93,306,086)	(97,611)	(93,403,697)
87,797,960	-	87,797,960
3,195,543	-	3,195,543
73,928	-	73,928
1,512,742	6,054	1,518,796
15,070	-	15,070
728,609	-	728,609
-	1,839,259	1,839,259
607,757	-	607,757
421,945	(421,945)	-
94,353,554	1,423,368	95,776,922
1,047,468	1,325,757	2,373,225
(76,929,008)	(3,086,339)	(80,015,347)
\$ (75,881,540)	\$ (1,760,582)	\$ (77,642,122)

UPPER MERION AREA SCHOOL DISTRICT**BALANCE SHEET****GOVERNMENTAL FUNDS****JUNE 30, 2020**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 26,891,735	\$ 1,923,785	\$ -	\$ 28,815,520
Investments	14,206,966	16,500,000	-	30,706,966
Restricted cash and cash equivalents	-	-	7,359,672	7,359,672
Restricted investments	-	-	497,550	497,550
Taxes receivable, net	1,414,608	-	-	1,414,608
Other receivables	410,338	-	-	410,338
Prepaid expenses	567,777	-	-	567,777
Due from other governments	4,124,968	-	-	4,124,968
Due from other funds	580,933	8,000,000	-	8,580,933
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 48,197,325</u>	<u>\$ 26,423,785</u>	<u>\$ 7,857,222</u>	<u>\$ 82,478,332</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 9,601,713	\$ 393,741	\$ 29,849	\$ 10,025,303
Accrued salaries and benefits	10,949,832	-	-	10,949,832
Due to other funds	8,000,000	-	-	8,000,000
TOTAL LIABILITIES	<u>28,551,545</u>	<u>393,741</u>	<u>29,849</u>	<u>28,975,135</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	<u>879,285</u>	<u>-</u>	<u>-</u>	<u>879,285</u>
FUND BALANCES				
Restricted for capital projects	-	26,030,044	7,827,373	33,857,417
Assigned to				
Tax assessment appeal settlement refunds	2,000,000	-	-	2,000,000
Retirement stabilization	4,600,000	-	-	4,600,000
Food service stabilization	1,000,000	-	-	1,000,000
Technology purchases	1,000,000	-	-	1,000,000
Transportation	1,200,000	-	-	1,200,000
Unassigned	8,966,495	-	-	8,966,495
TOTAL FUND BALANCES	<u>18,766,495</u>	<u>26,030,044</u>	<u>7,827,373</u>	<u>52,623,912</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	<u>\$ 48,197,325</u>	<u>\$ 26,423,785</u>	<u>\$ 7,857,222</u>	<u>\$ 82,478,332</u>

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 52,623,912
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:

Land	3,778,132
Construction in progress	3,754,864
Buildings and site improvements	163,226,714
Furniture and equipment	18,663,436
Accumulated depreciation	(64,358,240)

Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.	16,888,000
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Deferred inflows and outflows of resources related to OPEB are not financial resources and therefore not reported in the governmental funds.	(240,829)
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest	(1,656,004)
Deferred amount on refunding	30,885
Bonds payable	(87,540,000)
Bond premiums and discounts	(9,639,937)
Compensated absences	(5,855,202)
Net pension liability	(156,962,000)
Net OPEB liability	(9,474,556)

Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	879,285
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NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(75,881,540)</u>
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See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 93,111,988	\$ -	\$ -	\$ 93,111,988
State sources	16,138,416	-	-	16,138,416
Federal sources	1,635,250	-	-	1,635,250
TOTAL REVENUES	<u>110,885,654</u>	<u>-</u>	<u>-</u>	<u>110,885,654</u>
EXPENDITURES				
Instruction				
Regular programs	42,583,389	-	-	42,583,389
Special programs	15,926,030	-	-	15,926,030
Vocational programs	2,859,842	-	-	2,859,842
Other instructional programs	160,118	-	-	160,118
Support services				
Pupil personnel services	5,046,210	-	-	5,046,210
Instructional staff services	3,816,448	-	-	3,816,448
Administration services	5,142,377	-	465	5,142,842
Pupil health	1,330,286	-	-	1,330,286
Business services	1,006,253	-	-	1,006,253
Operation and maintenance of plant services	8,903,362	-	-	8,903,362
Student transportation services	4,069,286	-	-	4,069,286
Central services	1,683,369	-	-	1,683,369
Other support services	67,376	-	-	67,376
Non-instructional services				
Student activities	1,920,494	-	-	1,920,494
Community services	82,659	-	-	82,659
Refund of prior year revenues	290,665	-	-	290,665
Capital outlay	-	3,093,203	3,197,833	6,291,036
Debt service	7,558,135	-	-	7,558,135
TOTAL EXPENDITURES	<u>102,446,299</u>	<u>3,093,203</u>	<u>3,198,298</u>	<u>108,737,800</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FORWARD	<u>\$ 8,439,355</u>	<u>\$ (3,093,203)</u>	<u>\$ (3,198,298)</u>	<u>\$ 2,147,854</u>

UPPER MERION AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FORWARDED	\$ <u>8,439,355</u>	\$ <u>(3,093,203)</u>	\$ <u>(3,198,298)</u>	\$ <u>2,147,854</u>
OTHER FINANCING SOURCES (USES)				
Earnings from investments	-	252,793	174,296	427,089
Proceeds from sale of fixed assets	607,757	-	-	607,757
Proceeds from swap issuance	30,000	-	-	30,000
Derivative instrument costs and fees	(30,000)	-	-	(30,000)
Insurance recoveries	140,233	-	-	140,233
Transfers in	432,264	8,000,000	-	8,432,264
Transfers out	<u>(8,010,319)</u>	<u>-</u>	<u>-</u>	<u>(8,010,319)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,830,065)</u>	<u>8,252,793</u>	<u>174,296</u>	<u>1,597,024</u>
NET CHANGE IN FUND BALANCES	1,609,290	5,159,590	(3,024,002)	3,744,878
FUND BALANCES AT BEGINNING OF YEAR	<u>17,157,205</u>	<u>20,870,454</u>	<u>10,851,375</u>	<u>48,879,034</u>
FUND BALANCES AT END OF YEAR	\$ <u><u>18,766,495</u></u>	\$ <u><u>26,030,044</u></u>	\$ <u><u>7,827,373</u></u>	\$ <u><u>52,623,912</u></u>

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,744,878
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.	(1,123,007)
Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues decreased by this amount this year.	(204,018)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	3,320,000
Governmental Funds report premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of these items.	585,236
In the statement of activities, certain operating expenses--compensated absences (vacation and sick leave) and special termination benefits (early retirement)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(1,245,064)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:	
Accrued interest not reflected in Governmental Funds	(33,140)
Pension plan expense	(3,860,000)
The net change in the liability for the net OPEB liability is reported in the government-wide statements but not in the Governmental Funds statements.	<u>(137,417)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,047,468</u></u>

