

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 20, 2020

NEW ISSUE—BOOK-ENTRY ONLY

RATING: S&P: \_\_ (Underlying)
(See Rating herein)

In the opinion of Bond Counsel, under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed.

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth of Pennsylvania and the interest on the Bonds is exempt from the Commonwealth of Pennsylvania Personal Income Tax and the Commonwealth of Pennsylvania Corporate Net Income Tax.

The full text draft of Bond Counsel's opinion is appended hereto in Appendix "B" and reference is made hereto. For further information concerning federal and state tax matters relating to the Bonds, see "Tax Exemption and Other Tax Matters" herein.

\$9,195,000\*

Lower Moreland Township School District
Montgomery County, Pennsylvania
General Obligation Bonds, Series of 2020

Dated: Date of Delivery
Interest Due: May 1 and November 1

Principal Due: November 1, as shown on inside cover
First Interest Payment: May 1, 2021

The General Obligation Bonds, Series of 2020 (the "Bonds") in the aggregate principal amount of \$9,195,000\* will be issued in registered book-entry only form, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York.

The Bonds are general obligations of the Lower Moreland Township School District, Montgomery County, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power.

Proceeds of the Bonds will be used for and towards the payment of the costs of a capital project that includes planning, designing, constructing, equipping, and furnishing, alterations, additions, and renovations to various School District and related facilities and grounds and payment of related costs and expenses, including the cost of issuance of the Bonds.

The Bonds are an authorized investment for fiduciaries in the Commonwealth of Pennsylvania pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

MATURITIES, AMOUNTS, COUPONS AND YIELDS
(As Shown on Inside Cover)

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of King, Spry, Herman, Freund, & Faul, LLC, Bethlehem, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds.

PFM Financial Advisors LLC
Financial Advisor to the School District

Dated:

\*Estimated, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

**\$9,195,000\***  
**Lower Moreland Township School District**  
**Montgomery County, Pennsylvania**  
**General Obligation Bonds, Series of 2020**

**Dated:** Date of Delivery  
**Interest Due:** May 1 and November 1

**Principal Due:** November 1, as shown below  
**First Interest Payment:** May 1, 2021

**MATURITIES, AMOUNTS, COUPONS AND YIELDS**

<b>Maturity November 1</b>	<b>Principal Amounts</b>	<b>Coupons</b>	<b>Yields</b>	<b>CUSIP Numbers<sup>(1)</sup></b>
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
2050				

<sup>(1)</sup>The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

(A portion of the Bonds may be structured as Term Bonds. See "Invitation to Bid".)

\*Estimated, subject to change

# LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

Montgomery County, Pennsylvania

## BOARD OF SCHOOL DIRECTORS

Dr. Murray Cohen.....	President
Mrs. Camille Murao Baker.....	Vice President
Mr. Howard Patent.....	Secretary
Mr. Alan Steinberg.....	Treasurer
Mr. Michael Berardi.....	Member
Mr. Steven Geiger.....	Member
Mr. Eric Kazatsky.....	Member
Ms. Carole Natter.....	Member
Mr. Lance Wolbransky.....	Member

**SUPERINTENDENT**  
DR. SCOTT DAVIDHEISER

**BUSINESS MANAGER**  
MARK MCGUINN

**SCHOOL DISTRICT SOLICITOR**  
SWEET, STEVENS, KATZ & WILLIAMS LLP  
New Britain, Pennsylvania

**BOND COUNSEL**  
KING, SPRY, HERMAN, FREUND, & FAUL, LLC  
Bethlehem, Pennsylvania

**FINANCIAL ADVISOR**  
PFM FINANCIAL ADVISORS LLC  
Harrisburg, Pennsylvania

**PAYING AGENT**  
MANUFACTURERS AND TRADERS TRUST COMPANY  
Harrisburg, Pennsylvania

**SCHOOL DISTRICT ADDRESS**  
Administration Offices  
2551 Murray Avenue  
Huntingdon Valley, Pennsylvania 19006-6298

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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# PRELIMINARY OFFICIAL STATEMENT

**\$9,195,000\***

## **Lower Moreland Township School District Montgomery County, Pennsylvania General Obligation Bonds, Series of 2020**

### INTRODUCTION

This Preliminary Official Statement, including the cover and inside cover pages hereof and Appendices hereto, is furnished by Lower Moreland Township School District, Montgomery County, Pennsylvania (the "School District"), in connection with the offering of \$9,195,000\* aggregate principal amount of its General Obligation Bonds, Series of 2020, (the "Bonds"), dated the delivery date of the Bonds (the "Delivery Date"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on October 20, 2020 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, (the "Commonwealth"), 53 Pa. C.S. Chs. 80-82 (the "Act").

### PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used for and towards the payment of the costs of a capital project that includes planning, designing, constructing, equipping, and furnishing, alterations, additions, and renovations to various School District and related facilities and grounds and payment of related costs and expenses, including the cost of issuance of the Bonds.

### Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

	<b>Totals</b>
<b><u>Sources of Funds</u></b>	
Bond Proceeds .....	
Net Original Issue Premium/(Discount).....	
<i>Total Sources of Funds</i> .....	
<b><u>Uses of Funds</u></b>	
Construction Fund Deposit.....	
Costs of Issuance <sup>(1)</sup> .....	
<i>Total Uses of Funds</i> .....	

<sup>(1)</sup>Includes legal, financial advisor, printing, rating, bond discount, CUSIP, paying agent, and miscellaneous costs.

\*Estimated, subject to change

## THE BONDS

### Description

The Bonds will be issued only as fully registered book-entry only form in the denominations of \$5,000 and integral multiples thereof. The Bonds will be issued as one fully registered Bond for each maturity of the Bonds in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"), as registered owner of all Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. The Bonds will be dated as of the date of delivery, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Preliminary Official Statement. Interest on the Bonds will be payable initially on May 1, 2021 and semiannually thereafter on May 1 and November 1 until the principal sum thereof is paid.

### Payment of Principal and Interest

Subject to the provisions described under "BOOK-ENTRY ONLY SYSTEM" herein, principal of the Bonds will be paid to the registered owners thereof or assigns, when due, upon surrender of the Bonds at the specified corporate trust office of the Paying Agent.

Interest is payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding May 1, 2021, in which event such Bond shall bear interest from the date of delivery or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bonds shall bear interest from the date to which interest was last paid on such Bond. Interest shall be paid initially on May 1, 2021, and thereafter, semiannually on May 1 and November 1 of each year, until the principal sum is paid. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth day of the month (whether or not a day on which the paying agent is open for business) next preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owner of such Bond not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the person in whose name such Bond is registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania are authorized by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

### Transfer, Exchange and Registration of Bonds

The School District and the Paying Agent shall not be required (a) to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange any portion of any Bond selected for redemption until after the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same series, maturity and interest rate.

Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, at its specified corporate trust office, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

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\*Estimated, subject to change

## Commonwealth Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 150 of 1975, and as further amended and supplemented (the “Public School Code”), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness on the date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the Bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such Bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers’ salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors’ rights generally. See “Pennsylvania Budget Adoption” hereinafter.

## Pennsylvania Budget Adoption

Over the past several years the Commonwealth of Pennsylvania has, from time to time, started its fiscal year without a fully adopted state budget. In the state’s 2015-16 fiscal year, a final budget was not enacted until 270 days following the beginning of the fiscal year on March 27, 2016 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on March 17, 2016.

For the 2016-17 fiscal year, the state budget became law, known as Act 16A of 2016, on July 12, 2016 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on July 1, 2016. On July 13, 2016, the General Assembly adopted and Governor signed into law additional tax and revenue package, known as Act 85 of 2016, which was needed to balance the 2016-17 state budget.

For the 2017-18 fiscal year, the state budget became law, known as Act 1A of 2017, on July 11, 2017 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on June 30, 2017. Act 1A of 2017 did not have any accompanying legislation regarding the potential revenue that would be needed to fund the balance of the 2017-18 Budget at the time of its enactment. On October 25, 2017, the General Assembly adopted House Bill 542 which contained the necessary revenue to fund the balance of the previously adopted Act 1A of 2017. On October 30, 2017 the Governor approved and signed House Bill 542 and it became known as Act 43 of 2017.

The budget for the 2018-19 and the 2019-20 fiscal years were adopted timely. Due to the uncertainty of funding and expenditures caused by the COVID-19 pandemic, on May 29, 2020, the governor passed a five-month stopgap budget for the fiscal year 2020-21. This budget provides five months of flat funding for most state programs and a full twelve months of flat funding for public education.