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2020

	Enterprise Funds		Total
	Food Service Fund	Extended Day Fund	Proprietary Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 109,597	\$ 438,552	\$ 548,149
Due from other governments	198,900	-	198,900
Inventories	84,591	-	84,591
TOTAL CURRENT ASSETS	393,088	438,552	831,640
PROPERTY AND EQUIPMENT			
Accumulated depreciation	(346,386)	-	(346,386)
PROPERTY AND EQUIPMENT, net	66,484	-	66,484
TOTAL ASSETS	459,572	438,552	898,124
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, OPEB	18,030	-	18,030
Deferred outflows of resources, pension activity	361,000	-	361,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	379,030	-	379,030
LIABILITIES			
Accounts payable	1,488	-	1,488
Accrued payroll	12,143	-	12,143
Due to other funds	142,381	438,552	580,933
Unearned revenue	76,588	-	76,588
Long-term liabilities			
Portion due or payable within one year			
Compensated absences	3,061	-	3,061
Portion due or payable after one year			
Compensated absences	27,545	-	27,545
Net OPEB liability	123,064	-	123,064
Net pension liability	2,052,000	-	2,052,000
TOTAL LIABILITIES	2,438,270	438,552	2,876,822
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, OPEB	21,914	-	21,914
Deferred inflows of resources, pension activity	139,000	-	139,000
TOTAL DEFERRED INFLOWS OF RESOURCES	160,914	-	160,914
NET POSITION			
Net investment in capital assets	66,484	-	66,484
Unrestricted	(1,827,066)	-	(1,827,066)
TOTAL NET POSITION	\$ (1,760,582)	\$ -	\$ (1,760,582)

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT
**STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2020**

	Enterprise Funds		Total Proprietary Funds
	Food Service Fund	Extended Day Fund	
OPERATING REVENUES			
Food service revenues	\$ 673,952	\$ -	\$ 673,952
Tuition revenues	-	149,803	149,803
TOTAL OPERATING REVENUES	<u>673,952</u>	<u>149,803</u>	<u>823,755</u>
OPERATING EXPENSES			
Salaries	741,873	95,918	837,791
Employee benefits	546,837	52,102	598,939
Other expenses	21,054	6,955	28,009
Supplies	753,005	5,679	758,684
Depreciation	9,799	-	9,799
TOTAL OPERATING EXPENSES	<u>2,072,568</u>	<u>160,654</u>	<u>2,233,222</u>
OPERATING LOSS	<u>(1,398,616)</u>	<u>(10,851)</u>	<u>(1,409,467)</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers in	10,319	-	10,319
Transfers out	-	(432,264)	(432,264)
Earnings on investments	2,305	3,749	6,054
State sources	200,379	13,477	213,856
Federal sources	1,098,000	-	1,098,000
Gain on discontinued operations	-	1,839,259	1,839,259
TOTAL NONOPERATING REVENUES	<u>1,311,003</u>	<u>1,424,221</u>	<u>2,735,224</u>
CHANGE IN NET POSITION	(87,613)	1,413,370	1,325,757
NET POSITION AT BEGINNING OF YEAR	<u>(1,672,969)</u>	<u>(1,413,370)</u>	<u>(3,086,339)</u>
NET POSITION AT END OF YEAR	<u>\$ (1,760,582)</u>	<u>\$ -</u>	<u>\$ (1,760,582)</u>

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****YEAR ENDED JUNE 30, 2020**

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Food Service Fund</u>	<u>Extended Day Fund</u>	<u>Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 692,883	\$ 149,803	\$ 842,686
Payments to employees	(1,264,641)	(218,844)	(1,483,485)
Payments to suppliers	<u>(647,276)</u>	<u>(145,103)</u>	<u>(792,379)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,219,034)</u>	<u>(214,144)</u>	<u>(1,433,178)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund transfers	10,319	-	10,319
State sources	184,857	18,227	203,084
Federal sources	<u>930,783</u>	<u>-</u>	<u>930,783</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,125,959</u>	<u>18,227</u>	<u>1,144,186</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	<u>2,305</u>	<u>3,749</u>	<u>6,054</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(90,770)	(192,168)	(282,938)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>200,367</u>	<u>630,720</u>	<u>831,087</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 109,597</u>	<u>\$ 438,552</u>	<u>\$ 548,149</u>

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

	Enterprise Funds		Total
	Food Service Fund	Extended Day Fund	Proprietary Funds
RECONCILIATION OF OPERATING LOSS			
TO NET CASH USED BY			
OPERATING ACTIVITIES			
Operating loss	\$ (1,398,616)	\$ (10,851)	\$ (1,409,467)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation	9,799	-	9,799
OPEB expense	573	-	573
Pension expense	27,770	-	27,770
Compensated absences	(4,553)	(32,467)	(37,020)
Increase in inventories	(9,373)	-	(9,373)
Increase (decrease) in			
Accounts payable	1,110	(8,251)	(7,141)
Accrued payroll	(6,055)	(32,623)	(38,678)
Due to other funds	141,380	2,517	143,897
Unearned revenue	18,931	(132,469)	(113,538)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (1,219,034)</u>	<u>\$ (214,144)</u>	<u>\$ (1,433,178)</u>
SUPPLEMENTAL DISCLOSURES			
Noncash activities			
Donated foods	\$ 126,547	\$ -	\$ 126,547

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2020

	Private- Purpose Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ <u>146,040</u>	\$ <u>581,403</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Other current liabilities	\$ -	\$ 581,403
NET POSITION		
Held in trust for scholarships	<u>146,040</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>146,040</u>	\$ <u>581,403</u>

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2020

	<u>Private- Purpose Trust Fund</u>
ADDITIONS	
Donations	\$ 21,183
Investment income	<u>1,012</u>
TOTAL ADDITIONS	22,195
DEDUCTIONS	
Scholarships	<u>35,600</u>
CHANGE IN NET POSITION	(13,405)
NET POSITION AT BEGINNING OF YEAR	<u>159,445</u>
NET POSITION AT END OF YEAR	<u><u>\$ 146,040</u></u>

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Upper Merion Area School District (the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

Upper Merion Area School District is located in King of Prussia, Pennsylvania. The School District's tax base includes portions of Montgomery County and consists of the following townships and boroughs: Upper Merion Township and the Boroughs of Bridgeport and West Conshohocken.

The School District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out on the local level the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the same (Article II; Act 150, July 8, 1968).

The School District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate eligible students between the ages of 5 and 21 years residing in such School District who may attend.

In order to establish, enlarge, equip, furnish, operate and maintain any schools, or to pay any school indebtedness which the School District is required to pay, the Board of School Directors is vested with all necessary authority and power annually to levy and collect the taxes required and granted by the legislature, in addition to the annual state appropriation, and is vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949 as amended.

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District.

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, component units can be other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. This report presents the activities of the Upper Merion Area School District. The School District is not a component unit of another reporting entity nor does it have any component units.

Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. This report presents the activities of the Upper Merion Area School District. The School District is not a component unit of another reporting entity nor does it have any component units.

The tax collectors are elected officers who collect taxes on behalf of the municipalities in the School District and for the School District in the county. The School District regards the tax collectors' offices as separate entities and, therefore, does not account for their activity in the financial statements.

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

UPPER MERION AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District. Expenses reported for functional activities include allocated indirect expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations.

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal operating revenues of the School District's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Trust Funds are reported using the economic resources measurement focus.

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

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements. The School District's *Capital Reserve Fund* and *Capital Projects Fund* are accounted for in this fund type.

Proprietary Funds

Food Service and Extended Day Funds - The Food Service and Extended Day Funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. In April 2019, the Board of Directors approved to outsource the extended day program starting in the fall of 2019. The extended day funds operations were shut down in 2019-20.

UPPER MERION AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

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

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition and with no restrictions on withdrawal.

Investments

Statutes authorize the School District to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value.

Pennsylvania Local Government Investment Trust ("PLGIT") Funds are invested in accordance with Section 440.1 of the School Code. Each school district owns a pro rata share of each investment or deposit which is held in the name of the fund.

The School District has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

UPPER MERION AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated food received from the federal government. The donated food is valued at fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$4,000 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Site improvements	15-20
Buildings and building improvements	20-40
Furniture and equipment	5-20

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund Types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized during the period in which they were incurred.

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

UPPER MERION AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Unused vacation amounts may be carried forward for one fiscal year only. Employees are paid for unused vacation only upon termination at their standard per diem rates in effect at the date of their departure. Sick leave is granted as appropriate (medical evidence required) with budgetary provisions being made annually for the estimated costs of substitute personnel. Contractual provisions with employees require payment at the employees' per diem rate (at retirement) for accumulated unused sick leave days upon retirement up to a maximum of 45 days. Administrators are eligible for an additional 15 days if certain notice requirements are met.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has four items that qualify for reporting in this category. They are the deferred charge on refunding reported in the government-wide statement of net position and the deferred outflow related to pension and OPEB activities, which are reported in the government-wide statement of net position and the proprietary fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pension and OPEB activities are reported in the statement of net position and are deferred and recognized as an outflow of resources in the period to which the expense applies. The fourth item, deferred outflows of resources related to derivative instruments, is reported in the government-wide statement of net position. This amount is deferred and recognized as an outflow of resources in the period the derivative agreements mature.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension and OPEB activities, are reported in the government-wide statement of net position and the proprietary fund statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Instruments

The School District has entered into two interest rate swap agreements with Royal Bank of Canada ("RBC") for the primary purpose of hedging interest rates on long-term debt. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, all activity related to the interest rate swap agreements has been recorded on the financial statements.

Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net Position Flow Assumption

Sometimes the School District will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Use of Estimates

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

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

The School District has adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- ***Committed*** - Amounts that can be used only for specific purposes determined by a formal action by the Board of School Directors. This includes the budget reserve account.
- ***Assigned*** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority.
- ***Unassigned*** - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 18). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The School District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

UPPER MERION AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE B - CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. Deposits are insured under Act 72 of the 1971 Session of the Pennsylvania General Assembly whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of FDIC limits. The School District does not have a deposit policy for custodial credit risk. The carrying value of the District's cash accounts at June 30, 2020, was \$37,450,784.

As of June 30, 2020, \$37,116,210 of the School District's bank balance of \$37,932,882 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging bank's trust department not in the School District's name	\$ 28,322,689
Uninsured and uncollateralized with State investment pools	8,793,521
	<u>\$ 37,116,210</u>

Interest Rate Risk - The School District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments

As of June 30, 2020, the School District had the following investments and maturities:

Investment Type	Amortized Cost	Fair Value	Investment Maturities	
			Less Than One Year	One to Five Years
State investment pools	\$ 6,576,534	\$ -	\$ 6,576,534	\$ -
Certificates of deposit	24,627,982	-	24,627,982	-
	<u>\$ 31,204,516</u>	<u>\$ -</u>	<u>\$ 31,204,516</u>	<u>\$ -</u>

A portion of the School District's investments is in the PSDLAF and PLGIT programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF and PLGIT investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2020, is \$6,576,534. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE B - CASH AND INVESTMENTS (Continued)

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. At June 30, 2020, the School District had \$76,534 invested in PLGIT I-Class, which limits withdrawals to two per calendar month, and \$6,500,000 in the PSDLAF Flex Pool, which has hold-to-maturity requirements.

Certificates of deposit held by banks of \$24,627,982 are stated at cost plus interest earned.

Credit Risk - State law permits the School District to invest funds in the following types of investments:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

The School District's investment policy does not further limit its investment choices. As of June 30, 2020, the School District's investment in the state investment pools was rated AAAM by Standard & Poor's.

Concentration of Credit Risk - The following investments represent greater than 5% of the School District's total investments:

Certificates of deposit with PLGIT, PSDLAF and Univest	\$ <u>24,627,982</u>
--	----------------------

NOTE C - TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. Property taxes are based on assessed valuations of real property within the School District.

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

Discount period	July 1 to August 31 - 2% of gross levy
Face period	September 1 to October 31
Penalty period	November 1 to collection - 10% of gross levy
Lien date	January 15

School District taxes are billed and collected by the local elected tax collector. Property taxes attach as an enforceable lien on property as of July 1.

In addition, the School District participates in a \$52 Local Services Tax levied by the Township.

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020, consisted of taxes and other revenue. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of accounts receivable by fund is as follows:

	<u>General Fund</u>
Real estate taxes	\$ 1,414,608
Other revenue	<u>410,338</u>
	<u>\$ 1,824,946</u>

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2020, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Extended Day Fund	\$ 438,552
General Fund	Food Service Fund	142,381
Capital Reserve Fund	General Fund	<u>8,000,000</u>
		<u>\$ 8,580,933</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Interfund Transfers

Transfers are used to move unrestricted revenues to finance various programs that the School District must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Reserve Fund	General Fund	\$ 8,000,000
General Fund	Extended Day Fund	432,264
Food Service Fund	General Fund	<u>10,319</u>
		<u>\$ 8,442,583</u>

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 3,778,132	\$ -	\$ -	\$ 3,778,132
Construction in progress	1,081,665	2,673,199	-	3,754,864
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	4,859,797	2,673,199	-	7,532,996
Capital assets being depreciated				
Buildings and site improvements	163,153,994	72,720	-	163,226,714
Furniture and equipment	18,093,642	569,794	-	18,663,436
TOTAL CAPITAL ASSETS BEING DEPRECIATED	181,247,636	642,514	-	181,890,150
Accumulated depreciation	(59,919,520)	(4,438,720)	-	(64,358,240)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	121,328,116	(3,796,206)	-	117,531,910
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	126,187,913	(1,123,007)	-	125,064,906
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	412,870	-	-	412,870
Accumulated depreciation	(336,587)	(9,799)	-	(346,386)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	76,283	(9,799)	-	66,484
CAPITAL ASSETS, net	\$ 126,264,196	\$ (1,132,806)	\$ -	\$ 125,131,390

UPPER MERION AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE G - LONG-TERM DEBT

General Obligation Bonds

Bonded debt payable at June 30, 2020, is comprised of the following individual issues:

General Obligation Bonds, Series of 2012, \$9,995,000 due in annual principal installments ranging from \$130,000 to \$1,525,000 through February 15, 2024, interest rate is variable from 0.62% to 2.30%	\$ 5,615,000
General Obligation Bonds, Series of 2013, \$9,995,000 due in annual principal installments ranging from \$65,000 to \$1,990,000 through February 15, 2025, interest rate is variable from 0.630% to 2.45%	3,615,000
General Obligation Bonds, Series of 2014, \$9,995,000 due in annual principal installments ranging from \$185,000 to \$1,440,000 through February 15, 2023, interest rate is variable from 0.230% to 4.00%	4,225,000
General Obligation Bonds, Series of 2016, \$35,785,000 due in annual principal installments ranging from \$15,000 to \$3,810,000 through January 15, 2038, interest rate is variable from 0.750% to 5.00%	35,185,000
General Obligation Bonds, Series of 2017, \$28,920,000 due in annual principal installments ranging from \$5,000 to \$3,485,000 through January 15, 2037, interest rate is variable from 0.90% to 5.00%	28,905,000
General Obligation Bonds, Series of 2019, \$9,995,000 due in annual principal installments ranging from \$5,000 to \$4,385,000 through January 15, 2039, interest rate is variable from 1.75% to 4.00%	<u>9,995,000</u>
	<u>\$ 87,540,000</u>

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE G - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2021	\$ 3,475,000	\$ 3,669,953
2022	3,545,000	3,602,072
2023	3,615,000	3,525,352
2024	3,705,000	3,441,278
2025	3,765,000	3,357,958
2026 to 2030	21,045,000	14,425,675
2031 to 2035	26,660,000	8,799,975
2036 to 2039	21,730,000	2,012,790
	<u>\$ 87,540,000</u>	<u>\$ 42,835,053</u>