During a state budget impasse, school districts in Pennsylvania cannot be certain that state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. **Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the Public School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the Public School Code during any future budget impasses. See “Act 85 of 2016” hereinafter.**

## Act 85 of 2016

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) (“Act 85 of 2016”), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code (“Fiscal Code”). Act 85 of 2016 adds to the Fiscal Code Article XVII-E.4, entitled “School District Intercepts for the Payment of Debt Service During Budget Impasse”, which provides for intercept of subsidy payments by the Pennsylvania Department of Education (“PDE”) to a school district subject to an intercept statute or an intercept agreement in the event of a Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of “intercept statutes” Section 633 of the Public School Code. The School District's general obligation bonds, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts that may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement “shall be appropriated” to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year:

- (1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;

- (2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and
- (3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated and paid to the paying agent on the day the scheduled payment for principal and interest is due on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XVII-E.4 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district with bonds or notes subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. The School District intends on submitting this information with respect to the Bonds to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

## **SECURITY**

### **General Obligation Pledge**

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy *ad valorem* taxes on all taxable property within the School District, within limitations provided by law. See "Act 1 of 2006 ("The Taxpayer Relief Act")" *in the Preliminary Official Statement for a discussion of certain possible limitations on the School District's taxing powers.*

### **Sinking Fund**

A sinking fund for the payment of debt service on the Bonds, designated "Sinking Fund, General Obligation Bonds, Series of 2020" (the "Sinking Fund"), has been created under the Resolution and is maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

## **BOOK-ENTRY ONLY SYSTEM**

*The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information and such information is not to be construed as a representation of the School District or the Underwriter.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing

corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Principal, interest and redemption payments on the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Principal, interest and redemption payments on the Bonds will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities: DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District (the “Issuer”) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Paying Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to a Tender Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Tender Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

*The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.*

## **REDEMPTION OF THE BONDS**

### **Mandatory Redemption**

Bidders may elect to structure the issue to include term Bonds, which term Bonds, if selected by the bidder, will be subject to mandatory redemption prior to maturity, in the years and amounts as shown in the Invitation to Bid, upon payment of the principal amount of Bonds to be redeemed, together with accrued interest to the date fixed for redemption, or upon maturity, as applicable. Bonds to be redeemed shall be selected by lot by the Paying Agent.

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

### **Optional Redemption**

The Bonds stated to mature on or after November 1, 2027 are subject to redemption prior to maturity, at the option of the School District, as a whole or, from time to time, in part, (and if in part, in such maturity or maturities as the School District shall select for redemption and within a maturity by lot), on November 1, 2026, or on any date thereafter, upon payment of a redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all Bonds of any maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the Paying Agent.

### **Notice of Redemption**

Notice of any redemption shall be given by depositing a copy of the redemption notice by first class mail not more than forty-five (45) days and not less than thirty (30) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

### **Manner of Redemption**

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing that number of Bonds which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be

made only upon surrender of such Bond in exchange for Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania are authorized by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

## THE SCHOOL DISTRICT

### Introduction

The School District serves an area of approximately nine square miles in southeastern Montgomery County, Pennsylvania (the “County”) and includes Lower Moreland Township, (the “Township”) and a very small portion of Bryn Athyn Borough. The School District is approximately fifteen miles east of the Borough of Norristown, the county seat of the County. The Township is bordered by the City of Philadelphia, the Townships of Abington, Upper Moreland, Upper Southampton, and Lower Southampton, and surrounds the Borough of Bryn Athyn. The Township also includes the unincorporated communities of Bethayres and Huntingdon Valley. The School District is primarily residential in nature and the 2010 census population was 12,982.

### Administration

The governing body of the School District is a board of nine school directors (the “School Board”) who are elected on a staggered basis. The daily operations and management of the School District are carried out by the administrative staff of the School headed by the Superintendent of Schools who is appointed by the School Board.

### School Facilities

The School District is currently organized on the following grade level structure: K-5, 6-8 and 9-12. The following table depicts the component elements of the existing physical plants of the School District.

**TABLE 1  
LOWER MORELAND TOWNSHIP SCHOOL DISTRICT FACILITIES**

<u>Building</u>	<u>Original Construction Date</u>	<u>Addition/ Renovation Date(s)</u>	<u>Grades</u>	<u>Rated Pupil Capacity</u>	<u>2020-21 Enrollment</u>
<i>Elementary:</i>					
Pine Road Elementary .....	1960	2002, 2009	K-5	1,230	1,002
Murray Avenue School .....	1940	2001	6-8	1,049	592
<i>Secondary:</i>					
Lower Moreland Senior High School .....	1967; 1973	2004	9-12	1,014	805

Source: School District Administrative Officials.

### Enrollment Trends

The following Table 2 presents recent trends in school enrollment and projections of enrollment for the next five years, as prepared by the School Districts administrative officials.

**TABLE 2  
LOWER MORELAND TOWNSHIP SCHOOL DISTRICT ENROLLMENT TRENDS**

<u>School Year</u>	<u>Actual Enrollments</u>			<u>School Year</u>	<u>Projected Enrollments</u>		
	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>		<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2016-17	1,126	1,135	2,261	2021-22	1,242	1,232	2,474
2017-18	1,141	1,141	2,282	2022-23	1,260	1,258	2,518
2018-19	1,169	1,143	2,312	2023-24	1,307	1,246	2,553
2019-20	1,195	1,197	2,392	2024-25	1,291	1,298	2,589
2020-21	1,002	1,397	2,399	2025-26	1,047	1,540	2,587

Source: School District officials and the Pennsylvania Department of Education.

## SCHOOL DISTRICT FINANCES

### Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Business Manager and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

### Financial Reporting

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll taxes and pension fund contributions payable, delinquent taxes receivable, loans receivable from other funds, and revenues receivable from other governmental units. Its financial statements are audited by independent certified public accountants, as required by State law. Maillie, LLP, Oaks, Pennsylvania, currently serve as the School District Auditor.

### Budgeting Process as modified by the 2006 Taxpayer Relief Act

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education (“PDE”). An annual operating budget is prepared by school district administrative officials on a uniform form furnished by PDE and submitted to the board of school directors for approval prior to the beginning of each fiscal year on which commences July 1.

Procedures for Adoption of the Annual Budget. Unless the Simplified Procedures described below are utilized, under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (together “The Taxpayer Relief Act” or “Act 1”), all school districts of the first class A, second class, third class and fourth class must adopt a preliminary budget (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the primary election immediately preceding the beginning of each fiscal year. This preliminary budget must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days’ public notice of its intent to adopt the preliminary budget prior to its adoption. The board of school directors shall print the final budget and make it available for public inspection at least 20 days prior to its adoption and shall give public notice of its intent to adopt the final budget at least 10 days prior to adoption, and may hold a public hearing prior to adoption. Guidance from PDE suggests that the preliminary budget be converted to a proposed budget adopted by the board of school directors at least 30 days prior to the adoption of the final budget as required by the School Code. The School District follows the requirements of Act 1 and the guidance of PDE pursuant to the requirements of the School Code.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to PDE no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (see “**The Taxpayer Relief Act (Act 1)**” herein) and within 10 days of the receipt of the information about the preliminary budget, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see “**The Taxpayer Relief Act (Act 1)**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared and approved at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days’ public notice be given of the board’s intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

## Summary and Discussion of Financial Results

A summary of the General Fund balance sheet and changes in fund balances is presented in Tables 3 and 4. Table 5 shows revenues and expenditures for the past four years, estimated revenues and expenditures for 2019-20 and the 2020-21 budget. The budget for 2020-21 as adopted June 16, 2020, projects revenues of \$51,751,727 and expenditures of \$52,504,322.

**TABLE 3**  
**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>ASSETS</b>				
Cash .....	\$9,773,799	\$3,258,230	\$2,050,254	\$867,111
Investments .....	\$0	\$6,672,555	\$6,247,061	\$7,994,137
Taxes Receivable (Net).....	756,901	746,496	836,454	886,559
Due From Other Governments .....	402,502	514,769	179,577	559,338
State Revenue Receivables .....	0	0	252,229	0
Other Receivables (Net)	<u>0</u>	<u>100,000</u>	<u>444,510</u>	<u>0</u>
Federal Revenue Receivable.....	<u>0</u>	<u>0</u>	<u>252,229</u>	<u>0</u>
<b>TOTAL ASSETS</b> .....	<u><u>\$9,677,915</u></u>	<u><u>\$10,158,957</u></u>	<u><u>\$10,252,163</u></u>	<u><u>\$10,478,904</u></u>
<b>LIABILITIES</b>				
Accounts Payable.....	\$834,311	\$693,591	\$504,328	\$496,857
Accrued Salaries and Benefits	3,458,171	3,952,056	4,219,112	4,452,771
Deferred Revenues.....	655,215	624,819	716,010	721,472
Other Current Liabilities.....	<u>83,698</u>	<u>88,702</u>	<u>92,758</u>	<u>74,033</u>
<b>TOTAL LIABILITIES</b> .....	<u><u>\$5,031,395</u></u>	<u><u>\$5,359,168</u></u>	<u><u>\$5,532,208</u></u>	<u><u>\$5,745,133</u></u>
<i>Deferred Inflows of Resources</i> .....	\$0	\$0	\$680,418	\$0
<b>FUND EQUITIES</b>				
Committed Fund Balance.....	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Assigned Fund Balance .....	1,000,000	1,000,000	1,000,000	1,000,000
Unassigned Fund Balance.....	<u>3,401,807</u>	<u>3,432,882</u>	<u>1,985,531</u>	<u>2,062,012</u>
<b>TOTAL FUND EQUITIES</b> .....	<u><u>\$5,901,807</u></u>	<u><u>\$5,932,882</u></u>	<u><u>\$4,485,531</u></u>	<u><u>\$4,562,012</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITIES</b> .....	<u><u>\$10,933,202</u></u>	<u><u>\$11,292,050</u></u>	<u><u>\$10,017,739</u></u>	<u><u>\$10,307,145</u></u>

Source: School District Annual Financial Reports.