NOTE H - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
GENERAL OBLIGATION BONDS					
Series of 2012	\$ 6,020,000	\$ -	\$ (405,000)	\$ 5,615,000	\$ 1,145,000
Series of 2013	4,665,000	-	(1,050,000)	3,615,000	350,000
Series of 2014	5,580,000	-	(1,355,000)	4,225,000	1,380,000
Series of 2016	35,690,000	-	(505,000)	35,185,000	590,000
Series of 2017	28,910,000	-	(5,000)	28,905,000	5,000
Series of 2019	9,995,000	-	-	9,995,000	5,000
TOTAL GENERAL OBLIGATION BONDS	90,860,000	-	(3,320,000)	87,540,000	3,475,000
BOND PREMIUMS AND DISCOUNTS, net	10,243,600	-	(603,663)	9,639,937	603,663
COMPENSATED ABSENCES	4,610,138	1,245,064	-	5,855,202	585,520
NET PENSION LIABILITY	150,961,000	6,001,000	-	156,962,000	-
NET OPEB LIABILITY	8,790,895	683,661	-	9,474,556	-
TOTAL LONG- TERM LIABILITIES	\$ 265,465,633	\$ 7,929,725	\$ (3,923,663)	\$ 269,471,695	\$ 4,664,183
BUSINESS- TYPE ACTIVITIES					
COMPENSATED ABSENCES	\$ 67,626	\$ -	\$ (37,020)	\$ 30,606	\$ 3,061
NET PENSION LIABILITY	3,903,000	54,000	(1,905,000)	2,052,000	-
NET OPEB LIABILITY	226,749	6,992	(110,677)	123,064	-
TOTAL LONG- TERM LIABILITIES	\$ 4,197,375	\$ 60,992	\$ (2,052,697)	\$ 2,205,670	\$ 3,061

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE I - DERIVATIVE INSTRUMENTS

In accordance with the requirements of GASB 53 related to derivative instruments, the School District engaged a financial advisory firm to determine the year-end fair values of the two cash settled interest rate swaps. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2020, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the financial statements are as follows (debit / (credit)).

	Changes in Fair Value		Fair Value at June 30, 2020		Notional
	Classification	Amount	Classification	Amount	
Cash settled swap 20180020001	Deferred outflow	\$ 13,577,437	Derivative instrument	\$ (21,239,160)	\$ 50,000,000
Cash settled swap 20180020002	Deferred outflow	12,553,373	Derivative instrument	(19,518,274)	50,000,000

The following table summarizes the objective and terms of the School District's derivative instruments at June 30, 2020:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms
Cash settled swap 20180020001	Hedge of changes in cash flows	\$ 50,000,000	6/1/2021	1/15/2051	Pay 2.6461; receive USD-LIBOR-BBA * 80%
Cash settled swap 20180020002	Hedge of changes in cash flows	50,000,000	6/1/2021	1/15/2051	Pay 2.6461; receive USD-LIBOR-BBA * 80%

NOTE J - DEFEASED DEBT

In prior years, certain bonds were defeased in substance by placing an amount in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the School District's financial statements.

As of June 30, 2020, the School District has defeased debt outstanding of \$7,885,000.

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE K - UNEARNED REVENUE

Food Service Fund

Unearned revenue of \$49,227 in the Food Service Fund represents the carryover of student deposits. Unearned revenue of \$27,361 represents unearned donated foods revenue.

NOTE L - JOINT VENTURE

The School District participates in an ongoing joint venture with other school districts in funding the operation of the Central Montgomery County Area Vocational-Technical School (the "Technical School"). The Technical School provides vocational education for all the participating schools. The School District has an accumulated interest in the Technical School that is reserved for building improvements and educational projects. The School District's proportionate share of the accumulated interest in the Technical School's operating fund balance is not material and is not included in the General Fund of these financial statements.

The financial statements of the Technical School are audited according to state guidelines and are available to the public for inspection at the Technical School.

The School District agreed to make additional payments to the Technical School for various improvements, renovations, modernizations and new equipment. The following is a schedule by years of future minimum payments under the contract:

<u>Year Ending</u> <u>June 30,</u>	
2021	\$ 547,584
2022	549,684
2023	547,444
2024	548,808
2025	-
	<u>\$ 2,193,520</u>

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE M - PENSION PLAN

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

Benefits Provided - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

UPPER MERION AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE M - PENSION PLAN (Continued)

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

Contributions

Members Contributions

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

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2020, was 33.36% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$16,294,000 for the year ended June 30, 2020.

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE M - PENSION PLAN (Continued)

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

At June 30, 2020, the School District reported a liability of \$159,014,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportion was 0.3399%, which was an increase of 0.0173% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$18,463,000. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 864,000	\$ 5,202,000
Changes in assumptions	1,500,000	-
Net difference between projected and actual investment earnings	-	450,000
Changes in proportions	8,886,000	4,977,000
Difference between employer contributions and proportionate share of total contributions	249,000	66,000
Contributions subsequent to the measurement date	16,084,000	-
	<u>\$ 27,583,000</u>	<u>\$ 10,695,000</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ 12,000	\$ 68,000
Changes in assumptions	20,000	-
Net difference between projected and actual investment earnings	-	6,000
Changes in proportions	116,000	65,000
Difference between employer contributions and proportionate share of total contributions	3,000	-
Contributions subsequent to the measurement date	210,000	-
	<u>\$ 361,000</u>	<u>\$ 139,000</u>

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE M - PENSION PLAN (Continued)

\$16,294,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2021	\$ 2,129,333	\$ 28,000
2022	(1,711,667)	(22,000)
2023	409,333	6,000
2024	<u>(23,000)</u>	<u>-</u>
	<u>\$ 804,000</u>	<u>\$ 12,000</u>

Actuarial Assumptions - The total pension liability as of June 30, 2019, was determined by rolling forward the System's total pension liability at June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

UPPER MERION AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE M - PENSION PLAN (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE M - PENSION PLAN (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ <u>198,070,000</u>	\$ <u>159,014,000</u>	\$ <u>125,944,000</u>

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

NOTE N - ACCUMULATED COMPENSATED ABSENCES AND EARLY RETIREMENT INCENTIVE PLAN

School District employees who are required to work on a 12-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation (for most employee categories) may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay.

The liability to current employees is estimated and will change since unused vacation will be paid at the rate of pay in effect at the time of separation. These accumulated leaves are recorded as an expenditure in the period taken or as an accrued expenditure in the fiscal year of separation. Termination compensation payable in future years, which was \$544,281 at June 30, 2020, is recorded in compensated absences on the statement of net position.

The School District pays a per diem rate to retirees for unused sick time based on employment classification. Compensation payable in future years, which was \$5,341,527 at June 30, 2020, is recorded in compensated absences on the statement of net position.