**TABLE 4**  
**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT GENERAL FUND**  
**SUMMARY OF CHANGES IN FUND BALANCE\***

	<u>Actual</u>				<u>Estimated</u>	<u>Budgeted</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020<sup>(1)</sup></u>	<u>2021<sup>(2)</sup></u>
<b>Beginning Fund Balance</b>	\$5,867,828	\$5,901,806	\$5,932,880	\$4,485,529	\$4,562,010	\$4,817,802
Revenues over (under) Expenditure						
Other	33,978	31,075	(1,447,351)	76,481	255,792	(752,595)
<b>Ending Fund Balance</b>	<u><u>\$5,901,806</u></u>	<u><u>\$5,932,880</u></u>	<u><u>\$4,485,529</u></u>	<u><u>\$4,562,010</u></u>	<u><u>\$4,817,802</u></u>	<u><u>\$4,065,207</u></u>

\*Totals may not add due to rounding.

<sup>(1)</sup>Estimated, subject to change and final audit.

<sup>(2)</sup>Budget, as adopted June 16, 2020.

Source: School District Annual Financial Reports and Budget.

## Revenue

The School District received an estimated \$40,402,223 in revenue for 2019-20 and has budgeted for \$41,604,487 in 2020-21. Local sources decreased as a share of revenue in the past five years, from 81.9% in 2015-16 to an estimated 80% in 2019-20. State sources increased as a share of the total revenue from 17.4% to an estimated 19.4% over this period. Federal and other sources decreased as a share of the total revenue 0.7% to an estimated 0.5% during this period.

**TABLE 5**  
**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**SUMMARY OF SCHOOL DISTRICT GENERAL FUND**  
**REVENUES AND EXPENDITURES\***  
**(Years Ending June 30)**

	Actual				Estimated	Budgeted
	2016	2017	2018	2019	2020 <sup>(1)</sup>	2021 <sup>(2)</sup>
<b>REVENUE:</b>						
Local Sources:	\$36,729,913	\$37,976,059	\$38,854,854	\$40,570,926	\$40,402,223	\$41,604,487
State Sources:	7,810,131	8,834,443	9,162,262	9,550,316	9,818,831	10,147,240
Federal Sources	316,663	301,623	243,921	231,739	238,776	0
Other Financing Sources:	0	0	539,663	351,155	185,081	0
<b>Total Revenue</b>	<b>\$44,856,707</b>	<b>\$47,112,124</b>	<b>\$48,800,700</b>	<b>\$50,704,137</b>	<b>\$50,644,911</b>	<b>\$51,751,727</b>
<b>EXPENDITURES:</b>						
Instruction	\$27,043,317	\$28,381,371	\$29,952,517	\$30,480,212	\$30,891,106	\$32,165,616
Pupil Personnel	1,137,688	1,109,818	1,418,976	1,376,841	1,456,110	1,526,607
Instructional Staff	1,302,303	1,420,307	2,509,548	1,828,666	1,781,212	1,900,580
Administration	3,201,126	3,305,077	3,375,116	3,357,793	3,348,266	3,646,263
Pupil Health	404,292	427,578	398,424	421,336	418,867	502,872
Business	710,897	727,988	747,976	757,135	753,893	822,774
Operations & Maintenance of Plant Services	2,428,332	2,353,746	2,438,785	2,539,748	2,372,470	2,637,157
Student Transportation Services	2,823,843	2,977,500	2,997,347	3,090,744	2,812,047	3,002,427
Central	696,721	724,378	799,904	692,228	755,727	805,052
Other Support Services	33,285	33,214	33,003	32,710	32,410	34,500
Operation of Noninstructional Services	826,415	832,972	889,358	839,422	832,156	903,065
Debt Service	4,207,840	4,358,359	4,682,093	4,703,699	4,727,090	4,447,409
Fund Transfers	6,668	428,743	5,004	507,121	207,765	110,000
<b>Total Expenditures and Other Financing Options</b>	<b>\$44,822,729</b>	<b>\$47,081,050</b>	<b>\$50,248,051</b>	<b>\$50,627,656</b>	<b>\$50,389,119</b>	<b>\$52,504,322</b>
<b>Revenues and Other financing Sources Over (Under) Expenditures and Other</b>	<b>\$33,978</b>	<b>\$31,075</b>	<b>(\$1,447,351)</b>	<b>\$76,481</b>	<b>\$255,792</b>	<b>(\$752,595)</b>

\*Totals may not add due to rounding.

<sup>(1)</sup>Estimated, subject to change and final audit.

<sup>(2)</sup>Budget, as adopted June 16, 2020.

Source: School District Annual Financial Reports and Budget.

## TAXING POWERS AND LIMITS

### In General

*Subject to certain limitations imposed by the Taxpayer Relief Act (more specifically described below), the School District is empowered by the School Code and other statutes to levy the following taxes:*

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
  - a. for minimum salaries and increments of the teaching and supervisory staff;
  - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
  - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
  - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.

4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended by Act 32 of 2008, enacted July 2, 2008 (53 P.S. §6924.101) the (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

### **The Taxpayer Relief Act (Act 1 of 2006)**

Under The Taxpayer Relief Act (Act 1), a school district may not levy any tax for the support of the public schools which was not levied in the previous fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act, or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by PDE:

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004 (“Act 72”), or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 (as in the case of the School District); to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district’s petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index</u>
2020-21	2.6
2019-20	2.3
2018-19	2.4
2017-18	2.5
2016-17	2.4

Source: Pennsylvania Department of Education website.

In accordance with Act 1, the School District put a referendum question on the ballot for the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) its earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in any future municipal election seeking approval to levy or increase the rate of an EIT or impose PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

**Status of the Bonds Under The Taxpayer Relief Act (Act 1)**

No exceptions to the Act 1 taxing limits are expected to apply to the Bonds.

**The information set forth above is a summary of Act 1 and its impact. This summary is not intended to be an exhaustive discussion of the provisions of Act 1 nor a legal interpretation of any provision of Act 1, and a prospective purchaser of the Bonds should review the full text of Act 1 as a part of any decision to purchase the Bonds.**

**Act 24 of 2001**

Act 24 of 2001 of the Commonwealth (the Optional Occupation Tax Elimination Act) authorizes a board of school directors to schedule a public hearing and conduct a ballot referendum on replacing any existing school district occupation tax with an increase in the local earned income and net profits tax in a revenue neutral manner. Under the Taxpayer Relief Act, a school district may schedule such a referendum at any municipal election except a municipal election at which the school district seeks voter approval to convert its earned income and net profits tax to a personal income tax.

The School District has not imposed an occupation tax which is subject to elimination under Act 24 of 2001.

**Legislation Limiting Unreserved Fund Balances**

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u><b>Total Budgeted Expenditures</b></u>	<u><b>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</b></u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

## Tax Levy Trends

Table 6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, Lower Moreland Township and Montgomery County.

**TABLE 6  
LOWER MORELAND TOWNSHIP SCHOOL DISTRICT TAX RATES**

	<b>Real Estate (mills)</b>	<b>Real Estate Transfer (%)</b>	<b>Earned Income Tax (%)</b>
2016-17 .....	33.3179	0.50	0.50
2017-18 .....	34.3069	0.50	0.50
2018-19 .....	35.1906	0.50	0.50
2019-20 .....	35.8576	0.50	0.50
2020-21 .....	36.7205	0.50	0.50

Source: School District Officials.

**TABLE 7  
LOWER MORELAND TOWNSHIP SCHOOL DISTRICT  
COMPARATIVE REAL PROPERTY TAX RATES  
(Mills on Assessed Value)**

	<b><u>2016-17</u></b>	<b><u>2017-18</u></b>	<b><u>2018-19</u></b>	<b><u>2019-20</u></b>	<b><u>2020-21</u></b>
School District	33.3179	34.3069	35.1906	35.8576	36.7205
Lower Moreland Township	4.1830	4.1830	4.8030	4.9400	4.9400
Montgomery County	3.4590	3.4590	3.4590	2.6950	2.6950

Source: School District Officials and Local Government Officials.

## Real Property Tax

The real property tax (excluding delinquent collections) produced an estimated \$36,274,379 in 2019-20, approximately 71.62 percent of revenue. The tax is levied on July 1 of each year. Taxpayers who remit within 60 days receive 2 percent discount, and those who subsequent to 120 days after July 1 are assessed a 10 percent penalty.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last countywide assessment in Montgomery County was in 1998.

**TABLE 8  
LOWER MORELAND TOWNSHIP SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA**

	<b>Market Value</b>	<b>Assessed Value</b>	<b>Ratio</b>
2015-16.....	\$1,671,880,516	\$1,096,274,316	65.57%
2016-17.....	1,700,694,404	1,096,073,258	64.45%
2017-18.....	1,697,300,786	1,094,559,942	64.49%
2018-19 <sup>(1)</sup> .....	1,736,087,133	1,093,277,328	62.97%
2019-20 <sup>(1)</sup> .....	1,729,371,033	1,089,654,695	63.01%
Compound Average Annual Percentage Change	0.68%	-0.12%	

<sup>(1)</sup>State Tax Equalization Board does not include the portion of Bryn Athyn Borough.

Source: Pennsylvania State Tax Equalization Board.

**TABLE 9  
LOWER MORELAND TOWNSHIP SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	<b>2018<sup>(1)</sup> Market Value</b>	<b>2018<sup>(1)</sup> Assessed Value</b>	<b>2019<sup>(1)</sup> Market Value</b>	<b>2019<sup>(1)</sup> Assessed Value</b>
School District.....	\$1,736,087,133	\$1,093,277,328	\$1,729,371,033	\$1,089,654,695
Lower Moreland Township .....	1,736,087,133	1,093,277,328	1,729,371,033	1,089,654,695
Montgomery County .....	97,235,659,407	60,354,912,665	97,768,112,720	60,636,608,292

<sup>(1)</sup>State Tax Equalization Board does not include the portion of Bryn Athyn Borough.  
Source: Pennsylvania State Tax Equalization Board.

**TABLE 10  
LOWER MORELAND TOWNSHIP SCHOOL DISTRICT  
ASSESSMENT BY LAND USE**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018<sup>(1)</sup></b>	<b>2019<sup>(1)</sup></b>
Residential	\$954,033,232	\$955,377,462	\$956,365,396	\$954,715,259	\$953,696,976
Lots	4,471,354	3,931,936	3,929,116	4,434,300	4,391,090
Industrial	45,722,790	45,722,790	45,691,120	44,731,654	42,990,674
Commercial	80,569,850	80,463,840	77,997,080	79,058,415	78,305,035
Agriculture	9,788,760	9,815,310	9,815,310	9,575,780	9,509,000
Land	1,688,330	761,920	761,920	761,920	761,920
<b>Total</b>	<b>\$1,096,274,316</b>	<b>\$1,096,073,258</b>	<b>\$1,094,559,942</b>	<b>\$1,093,277,328</b>	<b>\$1,089,654,695</b>

<sup>(1)</sup>State Tax Equalization Board does not include the portion of Bryn Athyn Borough.  
Source: Pennsylvania State Tax Equalization Board.

**TABLE 11  
LOWER MORELAND TOWNSHIP SCHOOL DISTRICT  
REAL PROPERTY TAX COLLECTION DATA**

<b>Year</b>	<b>Assessed Valuation</b>	<b>Mills</b>	<b>Adjusted Levy</b>	<b>Current Collections Amount</b>	<b>Current Year Collections as Percent</b>	<b>Current &amp; Delinquent Collections</b>	<b>Total Collections as Percent</b>
2015-16	\$1,096,154,706	32.3712	\$34,028,595	\$32,767,994	96.30%	\$33,523,986	98.74%
2016-17	1,096,205,308	33.3179	35,076,945	33,798,648	96.36%	34,530,636	98.52%
2017-18	1,094,582,282	34.3069	36,028,988	34,738,067	96.42%	35,426,680	98.33%
2018-19	1,095,076,733	35.1906	36,971,998	35,696,882	96.55%	36,800,629	99.54%
2019-20	1,093,199,555	35.8576	37,671,718	36,274,379	96.29%	36,788,142	97.65%

Source: School District Officials.

The ten largest real property taxpayers, together with 2020-21 assessed values are shown on Table 12 which follows. The aggregate assessed value of these ten taxpayers totals approximately 2.8 percent of total assessed value.

**TABLE 12  
LOWER MORELAND TOWNSHIP SCHOOL DISTRICT  
TEN LARGEST REAL PROPERTY TAXPAYERS, 2020-21**

<b>Owner</b>	<b>Property</b>	<b>Assessed Value</b>
Concert Philmont, LLC*	Golf Course	\$6,634,570
GD L Manor Corporation	Adult Living Complex	3,997,790
HCR Manorcare Properties, LLC	Healthcare	3,442,100
Artis Senior Living	Adult Living Complex	3,029,400
Philmont Avenue Lower Moreland LP	Office Complex	2,928,740
Hatfield TIDA	Office Complex	2,438,000
2600 Philmont Avenue Acquisition	Office Complex	2,434,500
Forest Hills Cemetery Corporation	Cemetery	2,150,000
Polonia Bank	Bank Office Building	2,100,000
3103 Philmont Holdings, LLC	Office Complex	2,036,000
<b>Total</b>		<b><u><u>\$31,191,100</u></u></b>

\*The Taxpayer filed an appeal.  
Source: School District Officials.

### Other Taxes

Under Act 511, the School District collected an estimated \$2,540,421 in other taxes in 2019-20. Among the taxes authorized by Act 511, the Real Estate Transfer Tax and the Earned Income Tax are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property was \$20,752,452.

*Real Estate Transfer.* The School District’s levies one percent (subject to sharing) of the value of real estate transfers yielded an estimated \$686,966 in 2019-20, or 1.4 percent of total revenue.

*Earned Income Tax.* A tax of one percent (subject to sharing) is levied on the earned income residents. In 2015-16 the collected portion of this tax yielded an estimated \$1,853,455 or 3.6 percent of School District total revenue.

### COMMONWEALTH AID TO SCHOOL DISTRICTS

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

Basic education funding is allocated to all school districts in an amount equal to: (1) a fixed sum equal to the school district’s Fiscal Year 2014-15 basic educational funding; plus (2) an additional increment determined annually pursuant to statutory formula which adjusts a school district’s average daily membership by a number of factors specific to the composition of the student population as well as the school district’s median household income, local tax effort and capacity to generate local revenue. The additional increment as calculated above for any individual school district may be zero.

Information concerning the calculation of the School District’s basic education funding can be found on the Pennsylvania Department of Education’s website at <https://www.education.pa.gov>

School districts may also receive state aid for special education, pupil transportation, vocational education, and health services, among other things.

### Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by PDE. Commonwealth reimbursement is calculated based on the “Reimbursable Percentage” assigned to the Bonds by the PDE and the School District’s permanent Capital Account Reimbursement Fraction (“CARF”) (6.65%) or the wealth based Market Value Aid Ratio (“MVAR”) currently (27.73%), whichever is higher. The Reimbursable Percentage is determined through a process known as the “Planning and Construction Workbook” or “PlanCon”.

*The School District estimates the Bonds will not be subject to reimbursement by the Commonwealth.*

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 (“Act 25”), which contains authorization for the Commonwealth Finance Authority (“CFA”) to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and expired on June 30, 2017. On November 6, 2017, House Bill 178 became law without the signature of the Governor and became known as Act 55 of 2017. Contained in Act 55 of 2017 was an extension of the PlanCon moratorium through the end of the 2017-18 fiscal year and a retroactive effective date of July 1, 2017. Subsequently, the Commonwealth enacted Act 42 of 2018, which permitted PlanCon applications submitted between July 1, 2017 and November 6, 2017, and whose school district votes to proceed with construction and award bids on their construction contracts no later than July 1, 2021, to receive PlanCon funding as permitted by law, if made available by the Commonwealth. On June 22, 2018, the Governor approved and signed House Bill 1448, known as Act 39 of 2018, extending the PlanCon moratorium through the end of the 2018-2019 fiscal year. On June 28, 2019, the Governor approved and signed House Bill 1615, known as Act 16 of 2019, that included a continuation of the moratorium on new Part A submittals through the end of the 2019-20 fiscal year.

To date, the CFA has issued \$1,559,680,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018, as well as its Revenues Bonds (Federally Taxable), Series A of 2019 in the total amount of \$388,975,000 issued on May 9, 2019. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District’s anticipated receipt of PlanCon reimbursements.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of any current or future projects of the School District. A failure by the School District to receive such reimbursement could force the School District to apply other available funds, if any, toward the completion costs of the Project and may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

Legislation has been introduced from time to time in the Pennsylvania legislature containing language that would revise or even abolish the debt service reimbursement program for Pennsylvania school districts. As of the date hereof, and except as described above, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as it is structured currently, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

**DEBT AND DEBT LIMITS**

**Debt Statement**

Table 13 which follows shows the debt of the Lower Moreland Township School District as of September 23, 2020, including the issuance of the Bonds.

**TABLE 13  
LOWER MORELAND TOWNSHIP SCHOOL DISTRICT  
DEBT STATEMENT  
(As of September 23, 2020)**

	<b>Gross Outstanding</b>
<b>NONELECTORAL DEBT</b>	
General Obligation Bonds, Series of 2020 (last maturity 2050).....	\$9,195,000
General Obligation Bonds, Series A of 2016 (last maturity 2033).....	3,135,000
General Obligation Bonds, Series of 2016 (last maturity 2028).....	9,380,000
General Obligation Bonds, Series of 2015 (last maturity 2022).....	1,600,000
General Obligation Bonds, Series A of 2014 (last maturity 2025).....	7,090,000
General Obligation Bonds, Series of 2014 (last maturity 2023).....	3,010,000
General Obligation Note, Series of 2011 (QSCB) (last maturity 2027).....	960,000
<b>TOTAL NONELECTORAL DEBT</b> .....	<b>\$34,370,000</b>
<b>LEASE RENTAL DEBT</b>	
<b>TOTAL LEASE RENTAL DEBT</b> .....	<b>\$0</b>
<b>TOTAL PRINCIPAL OF DIRECT DEBT</b> .....	<b>\$34,370,000</b>

\*Includes the estimated Bonds offered through this Preliminary Official Statement.

<sup>(1)</sup>Qualified School Construction Bonds (“QSCB”), issued by the Pennsylvania State Public School Building Authority (“SPSBA”).

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$34,370,000. After adjustment for available funds and estimated State aid, the local effort of direct debt will total \$32,855,551.