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS

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

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

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

Pension Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$410,000 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$7,229,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.3399%, which was an increase of 0.0173% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$383,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 40,000	\$ -
Changes in assumptions	237,000	212,000
Net difference between projected and actual investment earnings	12,000	-
Changes in proportions	479,000	325,000
Difference between employer contributions and proportionate share of total contributions	-	3,000
Contributions subsequent to the measurement date	405,000	-
	<u>\$ 1,173,000</u>	<u>\$ 540,000</u>

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ 1,000	\$ -
Changes in assumptions	3,000	3,000
Net difference between projected and actual investment earnings	-	-
Changes in proportions	6,000	4,000
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	5,000	-
	<u>\$ 15,000</u>	<u>\$ 7,000</u>

\$410,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2020	\$ 92,000	\$ 1,000
2021	92,000	1,000
2022	96,000	1,000
2023	(52,000)	-
	<u>\$ 228,000</u>	<u>\$ 3,000</u>

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2019, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

UPPER MERION AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

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

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.2%	0.20%
US Core Fixed Income	83.1%	1.00%
Non-US Developed Fixed Income	3.7%	0.00%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.79%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

UPPER MERION AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

The following presents the District's proportionate share of the net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the District's proportionate share of the net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ <u>7,228,000</u>	\$ <u>7,229,000</u>	\$ <u>7,230,000</u>

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

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

	<u>1% Decrease 1.79%</u>	<u>Current Discount Rate 2.79%</u>	<u>1% Increase 3.79%</u>
District's proportionate share of the net OPEB liability	\$ <u>8,236,000</u>	\$ <u>7,229,000</u>	\$ <u>6,395,000</u>

OPEB Plan Fiduciary Net Position

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

NOTE P - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN

Plan Description

The School District provides medical and prescription drug insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by School District Supervisors and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE P - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN
(Continued)

Plan Membership

At June 30, 2020, plan membership consisted of the following:

Active plan participants	\$	577
Vested former plan participants		-
Retired plan participants		23
		<hr/>
	\$	<u>600</u>

Funding Policy and Funding Status

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. For the year ending June 30, 2020, benefit payments paid as they came due were \$100,605.

Assumptions

The following assumptions and actuarial methods and calculations were used:

Discount Rate – 3.36%, based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2019.

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

Withdrawal

Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease with age and service.

Age	Male Rate	Female Rate	Age	Male Rate	Female Rate
25	2.5700%	5.0200%	45	1.3700%	1.6500%
30	2.5700%	4.0200%	50	1.9200%	2.0600%
35	1.5000%	2.8500%	55	3.3800%	3.1100%
40	1.3400%	1.6000%	60	5.5700%	6.4000%

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE P - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN
(Continued)

Mortality – Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Disability – No disability was assumed.

Retirement – Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

Percent of Eligible Retirees Electing Coverage in Plan – 100% of administrators and 30% of all other employees are assumed to elect coverage.

Percent Married at Retirement – 25% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age – Wives are assumed to be two years younger than their husbands.

Retiree Contributions – Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Health Care Cost Trend Rate – 6.0% in 2018 and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets – Equal to the Market Value of Assets

Actuarial Cost Method – Entry Age Normal - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE P - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN
(Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
	<u> </u>
Balance at June 30, 2018	\$ <u>2,291,644</u>
Changes for the year	
Service cost	176,046
Interest	71,913
Differences between expected and actual experience	-
Changes in assumptions	(70,378)
Benefit payments	<u>(100,605)</u>
Net changes	<u>76,976</u>
Balance at June 30, 2019	\$ <u><u>2,368,620</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower (2.36%) or 1.0% higher (4.36%) than the current discount rate:

	1% <u>Decrease</u>	Current <u>Rate</u>	1% <u>Increase</u>
Total OPEB liability	\$ <u>2,557,202</u>	\$ <u>2,368,620</u>	\$ <u>2,191,321</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1.0% lower or 1.0% higher than the current healthcare cost trend rate:

	1% <u>Decrease</u>	Current <u>Rate</u>	1% <u>Increase</u>
Total OPEB liability	\$ <u>2,076,185</u>	\$ <u>2,368,620</u>	\$ <u>2,713,808</u>

UPPER MERION AREA SCHOOL DISTRICT**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2020

**NOTE P - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN
(Continued)**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the School District recognized OPEB expense of \$158,909. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ -	\$ 548,702
Changes in assumptions	139,689	577,218
Benefit payments subsequent to the measurement date	<u>112,931</u>	<u>-</u>
	<u>\$ 252,620</u>	<u>\$ 1,125,920</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ -	\$ 7,171
Changes in assumptions	1,825	7,544
Benefit payments subsequent to the measurement date	<u>1,476</u>	<u>-</u>
	<u>\$ 3,301</u>	<u>\$ 14,715</u>

\$114,407 reported as deferred outflows of resources related to OPEB resulting from District benefit payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2021	\$ (87,901)	\$ (1,149)
2022	(87,901)	(1,149)
2023	(87,901)	(1,149)
2024	(87,901)	(1,149)
2025	(87,901)	(1,149)
Thereafter	<u>(546,726)</u>	<u>(7,145)</u>
	<u>\$ (986,231)</u>	<u>\$ (12,890)</u>

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE Q - COMMITMENTS AND CONTINGENCIES

There are a number of tax assessment appeals pending in the Court of Common Pleas of Montgomery County from the decisions of the Board of Assessment Appeals. Legal counsel for the School District cannot give an opinion on the outcome of these appeals nor can they reasonably estimate the financial impact.

NOTE R - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE S - RISKS AND UNCERTAINTY

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to have an effect on daily operations. Financial impact could occur though such potential impact is unknown at this time.

NOTE T - SUBSEQUENT EVENT

In August 2020, the School District issued General Obligation Bonds, Series of 2020 in the amount of \$22,160,000, for the purpose of providing funding for new Upper Merion High School and demolition of the existing high school. The bonds mature through 2049 at interest rates ranging from 1.00% to 4.00%.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER MERION AREA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 88,253,032	\$ 88,253,032	\$ 93,111,988	\$ 4,858,956
State sources	16,032,148	16,032,148	16,138,416	106,268
Federal sources	1,291,045	1,291,045	1,635,250	344,205
TOTAL REVENUES	105,576,225	105,576,225	110,885,654	5,309,429
EXPENDITURES				
Instruction				
Regular programs	43,090,553	42,972,992	42,583,389	389,603
Special programs	14,293,984	14,293,984	15,926,030	(1,632,046)
Vocational programs	2,854,097	2,854,097	2,859,842	(5,745)
Other instructional programs	190,374	190,374	160,118	30,256
TOTAL INSTRUCTION	60,429,008	60,311,447	61,529,379	(1,217,932)
Support services				
Pupil personnel services	5,445,639	5,445,639	5,046,210	399,429
Instructional staff services	3,210,854	3,361,393	3,816,448	(455,055)
Administration services	5,123,528	5,090,729	5,142,377	(51,648)
Pupil health	1,419,749	1,416,349	1,330,286	86,063
Business services	1,023,416	1,025,443	1,006,253	19,190
Operation and maintenance of plant services	9,429,731	9,429,730	8,903,362	526,368
Student transportation services	5,022,970	5,022,970	4,069,286	953,684
Central services	1,772,940	1,779,601	1,683,369	96,232
Other support services	65,747	65,747	67,376	(1,629)
TOTAL SUPPORT SERVICES	32,514,574	32,637,601	31,064,967	1,572,634
Non-instructional services				
Student activities	2,047,358	2,047,359	1,920,494	126,865
Community services	100,000	100,000	82,659	17,341
TOTAL NON-INSTRUCTIONAL SERVICES	2,147,358	2,147,359	2,003,153	144,206
Refund of prior year revenues	-	-	290,665	(290,665)
Debt service	7,477,316	7,477,315	7,558,135	(80,820)
TOTAL EXPENDITURES	102,568,256	102,573,722	102,446,299	127,423
EXCESS OF REVENUES OVER EXPENDITURES	3,007,969	3,002,503	8,439,355	5,436,852
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	607,757	607,757
Proceeds from swap issuance	-	-	30,000	30,000
Derivative instrument costs and fees	-	-	(30,000)	(30,000)
Insurance recoveries	-	-	140,233	140,233
Interfund transfers in	-	-	432,264	432,264
Interfund transfers out	(2,951,396)	(2,951,396)	(8,010,319)	(5,058,923)
Budgetary reserve	(250,000)	(244,534)	-	244,534
TOTAL OTHER FINANCING SOURCES (USES)	(3,201,396)	(3,195,930)	(6,830,065)	(3,634,135)
NET CHANGE IN FUND BALANCE	\$ (193,427)	\$ (193,427)	1,609,290	\$ 1,802,717
FUND BALANCE AT BEGINNING OF YEAR			17,157,205	
FUND BALANCE AT END OF YEAR			\$ 18,766,495	

See accompanying note to the budgetary comparison schedule.