**TABLE 14**  
**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**BONDED INDEBTEDNESS AND DEBT RATIOS**  
**(As of September 23, 2020)**

	<u>Gross Outstanding</u>	<u>Local Effort or Net of Available Funds and Estimated State Aid<sup>(1)</sup></u>
<b>DIRECT DEBT</b>		
Nonelectoral Debt .....	\$34,370,000	\$32,855,551
Lease Rental Debt .....	0	0
<b>TOTAL DIRECT DEBT</b> .....	<u>\$34,370,000</u>	<u>\$32,855,551</u>
<b>OVERLAPPING DEBT</b>		
Montgomery County, General Obligation <sup>(2)</sup> .....	\$8,036,118	\$8,036,118
Lower Moreland Township .....	8,253,553	8,253,553
<b>TOTAL OVERLAPPING DEBT</b> .....	<u>\$16,289,671</u>	<u>\$16,289,671</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b> .....	<u>\$50,659,671</u>	<u>\$49,145,222</u>
<b>DEBT RATIOS</b>		
Per Capita .....	\$3,902.30	\$3,785.64
Percent 2019-20 Assessed Value .....	4.65%	4.51%
Percent 2019-20 Market Value .....	2.93%	2.84%

\*Includes the estimated Bonds offered through this Preliminary Official Statement.

<sup>(1)</sup>Gives effect to current appropriations for payment of debt service, and expected future State reimbursement of School District sinking fund payments based on current Aid Ratio. "See "Commonwealth Aid to School Districts. The School District may, at any time, claim a credit against the gross principal of debt outstanding equal to the amount estimated to be reimbursed by state sources.

<sup>(2)</sup>Pro rata 1.8% share of \$446,332,124 principal amount outstanding.

### Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base." The "Borrowing Base" is calculated as the annual arithmetic average of "Total Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2017-18.....	\$48,044,894
Total Revenues for 2018-19.....	50,059,557
Total Revenues for 2019-20 (est.).....	<u>50,151,865</u>
Total.....	<u>\$148,256,316</u>

Annual Arithmetic Average (Borrowing Base)..... \$49,418,772

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt Limit:			
225% of Borrowing Base .....	\$111,192,237	\$34,370,000	\$76,822,237

\*Includes the estimated Bonds offered through this Preliminary Official Statement.

## Debt Service Requirements

Table 15 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds.

Table 16 presents data on the extent to which State Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

**TABLE 15  
LOWER MORELAND TOWNSHIP SCHOOL DISTRICT  
DEBT SERVICE REQUIREMENTS\***

<u>Year</u>	<u>Other General Obligation Debt**</u>	<u>Series of 2020</u>			<u>Total Requirements</u>
		<u>Principal</u>	<u>Interest</u>	<u>Subtotal</u>	
2020-21	\$4,296,409				
2021-22	4,280,916				
2022-23	4,249,398				
2023-24	4,208,118				
2024-25	4,126,025				
2025-26	1,936,183				
2026-27	1,932,360				
2027-28	1,810,694				
2028-29	1,814,072				
<b>Total</b>	<b>\$28,654,174</b>				

\*Totals may not add due to rounding.

**TABLE 16  
LOWER MORELAND TOWNSHIP SCHOOL DISTRICT  
COVERAGE OF DEBT SERVICE AND LEASE RENTAL  
REQUIREMENTS BY STATE AID\***

2019-20 (est.) Commonwealth Aid Received	\$9,818,831
2019-20 (est.) Debt Service Requirements	4,727,090
Maximum Future Debt Service Requirements after Issuance of Bonds	
Coverage of 2019-20 (est.) Debt Service Requirements	2.08 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	times

\*Assumes current State Aid Ratio. See "Commonwealth Aid to School Districts."

## Future Financing

The School District is contemplating issuing an additional \$60 million dollars for the School District's capital improvement plan over the next 2-4 years.

## LABOR RELATIONS

### School District Employees

There are presently 233 employees of the School District, including 189 teachers, 17 administrators and 27 support personnel, including secretaries, custodial, maintenance staff, and teachers' aides.

The School District's teachers are represented by the Lower Moreland Township Education Association (LMTEA), an affiliate of the Pennsylvania State Education Association (PSEA), under a contract with the School District which expires August 31, 2021. All custodial and maintenance employees are represented by Service Employees International Union, CLC Local 32BJ under a contract which expires on June 30, 2022.

## Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administrated by the Commonwealth. The program is formally known as the Public School Employees' Retirement System ("PSERS"), and a percentage of each eligible employee's salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees' Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 34.51% for the fiscal year 2020-21. Current financial projections indicate the possibility of increases in the contribution rate in the next five years.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 ("Act 5") PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members' classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.

Annual School District contributions have been as follows:

2015-16	\$4,603,000
2016-17	\$5,618,000
2017-18	\$6,304,000
2018-19	\$6,698,000
2019-20 (estimated)	\$7,406,882
2020-21 (budgeted)	\$7,695,061

At June 30, 2019, the School District reported a liability of \$71,335,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2017 to June 30, 2018. The School District's proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2018, the School District's proportion was 0.1486% which was an increase of 0.0025% from its proportion measured as of June 30, 2017.

As of June 30, 2019, the PSERS plan was 58.1% funded, with an unfunded actuarial accrued liability of approximately \$44.1 billion. PSERS' rate of return for fiscal year ended June 30, 2019 was 6.68%. The Fund had plan net assets of \$59.1 billion at June 30, 2019. For more information, visit the PSERS website at [www.psers.pa.gov](http://www.psers.pa.gov), which is not incorporated by specific reference into this Official Statement.

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Source: School District Administrative Officials and PSERS.

## Other Post-Employment Benefits

Please see the School District's Audited Financial Statements for fiscal year ending June 30, 2019 in Appendix D for a complete description of the School District's Other Post-Employment Benefits.

## INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the Commonwealth of Pennsylvania. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

Pennsylvania Governor Tom Wolf ordered all non-life-sustaining businesses in Pennsylvania to close their physical locations as of 8:00 p.m. March 19, 2020 to slow the spread of COVID-19. On March 23, 2020, the Pennsylvania Department of Education (PDE) announced that all schools in the Commonwealth would be required to remain closed through at least April 6, 2020 as a result of the COVID-19 response efforts. On April 9, 2020, the closure order was extended by the Governor through the remainder of the 2019-20 academic year. On April 1, 2020, the Governor issued a Stay at Home order effective for all Pennsylvania counties, including Schuylkill County. Governor Wolf announced the beginning of the phased reopening of businesses and easing of restrictions in certain Pennsylvania counties. On Friday, June 5, 2020, Montgomery County began a measured reopening process in which some restrictions on work and social interaction will ease while others, such as closures of schools, gyms, and other indoor recreation centers, hair and nail salons, as well as limitations around large gatherings, remain in place. Governor Wolf announced that Montgomery County was one of the counties that was cleared to move into the green reopening phase beginning on Friday, June 26, 2020. Montgomery County and all neighboring counties are now green. Prior to reopening schools for in-person learning, health and safety plans must be approved by each school entity’s governing body (i.e. board of directors). School entities must submit their approved health and safety plans (and any questions) to the Pennsylvania Department of Education. The plans must also be posted on the school entity’s publicly available website prior to the reopening of the school and providing services to students. On July 28, 2020, the School District approved a health and safety plan for the 2020-2021 academic year.

On March 27, 2020, Act No. 13 of 2020 was signed into law by the Governor to amend the School Code concerning the Pandemic. Act No. 13 permits the Pennsylvania Secretary of Education to further order the closure of all school entities until the threat to health and safety caused by the Pandemic has ended. Act No. 13 also waives the requirement that school entities be open for at least 180 days of instruction and provides for, inter alia, compensation of school entity employees, school subsidies and reimbursements from the Commonwealth as a result of actions taken by the Secretary of Education pursuant to Act No. 13, and continued payments to charter schools, intermediate units, career and technical centers, and approved private schools and residential rehabilitative institutions where public schools have placed students.

Act No. 13 requires each school entity to make a good faith effort to develop a plan to offer continuity of education using alternative means during the closure period. To assist schools during the extended closure, the Commonwealth’s 29 intermediate units will provide technical assistance to help develop continuity of education plans for all students. During the 2019-20 academic year, the School District employed remote instructional resources for its students. The School District currently offers a Hybrid model of instruction which includes virtual learning and in person instruction for students. The School District is continuing to monitor the Pandemic and will make the necessary changes to the model of instructional delivery as needed.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the School District. To secure the payment of the principal of and interest on the Bonds, the School District has pledged its full faith, credit and all available taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable real property within the School District, within the limits provided by law as to rate or amount for such purpose. A reduction in property values may require an increase in the ad valorem tax rate required to pay the Notes as well as the School District’s share of operations and maintenance expenses payable from ad valorem taxes. See “TAXING POWERS AND LIMITS-The Taxpayer Relief Act”) herein for a discussion of the limitations on the School District’s ability to increase the *ad valorem* tax rate.

Despite any taxing initiatives taken by the School District, however, there is also a risk that some taxpayers within the School District will not be able to timely pay such taxes due to employment disruption across the country. On April 28, 2020, the Pennsylvania Association of School Business Officials released a study which predicted that the reduction in total local revenue to Pennsylvania School Districts could be more than \$1.04 billion for 2020-21 if the economic recovery from the COVID-19 crisis lags. Currently, school districts collect about \$18 billion in total local revenue so the projected decline represents a loss of 4-5% in total local revenue. Moreover, it is currently unknown at this time what, if any, measures that the Commonwealth may take that could complicate the School District’s ability to either levy new taxes or collect any taxes that would otherwise be due and owing if current tax deadlines are extended.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the School District cannot predict how the outbreak will impact the financial condition or operations of the School District, or if there will be any impact on the assessed values of property within the School District or deferral of tax payments to School District. The School District cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in Commonwealth funding or an increase in operational costs incurred to implement strategies to clean, sanitize and maintain its facility either before or after an outbreak of an infectious disease. At this time, it is also unclear whether the School District will receive any federal relief funding under the recently passed CARES Act, or, even if eligible, how much funding would be available to the School District.

The financial and operating data contained herein are the latest available, but are as of the dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they may not be indicative of the current financial condition or future prospects of the School District.

The School District continues to monitor the spread of COVID-19 and is working with federal, state, and local agencies to address the potential impact of the Pandemic upon the School District and its employees. While the potential impact of the Pandemic on the School District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the School District's operations and financial condition, and the effect could be material.

Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on Commonwealth websites, including but not limited to the Governor's office (<http://www.pa.gov/>), the Pennsylvania Department of Health (<http://www.health.pa.gov/>). The School District has not incorporated by reference the information on such websites and the School District does not assume any responsibility for the accuracy of the information on such websites.

## **LITIGATION**

At the time of settlement, the School Board and the Solicitor will deliver a certificate stating that there is no litigation pending with respect to the Bonds, the Resolution or the right of the School District to issue said Bonds and there is no litigation which would materially affect the School District's financial condition.

## **TAX EXEMPTION AND OTHER TAX MATTERS**

### **Opinion of Bond Counsel**

The information which follows is a summary of Bond Counsel's opinion. This summary does not purport and should not be construed to be a complete recitation of Bond Counsel's opinion. The full text draft of Bond Counsel's opinion is appended hereto in Appendix "B" and reference is made hereto. On the Date of Delivery of the Bonds, King, Spry, Herman, Freund & Faul, LLC, as Bond Counsel, will issue an opinion to the effect that under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of Federal income taxation and is not an item of tax preference for purposes of the Federal alternative minimum tax imposed. This opinion of Bond Counsel will assume the accuracy of certifications made by the School District and will be subject to the condition that the School District will comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excluded from gross income for Federal income tax purposes. The School District has covenanted to comply with all such requirements. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. In the opinion of Bond Counsel, under the law of the Commonwealth of Pennsylvania, the Bonds, their transfer and income therefrom shall at all times be free from taxation for state and local purposes within the Commonwealth of Pennsylvania but such exemption does not extend to gift, succession, or inheritance taxes, taxes on gain on the same or transfer thereof, or other taxes not levied or assessed directly on the Bonds or the transfer thereof. All other discussions concerning the Code or tax consequences discussed within the Preliminary Official Statement are not statements or comments of Bond Counsel and are not matters to which Bond Counsel will opine.

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

### **Federal Income Tax Matters**

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than the stated redemption price of such Bonds at maturity (that is, at less than par or the stated principal amount), the difference being "original issue discount". Generally, original issue discount accruing on a tax-exempt obligation is treated as interest excludable from gross income for federal income tax purposes. In addition, original issue discount that has accrued on a tax-exempt obligation is treated as an adjustment to the issue price of the obligation for the purpose of determining taxable gain upon sale or other disposition of such obligation prior to maturity. The Internal Revenue Code of 1986, as amended, provides specific rules for the accrual of original issue discount on tax-exempt obligations for federal income tax purposes. Prospective purchasers of Bonds being sold with original issue discount should consult their tax advisors for further information.

No representation is made or can be made by the School District or any other party associated with the issuance of the Bonds as to whether or not any legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the Bonds to inclusion in gross income for Federal income tax purposes or so as to otherwise affect the marketability or market value of the Bonds. Enactment of any legislation that subjects the interest on the Bonds to inclusion in gross income for federal income tax purposes or otherwise imposes taxation on the Bonds or the interest paid thereon may have an adverse effect on the market value or marketability of the Bonds.

### **Federal Income Tax Interest Expense Deductions for Financial Institutions**

Under the Code, financial institutions are disallowed 100 percent of their interest expense deductions that are allocable, by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception, which reduces the amount of the disallowance, is provided for certain tax-exempt obligations that are designated or “deemed designated” by the issuer as “qualified tax-exempt obligations” under Section 265 of the Code.

Financial institutions intending to purchase Bonds should consult with their professional tax advisors to determine the effect of the interest expense disallowance on their federal income tax liability.

### **Other Federal Income Tax Consequences**

Ownership of the Bonds may result in other collateral Federal income tax consequences to certain taxpayers, including, but not limited to, financial institutions, property and casualty insurance companies, certain subchapter S corporations with substantial passive income and subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. No opinion or representation concerning these matters is being given or made by the School District, Bond Counsel or any other party associated with the issuance, offering or sale of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors concerning these matters.

### **Pennsylvania Tax Matters**

The Pennsylvania Department of Revenue has issued final regulations which provide that unstated or imputed interest, such as original issue discount on the Bonds, will be computed in the same manner as such unstated interest is required to be computed for federal income tax purposes. The final regulations further provide that the basis of a Pennsylvania state or local obligation in the hands of the holder will be adjusted upward by the amount of unstated or imputed interest that would have been includible in income but for its statutory exemption and shall be adjusted downward, but not below zero, by the amount of payments under the obligation, other than payment of stated interest. Prospective purchasers of the Bonds should consult with their tax advisors regarding the treatment of original issue discount with respect of the Bonds and the reporting of profits, gains or other income related to the sale, exchange or other disposition of the Bonds for Pennsylvania tax purposes.

Prospective purchasers of the Bonds issued with original issue discount should consult their tax advisors for further information and advice concerning the reporting of profits, gains or other income related to a sale, exchange or other disposition of such Bonds for Pennsylvania tax purposes, including information with respect to any revision of the referenced Statement of Policy and Proposed Regulations or the adoption of final regulations by the Department of Revenue subsequent to the preparation of this Preliminary Official Statement.

## **CONTINUING DISCLOSURE UNDERTAKING**

In accordance with the requirements of the Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”), the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will agree to provide the following to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB, either directly or indirectly through a designated agent:

- (A) Annually, not later than **270 days** following the end of each fiscal year, beginning with the fiscal year ending June 30, 2020, the following financial information and operating information for the School District:
  - (1) financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units
  - (2) a summary of the budget for the current fiscal year (i.e. the fiscal year following the fiscal year of the financial statements being provided)
- (B) If not submitted as part of the annual financial information, then when and if available, audited financial statements for the School District;
- (C) In a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the School District;
- (13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (15) incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties and

(D) in a timely manner, notice of a failure of the School District to provide the required annual financial information specified above, on or before the date specified above.

With respect to the filing of annual financial and operating information, the School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The events listed in (C) above are those specified in the Rule, not all of which may be relevant to the Bonds. The School District may from time to time choose to file notice of the occurrence of other events, in addition to the events listed in (C) above, but the School District does not commit to provide notice of the occurrence of any events except those specifically listed in (C) above.

The School District acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holders and beneficial owners of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District's continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District's obligations with respect to continuing disclosure described herein shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the School District is no longer an "obligated person" with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other "obligated persons" with respect to municipal securities issues) are made available through the MSRB's Electronic Municipal Market Access ("EMMA") System, which may be accessed on the internet at <http://www.emma.msrb.org>.

Certain operating data of the School District may be inherently included in the annual filings of financial statements, the summary of the budget, contents in Official Statements of future bond issues as well as publicly available information.

## Existing Continuing Disclosure Filing History

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District's filing history of its annual financial and operating information during the past five (5) years is outlined in the table below.

Fiscal Year Ending	Filing Deadline <sup>[1]</sup>	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID <sup>[2]</sup>	Filing Date	EMMA ID <sup>[2]</sup>	Filing Date	EMMA ID <sup>[2]</sup>
6/30/2015	12/27/2015	12/02/2015	EP706846	12/02/2015	EP706850	12/08/2015	ER737600
6/30/2016	12/27/2016	12/07/2016	ES785988	12/07/2016	ES785990	12/07/2016	ES785994
6/30/2017	12/27/2017	12/14/2017	ER864826	12/14/2017	ER864831	12/14/2017	ER864833
6/30/2018	12/27/2018	12/13/2018	ER910007	12/13/2018	ER910008	12/13/2018	ER910011
6/30/2019	12/27/2019	11/22/2019	ER980457	11/22/2019	ER980463	11/22/2019	ER980467

### Notes

<sup>[1]</sup> For these purposes, assumes the shortest filing deadline of the School District's previous Continuing Disclosure Agreements

<sup>[2]</sup> Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below:  
<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

Based on the information above, the School District's annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2015 the School District filed the annual financial statements, budget, and operating data timely.

For fiscal year ending June 30, 2016 the School District filed the annual financial statements, budget, and operating data timely.

For fiscal year ending June 30, 2017 the School District filed the annual financial statements, budget, and operating data timely.

For fiscal year ending June 30, 2018 the School District filed the annual financial statements, budget, and operating data timely.

For fiscal year ending June 30, 2019 the School District filed the annual financial statements, budget, and operating data timely.

## Future Continuing Disclosure Compliance

The School District has conducted a thorough review of its continuing disclosure obligations and submissions. Upon discovering any inadvertent omissions with respect to these filings, the School District, to the best of its knowledge, has attempted to bring its continuing disclosure filings up to date.