UPPER MERION AREA SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2020

NOTE A - BUDGETARY INFORMATION

Budgets are adopted on a modified accrual basis plus encumbrances. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all Capital Project Funds.

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

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

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

UPPER MERION AREA SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE PSERS NET PENSION LIABILITY
LAST SIX FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	<u>0.3399%</u>	<u>0.3226%</u>	<u>0.3442%</u>	<u>0.3303%</u>	<u>0.3263%</u>	<u>0.3271%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	<u>\$ 159,014,000</u>	<u>\$ 154,864,000</u>	<u>\$ 169,995,000</u>	<u>\$ 163,686,000</u>	<u>\$ 141,337,000</u>	<u>\$ 129,469,000</u>
SCHOOL DISTRICT'S COVERED- PAYROLL	<u>\$ 46,871,644</u>	<u>\$ 43,441,862</u>	<u>\$ 45,831,263</u>	<u>\$ 42,774,319</u>	<u>\$ 41,985,564</u>	<u>\$ 41,734,460</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED- PAYROLL	<u>339.25%</u>	<u>356.49%</u>	<u>370.91%</u>	<u>382.67%</u>	<u>336.63%</u>	<u>310.22%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>55.66%</u>	<u>54.00%</u>	<u>51.84%</u>	<u>49.86%</u>	<u>45.64%</u>	<u>57.24%</u>

NOTES TO SCHEDULE

The School District's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2019, 2018, 2017, 2016, 2015 and 2014).

These schedules are to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

UPPER MERION AREA SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS
LAST SIX FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 16,294,000	\$ 15,325,000	\$ 13,855,000	\$ 13,002,000	\$ 10,768,000	\$ 8,398,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>16,294,000</u>	<u>15,325,000</u>	<u>13,855,000</u>	<u>13,002,000</u>	<u>10,768,000</u>	<u>8,398,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
SCHOOL DISTRICT'S COVERED-PAYROLL	\$ <u>48,809,524</u>	\$ <u>46,871,644</u>	\$ <u>43,441,862</u>	\$ <u>45,831,263</u>	\$ <u>42,774,319</u>	\$ <u>41,985,564</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-PAYROLL	<u>33.38%</u>	<u>32.70%</u>	<u>31.89%</u>	<u>28.37%</u>	<u>25.17%</u>	<u>20.00%</u>

NOTE TO SCHEDULE

These schedules are to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

UPPER MERION AREA SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT
PLAN LIABILITY
LAST THREE FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of the net OPEB liability	<u>0.3399%</u>	<u>0.3226%</u>	<u>0.3442%</u>
School District's proportionate share of the net OPEB liability	<u>\$ 7,229,000</u>	<u>\$ 6,726,000</u>	<u>\$ 7,013,000</u>
School District's covered-payroll	<u>\$ 46,871,644</u>	<u>\$ 43,441,862</u>	<u>\$ 45,831,263</u>
School District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	<u>15.42%</u>	<u>15.48%</u>	<u>15.30%</u>
The plan's fiduciary net position as a percentage of the total OPEB liability	<u>5.56%</u>	<u>5.56%</u>	<u>5.73%</u>

NOTES TO SCHEDULE

The District's covered payroll noted above is as of the measurement date of the net OPEB liability (June 30, 2019, 2018 and 2017).

These schedules are to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

UPPER MERION AREA SCHOOL DISTRICT**SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT
BENEFIT PLAN CONTRIBUTIONS
LAST THREE FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 410,000	\$ 390,000	\$ 362,000
Contributions in relation to the contractually required contribution	<u>410,000</u>	<u>390,000</u>	<u>362,000</u>
Contribution (excess) deficiency	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School District's covered-payroll	\$ <u>48,809,524</u>	\$ <u>46,871,644</u>	\$ <u>43,441,862</u>
Contributions as a percentage of covered-payroll	<u>0.84%</u>	<u>0.83%</u>	<u>0.83%</u>

NOTE TO SCHEDULE

These schedules are to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

UPPER MERION AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 176,046	\$ 253,113	\$ 231,166
Interest	71,913	109,861	77,782
Changes of assumptions	(70,378)	(614,305)	183,971
Differences between expected and actual experience	-	(656,941)	-
Benefit payments	<u>(100,605)</u>	<u>(124,168)</u>	<u>(134,066)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	76,976	(1,032,440)	358,853
TOTAL OPEB LIABILITY, BEGINNING	<u>2,291,644</u>	<u>3,324,084</u>	<u>2,965,231</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 2,368,620</u>	<u>\$ 2,291,644</u>	<u>\$ 3,324,084</u>
COVERED-PAYROLL	<u>\$ 43,653,333</u>	<u>\$ 43,653,333</u>	<u>\$ 42,201,639</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-PAYROLL	<u>5.43%</u>	<u>5.25%</u>	<u>7.88%</u>

NOTES TO SCHEDULE

No assets are accumulated in a trust to pay benefits related to this plan.

Changes in assumptions: In the 2018 actuarial valuation, the discount rate changed from 3.13% to 2.98%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions. 30% of all employees other than administrators are assumed to elect coverage, down from 40% on the previous valuation. In the 2019 actuarial valuation, the discount rate changed from 2.98% to 3.36%

These schedules are to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

SUPPLEMENTARY INFORMATION SECTION

UPPER MERION AREA SCHOOL DISTRICT
SCHEDULE OF CURRENT REAL ESTATE SETTLEMENTS
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Borough of Bridgeport		Borough of West Conshohocken	
	Assessed Valuation	Tax at 20.34	Assessed Valuation	Tax at 20.34
CHARGES AGAINST TAX COLLECTORS				
Original duplicate	\$ 180,365,050		\$ 311,073,231	
Net reductions by Montgomery County Board of Assessment (Homestead Exclusion) and other adjustments made throughout year	<u>(2,637,558)</u>		<u>(1,248,368)</u>	
TOTAL CHARGES AGAINST TAX COLLECTORS	<u>\$ 177,727,492</u>	<u>\$ 3,614,977</u>	<u>\$ 309,824,863</u>	<u>\$ 6,301,838</u>
CREDITS TO COLLECTORS				
Cash received from tax collectors				
Amount paid at discount	\$ 2,795,749		\$ 5,481,281	
Amount paid at face	415,611		565,744	
Amount paid at penalty	<u>130,424</u>		<u>77,468</u>	
NET TAX RECEIVED		\$ 3,341,784		\$ 6,124,493
Add 2% discount		59,737		112,191
Less 10% penalty		<u>(7,242)</u>		<u>(6,533)</u>
FACE AMOUNT OF TAXES COLLECTED		3,394,279		6,230,151
Delinquent taxes lienied with the county treasurer		<u>220,699</u>		<u>71,688</u>
TOTAL CREDITS TO COLLECTORS		<u>\$ 3,614,978</u>		<u>\$ 6,301,839</u>
	At Face	%	At Face	%
Collected at discount	\$ 2,855,486	79.0%	\$ 5,593,472	88.8%
Collected at face	415,611	11.5%	565,744	9.0%
Collected at penalty	<u>123,182</u>	<u>3.4%</u>	<u>70,935</u>	<u>1.1%</u>
TOTAL COLLECTED BY SCHOOL DISTRICT	3,394,279	93.9%	6,230,151	98.9%
Lienied taxes	<u>220,699</u>	<u>6.1%</u>	<u>71,688</u>	<u>1.1%</u>
TOTAL DUPLICATE	<u>\$ 3,614,978</u>	<u>100.0%</u>	<u>\$ 6,301,839</u>	<u>100.0%</u>