In an effort to augment the School District's procedures and policies to maintain future compliance, the School District has taken additional steps intended to assure future compliance with its Continuing Disclosure Agreements. These steps include implementing the MSRB's EMMA's internal notification system whereby the School District will receive timely email reminders a month in advance for all of the School District's annual disclosure filings and coordinating with the School District's financial advisor to ensure all disclosure obligations have been made on a timely basis and in all material respects.

A member of the School District's business office will be responsible for ensuring ongoing continuing disclosure compliance. Members of the School District's business office will make an effort to participate in any ongoing continuing education regarding continuing disclosure undertaking if offered by local groups or affiliated organizations such as MSRB, PASBO or GFOA. The School District may communicate with its financial advisor, underwriter(s), bond counsel, or solicitor regarding any questions or concerns regarding ongoing continuing disclosure compliance. The School District may also communicate with its local auditor and advise of the School District's need for financial statements in a timely manner. In the event audited financial statements are not available by the filing deadline, the School District will file to EMMA, if available, its State Form PDE-2057 Annual Financial Report as an interim filing until such audited financial statements are available. Some of the operating data requirements may be found contained within the School District's financial statements or budget filing and may not be filed explicitly by themselves.

## RATING

S&P Global Ratings ("S&P") assigned the School District an underlying rating of "\_\_\_\_". Such ratings reflect only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: 55 Water Street, 38<sup>th</sup> Floor, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

**UNDERWRITING**

The Underwriter has agreed to purchase the Bonds for a purchase price of \$ \_\_\_\_\_, equal to the par value of the Bonds less an underwriters' discount of \$ \_\_\_\_\_ plus a net original issue premium of \$ \_\_\_\_\_, plus accrued interest from the dated date to the date of delivery of the Bonds.

**CERTAIN LEGAL MATTERS**

The Bonds are offered with the approving legal opinion of King, Spry, Herman, Freund & Faul, LLC, Bond Counsel of Bethlehem, Pennsylvania. Certain other legal matters will be passed upon for the School District by Sweet, Stevens, Katz & Williams LLP, of New Britain, Pennsylvania, School District Solicitor.

**FINANCIAL ADVISOR**

The School District has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

**MISCELLANEOUS**

The information set forth in this Preliminary Official Statement had been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

The School District has authorized the distribution of this Preliminary Official Statement.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT  
MONTGOMERY COUNTY, PENNSYLVANIA

By: \_\_\_\_\_  
President, Board of School Directors

**APPENDIX A**  
**Demographic and Economic Information**  
**Relating to the Lower Moreland Township School District**

**Population**

Table A-1 which follows shows recent population trends for the School District, Montgomery County and the State of Pennsylvania. Table A-2 shows 2010 age composition and average number of persons per household in Montgomery County and for the State.

**TABLE A-1  
RECENT POPULATION TRENDS**

<u>Area</u>	<u>2000</u>	<u>2010</u>	<b>Compound Average Annual Percentage Change <u>2000-2010</u></b>
Lower Moreland Township	11,281	12,982	1.41%
Montgomery County	750,097	799,874	0.64%
Pennsylvania	12,281,054	12,702,379	0.34%

Source: U.S. Bureau of the Census.

**TABLE A-2  
AGE COMPOSITION**

	<u>0-17 Years</u>	<u>18-64 Years</u>	<u>65+ Years</u>	<b>Persons Per <u>Household</u></b>
Montgomery County .....	22.9	62.0	15.1	2.53
Pennsylvania.....	22.0	62.6	15.4	2.45

Source: U.S. Bureau of the Census, 2010 Census, Summary File 1.

## Employment

Overall Nonfarm Jobs data is not compiled for the School District or municipalities within it, but such data is compiled for the Philadelphia, PA-NJ-DE-MD Metropolitan Statistical Area (the "PMSA") an area which includes the School District).

**TABLE A-3**  
**DISTRIBUTION OF EMPLOYMENT BY INDUSTRY**  
**(Philadelphia Metropolitan Statistical Area)**  
**(Bucks, Chester, Delaware, Montgomery and Philadelphia – PA Counties)**  
**(New Castle – DE County, Cecil – MD County)**  
**(Burlington, Camden, Gloucester and Salem -NJ counties)**

June 2020

Establishment Data	Industry Employment				Net Change From:	
	Jun 2020	May 2020	Apr 2020	Jun 2019	May 2020	Jun 2019
TOTAL NONFARM	2,695,300	2,587,000	2,517,100	2,986,000	108,300	-290,700
TOTAL PRIVATE	2,362,900	2,252,600	2,178,700	2,651,200	110,300	-288,300
GOODS PRODUCING	282,800	272,900	245,300	308,100	9,900	-25,300
Construction, Natural Resources, and Mining	106,600	100,100	77,800	122,900	6,500	-16,300
Manufacturing	176,200	172,800	167,500	185,200	3,400	-9,000
Durable Goods	92,800	90,200	86,500	96,400	2,600	-3,600
Non-Durable Goods	83,400	82,600	81,000	88,800	800	-5,400
SERVICE-PROVIDING	2,412,500	2,314,100	2,271,800	2,677,900	98,400	-265,400
PRIVATE SERVICE-PROVIDING	2,080,100	1,979,700	1,933,400	2,343,100	100,400	-263,000
Trade, Transportation, and Utilities	480,700	459,700	452,600	527,400	21,000	-46,700
Wholesale Trade	108,500	106,000	104,300	118,200	2,500	-9,700
Retail Trade	265,200	249,800	245,900	291,300	15,400	-26,100
Transportation, Warehousing, and Utilities	107,000	103,900	102,400	117,900	3,100	-10,900
<b>Information</b>	47,000	46,500	47,000	49,800	500	-2,800
<b>Financial Activities</b>	210,400	210,600	209,500	218,800	-200	-8,400
Finance and insurance	173,700	174,000	174,200	179,300	-300	-5,600
<b>Professional and Business Services</b>	447,800	437,100	433,600	474,600	10,700	-26,800
Professional and technical services	217,900	213,500	215,100	231,200	4,400	-13,300
Administrative and waste services	171,800	166,800	160,900	180,000	5,000	-8,200
<b>Education and Health Services</b>	625,400	605,300	596,600	656,000	20,100	-30,600
Health care and social assistance	510,100	488,700	471,900	538,000	21,400	-27,900
Hospitals	139,000	137,900	138,100	143,900	1,100	-4,900
<b>Leisure and Hospitality</b>	170,200	135,200	114,000	291,500	35,000	-121,300
Accommodation and food services	135,600	108,500	88,600	227,700	27,100	-92,100
<b>Other Services</b>	98,600	85,300	80,100	125,000	13,300	-26,400
<b>Government</b>	332,400	334,400	338,400	334,800	-2,000	-2,400
Federal Government	51,900	51,600	51,700	51,400	300	500
State Government	53,300	54,900	56,400	52,200	-1,600	1,100
Local Government	227,200	227,900	230,300	231,200	-700	-4,000
Data benchmarked to March 2019						

Source: Pennsylvania Department of Labor and Industry.

Major employers within the County include:

<u>Name</u>
Mereck Sharp & Dohme Corporation
Abington Memorial Hospital
Main Line Hospital Inc.
State Government
SmithKline Beecham Corporation
Albert Einstein Medical Center
Giant Food Stores LLC
SEI Investments Company
Montgomery County
Lockheed Martin Corp.

Source: Center for Workforce Information & Analysis.

Table A-4 shows recent trends in employment and unemployment for Montgomery County and the Commonwealth. The unemployment rate has increased.

**TABLE A-4  
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT  
NOT SEASONALLY ADJUSTED**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020<sup>(1)</sup></u>	<b>Compound Average Annual % Rate</b>
<b>Montgomery County</b>							
Civilian Labor Force (000)	441.3	447.7	448.7	449.4	457.8	435.6	-0.26%
Employment (000)	423.5	429	431.4	434	442.9	384.5	-1.91%
Unemployment (000)	17.8	18.7	17.3	15.4	14.9	51.1	23.48%
Unemployment Rate	4.00%	4.20%	3.90%	3.40%	3.20%	11.70%	
<b>Pennsylvania</b>							
Civilian Labor Force (000)	6,424.0	6,472.0	6,427.0	6,424.0	6,492.0	6,414.0	-0.03%
Employment (000)	6,094.0	6,120.0	6,112.0	6,149.0	6,208.0	6,559.0	1.48%
Unemployment (000)	330.0	352.0	316.0	276.0	284.0	855.0	20.97%
Unemployment Rate	5.10%	5.40%	4.90%	4.30%	4.40%	13.30%	

<sup>(1)</sup> As of June 2020.

Source: Pennsylvania Department of Labor and Industry, Center for Workforce Information and Analysis website.

## Income

The data on Table A-5 shows trends in per capita income for the School District, the County and Pennsylvania over the 2000-2010 period. Per capita income in the School District is somewhat higher than per capita income in the County and the State. Per capita income for both the County and the State increased at a faster rate over this period than per capita income for the School District.

**TABLE A-5  
TRENDS IN PER CAPITA INCOME\***

	<u>2000</u>	<u>2010</u>	<u>Average Annual Percentage Change 2000-2010</u>
School District.....	\$40,129	\$40,159	0.01%
Montgomery County.....	30,898	40,076	2.63%
Pennsylvania.....	20,880	26,678	2.48%

\*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: Pennsylvania State Data Center and U.S. Census Bureau, 2006-2010 American Community Survey.

## Commercial Activity

Table A-6 shows recent trends for retail sales in Montgomery County and the State.