Township of Upper Merion		Totals	
Assessed Valuation	Tax at 20.34	Assessed Valuation	Tax at 20.34
\$ 3,789,743,243		\$ 4,281,181,524	
<u>(26,398,430)</u>		<u>(30,284,356)</u>	
<u>\$ 3,763,344,813</u>	<u>\$ 76,546,433</u>	<u>\$ 4,250,897,168</u>	<u>\$ 86,463,248</u>
\$ 69,901,388		\$ 78,178,418	
3,871,054		4,852,409	
659,477		867,369	
	\$ 74,431,919		\$ 83,898,196
	1,425,041		1,596,969
	<u>(60,142)</u>		<u>(73,917)</u>
	75,796,818		85,421,248
	<u>749,615</u>		<u>1,042,002</u>
	<u>\$ 76,546,433</u>		<u>\$ 86,463,250</u>
At Face	%	At Face	%
\$ 71,326,429	93.2%	\$ 79,775,387	92.3%
3,871,054	5.1%	4,852,409	5.6%
599,335	0.8%	793,452	0.9%
75,796,818	99.0%	85,421,248	98.8%
749,615	1.0%	1,042,002	1.2%
<u>\$ 76,546,433</u>	<u>100.0%</u>	<u>\$ 86,463,250</u>	<u>100.0%</u>

UPPER MERION AREA SCHOOL DISTRICT**SCHEDULE OF REVENUES****BUDGET AND ACTUAL****GENERAL FUND****YEAR ENDED JUNE 30, 2020**

	Budgeted Revenue	Actual Revenue	Over (Under) Budget
6000 REVENUE FROM LOCAL SOURCES			
6111 Current real estate taxes	\$ 83,253,108	\$ 84,318,512	\$ 1,065,404
6112 Interim real estate taxes	600,000	2,641,697	2,041,697
6113 Public utility realty tax	86,000	73,928	(12,072)
6114 Payments in lieu of current taxes - state/local	112,326	114,867	2,541
6143 Occupational privilege taxes	240,000	257,652	17,652
6153 Real estate transfer tax	1,277,810	2,626,246	1,348,436
6154 Amusement taxes	300,000	309,405	9,405
6410 Delinquent real estate tax	785,000	926,902	141,902
6440 Delinquent 511 and amusement taxes	5,100	2,240	(2,860)
6500 Earnings on investments	700,000	1,085,653	385,653
6700 Revenue from student activities	15,000	20,529	5,529
6910 Rentals	513,559	332,759	(180,800)
6940 Tuitions	5,000	15,070	10,070
6990 Miscellaneous revenue	360,120	386,528	26,408
TOTAL 6000 REVENUE FROM LOCAL SOURCES	<u>88,253,023</u>	<u>93,111,988</u>	<u>4,858,965</u>
7000 REVENUE FROM STATE SOURCES			
7110 Basic instructional subsidy	2,491,078	4,352,278	1,861,200
7271 Special education subsidy	1,434,082	1,457,264	23,182
7310 Transportation	900,000	997,970	97,970
7320 Rentals and sinking fund payments	158,925	261,772	102,847
7330 Medical and dental subsidy	89,000	82,806	(6,194)
7340 State property tax reduction	611,364	611,347	(17)
7500 Extra grants	137,324	137,324	-
7800 State's share of FICA payments	1,862,292	-	(1,862,292)
7810 State's share of retirement	8,348,100	8,237,655	(110,445)
TOTAL 7000 REVENUE FROM STATE SOURCES	<u>16,032,165</u>	<u>16,138,416</u>	<u>106,251</u>
8000 REVENUE FROM FEDERAL SOURCES			
8512 IDEA revenue	608,074	642,401	34,327
8514 Title I	384,263	412,714	28,451
8515 Title II	96,117	93,061	(3,056)
8516 Title III	57,591	49,034	(8,557)
8517 Title IV	10,000	32,687	22,687
8741 CARES Act - ESSER	-	17,013	17,013
8749 Coronavirus relief fund	-	265,119	265,119
8810 Federal Access funds	100,000	100,000	-
8820 Medical Assistance reimbursement	35,000	23,221	(11,779)
TOTAL 8000 REVENUE FROM FEDERAL SOURCES	<u>1,291,045</u>	<u>1,635,250</u>	<u>344,205</u>
TOTAL REVENUES	<u>\$ 105,576,233</u>	<u>\$ 110,885,654</u>	<u>\$ 5,309,421</u>

***Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Upper Merion Area School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Upper Merion Area School District's basic financial statements, and have issued our report thereon dated November 23, 2020.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Upper Merion Area School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Maullie LLP".

Limerick, Pennsylvania
November 23, 2020

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the Upper Merion Area School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Upper Merion Area School District's major federal programs for the year ended June 30, 2020. Upper Merion Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Upper Merion Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Upper Merion Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Upper Merion Area School District's compliance.

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

Opinion of Each Major Federal Program

In our opinion, Upper Merion Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Upper Merion Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Upper Merion Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Upper Merion Area School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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



Limerick, Pennsylvania
November 23, 2020

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

UPPER MERION AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL
AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Title I Grants to Local Educational Agencies	I	84.010	13-190451	July 19, 2018 to September 30, 2019
Title I Grants to Local Educational Agencies	I	84.010	13-200451	July 2, 2019 to September 30, 2020
Total Title I				
Title III English Language Acquisition State Grants	I	84.365	10-200451	July 2, 2019 to September 30, 2020
Title II/A Supporting Effective Instruction State Grants	I	84.367	20-190451	July 19, 2018 to September 30, 2019
Title II/A Supporting Effective Instruction State Grants	I	84.367	20-200451	July 2, 2019 to September 30, 2020
Total Title II/A				
Title IV Student Support and Academic Enrichment Program	I	84.424	144-190451	July 19, 2018 to September 30, 2019
Title IV Student Support and Academic Enrichment Program	I	84.424	144-200451	July 2, 2019 to September 30, 2020
Total Title IV				
COVID-19 - Education Stabilization Fund	I	84.425	200-200451	March 13, 2020 to September 30, 2021
Passed through the Pennsylvania Commission on Crime and Delinquency				
COVID-19 - Coronavirus Relief Fund	I	21.019		March 1, 2020 to October 30, 2020
Passed through the Montgomery County Intermediate Unit 23				
Special Education Cluster				
IDEA Special Education Preschool Grants	I	84.173	62-02014	July 1, 2018 to June 30, 2019
IDEA Special Education Preschool Grants	I	84.173	62-02014	July 1, 2019 to June 30, 2020
Total IDEA 84.173				
IDEA Special Education Grants to States	I	84.027	62-02014	July 1, 2018 to June 30, 2019
IDEA Special Education Grants to States	I	84.027	62-02014	July 1, 2019 to June 30, 2020
Total IDEA 84.027				
TOTAL SPECIAL EDUCATION CLUSTER				
TOTAL U.S. DEPARTMENT OF EDUCATION FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2020</u>	<u>Amount Passed Through to Sub-Recipients</u>
\$ 421,637	\$ 112,600	\$ 112,600	\$ -	\$ -	\$ -	\$ -
<u>414,495</u>	<u>386,867</u>	<u>-</u>	<u>412,715</u>	<u>412,715</u>	<u>25,848</u>	<u>-</u>
<u>836,132</u>	<u>499,467</u>	<u>112,600</u>	<u>412,715</u>	<u>412,715</u>	<u>25,848</u>	<u>-</u>
<u>49,225</u>	<u>32,817</u>	<u>-</u>	<u>49,034</u>	<u>49,034</u>	<u>16,217</u>	<u>-</u>
98,142	(117)	(3,256)	3,139	3,139	-	-
<u>92,201</u>	<u>79,813</u>	<u>-</u>	<u>89,921</u>	<u>89,921</u>	<u>10,108</u>	<u>-</u>
<u>190,343</u>	<u>79,696</u>	<u>(3,256)</u>	<u>93,060</u>	<u>93,060</u>	<u>10,108</u>	<u>-</u>
27,552	-	(1,496)	1,496	1,496	-	-
<u>31,557</u>	<u>18,934</u>	<u>-</u>	<u>31,191</u>	<u>31,191</u>	<u>12,257</u>	<u>-</u>
<u>59,109</u>	<u>18,934</u>	<u>(1,496)</u>	<u>32,687</u>	<u>32,687</u>	<u>12,257</u>	<u>-</u>
<u>340,443</u>	<u>-</u>	<u>-</u>	<u>17,013</u>	<u>17,013</u>	<u>17,013</u>	<u>-</u>
<u>265,119</u>	<u>-</u>	<u>-</u>	<u>265,119</u>	<u>265,119</u>	<u>265,119</u>	<u>-</u>
4,114	4,114	4,114	-	-	-	-
<u>4,536</u>	<u>4,536</u>	<u>-</u>	<u>4,536</u>	<u>4,536</u>	<u>-</u>	<u>-</u>
<u>8,650</u>	<u>8,650</u>	<u>4,114</u>	<u>4,536</u>	<u>4,536</u>	<u>-</u>	<u>-</u>
603,960	171,402	171,402	-	-	-	-
<u>637,865</u>	<u>637,865</u>	<u>-</u>	<u>637,865</u>	<u>637,865</u>	<u>-</u>	<u>-</u>
<u>1,241,825</u>	<u>809,267</u>	<u>171,402</u>	<u>637,865</u>	<u>637,865</u>	<u>-</u>	<u>-</u>
<u>1,250,475</u>	<u>817,917</u>	<u>175,516</u>	<u>642,401</u>	<u>642,401</u>	<u>-</u>	<u>-</u>
<u>2,990,846</u>	<u>1,448,831</u>	<u>283,364</u>	<u>1,512,029</u>	<u>1,512,029</u>	<u>346,562</u>	<u>-</u>

UPPER MERION AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL
AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>
U.S. DEPARTMENT OF EDUCATION				
TOTAL FORWARDED				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Drug Free Communities Support Program Grants		93.276	044-007451	September 30, 2012 to September 29, 2017
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Agriculture				
Child Nutrition Cluster				
National School Lunch Program, Donated foods	I	10.555	N/A	July 1, 2018 to June 30, 2019
Passed through the Pennsylvania Department of Education				
National School Lunch Program	I	10.555	N/A	July 1, 2019 to June 30, 2020
National School Lunch Program	I	10.555	N/A	July 1, 2019 to June 30, 2020
School Breakfast Program	I	10.553	N/A	July 1, 2019 to June 30, 2020
TOTAL CHILD NUTRITION CLUSTER				
Passed through the Pennsylvania Department of Education				
State Matching Share - Lunch	S	N/A	N/A	July 1, 2019 to June 30, 2020
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND CERTAIN STATE AWARDS				
LESS STATE SHARE				
TOTAL FEDERAL AWARDS				

See accompanying notes to the schedule of expenditures of federal and certain state awards.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2020</u>	<u>Amount Passed Through to Sub-Recipients</u>
\$ 2,990,846	\$ 1,448,831	\$ 283,364	\$ 1,512,029	\$ 1,512,029	\$ 346,562	\$ -
622,940	(17,617)	(17,617)	-	-	-	-
N/A	126,547	(30,059)	129,245	129,245	(27,361)	-
N/A	641,800	-	669,209	669,209	27,409	-
N/A	-	-	127,080	127,080	127,080	-
N/A	155,327	-	168,056	168,056	12,729	-
-	923,674	(30,059)	1,093,590	1,093,590	139,857	-
N/A	45,413	-	47,755	47,755	2,342	-
-	969,087	(30,059)	1,141,345	1,141,345	142,199	-
3,613,786	2,400,301	235,688	2,653,374	2,653,374	488,761	-
-	(45,413)	-	(47,755)	(47,755)	(2,342)	-
\$ 3,613,786	\$ 2,354,888	\$ 235,688	\$ 2,605,619	\$ 2,605,619	\$ 486,419	\$ -

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2020

NOTE A - ORGANIZATION AND SCOPE

The federal programs as listed in the schedule of expenditures of federal and certain state awards are accounted for by the School District in the General Fund for U.S. Department of Education programs and in the Food Service Fund for U.S. Department of Agriculture programs.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District uses the modified accrual basis of accounting to report federal, state and other grants. Revenues designated for payment of specified School District expenditures are recognized when the related expenditures are incurred. Any excess of receipts or expenditures at the fiscal year-end are recorded as deferred revenue or a receivable, respectively. The modified accrual basis of accounting is described in Note A to the financial statements.

Total assistance is valued at the sum of cash received and the value of U.S.D.A. donated foods based upon the federal price list accompanying each shipment.

NOTE C - PROGRAM OBJECTIVES

Title I Grants to Improve Basic Programs - To improve the teaching and learning of children who are at risk of not meeting challenging and academic standards and who reside in areas with high concentrations of children from low-income families.

National School Lunch Program - To (1) assist states through cash grants and donations in making lunch available to school children and (2) encourage the domestic consumption of agricultural commodities and other foods. To improve the diets of school children in need of food assistance and to increase the market for domestically produced foods acquired under surplus removal or price support operations.

Title II Improving Teacher Quality - To upgrade the expertise of teachers and other school staff to enable them to teach all children to meet state content standards and to sustain high quality professional development focused on core academic subjects.

Title III Language Instruction LEP/Immigrant Students - Improve education of limited English proficient students and provide enhanced instructional opportunities for immigrant children and youths.

Title IV School Support and Academic Enrichment Program - To (1) Provide all students with access to a well-rounded education; (2) improve school conditions for student learning; (3) improve the use of technology in order to improve the academic achievement and digital literacy for all students.

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2020

NOTE C - PROGRAM OBJECTIVES (Continued)

Individuals with Disabilities Education (IDEA) Programs - To (1) ensure that all children with disabilities have available to them a free appropriate public education which emphasizes special education and related services designed to meet their unique needs; (2) ensure that the rights of children with disabilities and their parents or guardians are protected; (3) assist states, localities, educational service agencies and federal agencies to provide for the education of all children with disabilities; and (4) assess and ensure that effectiveness of efforts to educate children with disabilities.

NOTE D - INDIRECT COST RATES

The School District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

UPPER MERION AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified: **No**

Significant deficiencies identified that are not considered to be material weaknesses: **No**

Noncompliance material to financial statements noted: **No**

Federal Awards

Type of auditors' report issued on compliance for major programs: **Unmodified**

Internal control over major programs:

Material weaknesses(es) identified: **No**

Significant deficiencies identified that are not considered to be material weaknesses: **No**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 500.516(a): **No**

Identification of major programs:

<u>Program</u>	<u>CFDA</u>
IDEA Special Education Grants to States	84.027
IDEA Special Education Preschool Grants	84.173

Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**

Auditee qualified as a low-risk auditee: **Yes**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.