**TABLE A-6  
TOTAL RETAIL SALES  
(000)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Montgomery County .....	\$15,080,841	\$15,685,831	\$19,406,393	\$13,399,099	\$21,566,509
MSA .....	92,944,956	96,525,422	105,082,759	85,594,993	118,054,280
Pennsylvania.....	198,215,135	207,887,941	213,005,475	188,389,810	244,709,540

Source: Sales and Marketing Management Magazine

## Public Utilities and Services

The following utilities provide service to Township residents: Lower Moreland Township Municipal Authority; Aqua Pennsylvania Incorporated; Philadelphia Electric; and Verizon. Police protection is provided by the Township and through the Limerick Barracks of the Pennsylvania State Police. Fire protection and ambulance/EMT services are provided on a volunteer basis by the Township.

## Health Care

Abington Memorial Hospital regional health center is located within easy access of the School District. It was founded in 1914 and is a fully accredited, not-for-profit, 508 bed community teaching hospital. This health care center also serves the people of nearby Bucks and Philadelphia Counties.

## Higher Education

In addition to the numerous institutions of higher education which are located in the Philadelphia area, i.e., Temple University, The University of Pennsylvania and Drexel University, the following institutions of higher education are found in Montgomery County: Academy of New Church, Antonelli Institute of Art and Photography, Arcadia University, Biblical Theological Seminary, Bryn Mawr College, Calvary Baptist Theological Seminary, Combs College of Music, Dropsie College, Eastern Baptist Theological Seminary, Faith Theological Seminary, Gwynedd-Mercy College, Harcum Junior College, Haverford College, Lansdale School of Business (Lansdale and Pottstown), Manor Junior College, Montgomery County Community College, Northeastern Christian Junior College, The Pennsylvania State University (Malvern and Abington Campuses), Reconstructionist Rabbinical College, Rosemont College, St. Charles Borromeo Seminary, Temple University (Amber Campus), Ursinus College, Welder Training and Testing Institute, and Westminster Theological Seminary.

## Communications

Three daily and one weekly newspaper are circulated throughout the School District. The three daily newspapers include: *The Philadelphia Inquirer*, *The Intelligencer*, and *The Courier*. The *Globe* is distributed on a weekly basis throughout the area. The major radio and television stations of the Philadelphia metropolitan area are received in the School District.

**APPENDIX B**  
**Form of Opinion of Bond Counsel**

KING, SPRY, HERMAN, FREUND & FAUL, LLC  
One West Broad Street, Suite 700  
Bethlehem, Pennsylvania 18018

\_\_\_\_\_, 2020

Re: Lower Moreland Township School District, Montgomery County, Pennsylvania  
\$\_\_\_\_\_ General Obligation Bonds, Series of 2020

The Lower Moreland Township School District, Montgomery County, Pennsylvania (the "School District"), is a Local Government Unit, as defined in the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa.C.S. Chs. 80-82 (the "Act").

The School District determined to undertake a program to fund capital projects of the School District ("Project") through the issuance of its General Obligation Bonds, Series of 2020 ("2020 Bonds").

The School District, pursuant to a resolution duly adopted on October 20, 2020 (the "Resolution"), and a bond purchase proposal dated October 20, 2020 and an addendum thereto consisting of an Invitation to Bid and Winning Bid dated \_\_\_\_\_, 2020 ("Bond Purchase Agreement") has determined to implement the foregoing decision by the authorization, issuance and sale, of a series of obligations, its General Obligation Bonds, Series of 2020, in the aggregate principal amount of \$\_\_\_\_\_, the proceeds of which, after payment of costs of issuance, together with any other monies available or to be available for the purpose, to provide necessary monies for the funding of the Project.

The principal and interest due on the Bonds are payable from the School District's general revenues and constitute general obligation bonds under the Act.

The Bonds maturing on and after \_\_\_\_\_ are subject to redemption at par in whole or in part at the option of the School District at any time on or after \_\_\_\_\_.

Proceedings for authorization, issuance and sale of the Bonds have been conducted in accordance with provisions of the Act. The Department of Community and Economic Development of the Commonwealth has approved the proceedings relating to issuance and delivery of the Bonds, as authorized by the Resolution, as required by the Act.

In our capacity as bond counsel to the School District, we have examined the Constitution of the Commonwealth of Pennsylvania; the Act and such other statutes, regulations, decisions, proceedings, and documents as we have deemed necessary as the basis of this opinion; the Resolution; a representative Bond; and certain statements, certifications, reports, affidavits and documents and agreements pertaining to the issuance and sale of the Bonds.

On the basis of the foregoing, we are of the opinion that:

{00798552}

1. The School District is authorized, under the Act, to issue the Bonds with the proceeds, together with any other money made available for the purpose, to be used for the purpose of providing the monies required to fund the Project, as defined in the Resolution.

2. The amount of the nonelectoral debt of the School District issued and outstanding or authorized by vote of the Board of School Directors of the School District (the "School Board"), after giving effect to the issuance and delivery of the Bonds, computed in accordance with the Act, is not in excess of legal limitations; and the nonelectoral debt of the School District, which is evidenced by the Bonds, is permitted by the Act and the Constitution of the Commonwealth to be made by vote of the School Board without assent of the electors.

3. The Bonds and interest thereon are payable from the School District's general revenues. The School District has covenanted, in the Resolution, to and with holders or registered owners of such Bonds which shall be outstanding, from time to time, pursuant to the Resolution, that the School District shall include the amount of the debt service thereof, for each fiscal year of the School District in which such sums are payable, in its budget for that fiscal year; shall appropriate such amounts to the place and in the manner stated in the Bonds according to the true intent and meaning thereof; and, for such budgeting, appropriation, and payment, the School District has pledged, irrevocably, its full faith, credit and available taxing power. The Act provides that the foregoing covenant of the School District shall be enforceable specifically. The Bonds are additionally secured by the "State Aid" Intercept Provisions of Section 633 of the Public School Code of 1949, as amended by Act 150 of 1975.

We call to your attention, however, that pursuant to Act 1 of Special Session 2006 ("Act 1"), the School District may not, in any fiscal year, without voter approval by referendum (a so-called "back-end referendum"), or without approval by the Pennsylvania Department of Education, increase the rate of any tax for school purposes by more than the index ("Index"), increase the rate of any earned income tax levied under the Local Tax Enabling Act or levy any tax not previously imposed.

There are exceptions to the back-end referendum and school districts such as the School District may increase the rate of a tax levied for the support of the public schools by more than the applicable Index without voter approval on debt issued to refinance debt incurred prior to the effective date of Act 1 so long as such increase has been approved by the Pennsylvania Department of Education.

The Undersigned is of the opinion that the aforementioned exception to the referendum requirement is not available to the School District with respect to the 2020 Bonds.

4. The School District, in the Resolution, has established sinking funds for the Bonds, with the paying agent named in the Resolution as the sinking fund depository, into which funds for the payment of the principal of and interest on the Bonds shall be deposited no later than the date fixed for disbursement thereof. The School District has covenanted, in the Resolution, to make payments therefrom in such amounts as shall be sufficient for prompt and full payment of all obligations of the Bonds.

5. The annual amounts appropriated to the sinking funds under the Resolution are sufficient to pay the principal of and interest on the Bonds.

6. The Bonds constitute valid, binding and enforceable general obligations of the School District in accordance with their terms and the terms of the Resolution, entitled to the benefit and security of the Resolution and the Act, for the payment of which all taxable real property within the School District is presently subject to ad valorem taxes without limitation as to rate or amount.

7. The Resolution has been properly adopted, and the provisions thereof represent valid and binding obligations of the School District in accordance with the terms thereof.

8. The principal of and interest on the Bonds are payable without deduction of any taxes now or hereafter levied or assessed thereon under any present or future law of the Commonwealth, which tax or taxes the School District assumes and agrees to pay; provided, however, that the foregoing shall not be applicable to gift, estate, succession or inheritance taxes, taxes on gains on the sale of the Bonds, or to other taxes not levied or assessed directly on the Bonds or the interest paid thereon.

9. The Act provides that the Commonwealth does pledge to and agree with any person, firm or corporation or Federal Agency subscribing to or acquiring any of the Bonds, that the Bonds, their transfer and the income therefrom, shall at all times be free from taxation for State and local purposes within the Commonwealth, but this exemption does not extend to gift, estate, succession or inheritance taxes, taxes on gains on the sale of the Bonds, or any other taxes not levied directly on the Bonds or the income therefrom.

10. The Pennsylvania Department of Revenue has issued regulations which provide that unstated or imputed interest, such as original issue discount on the Bonds, will be computed in the same manner as such unstated interest is required to be computed for Federal income tax purposes. The regulations further provide that the basis of a Pennsylvania state or local obligation in the hands of the holder will be adjusted upward by the amount of unstated or imputed interest that would have been includable in income but for its statutory exemption and shall be adjusted downward, but not below zero, by the amount of payments under the obligation, other than payment of stated interest. Prospective purchasers of the Bonds should consult with their tax advisors regarding the treatment of original issue discount with respect to the Bonds and the reporting of profits, gains or other income related to the sale, exchange or other disposition of the Bonds for Pennsylvania tax purposes.

11. Under existing statutes, regulations and decisions, interest on the Bonds, including any original issue discount properly allocable to the holder thereof, is excluded from gross income for purposes of Federal income taxation and is not an item of tax preference for the purpose of Federal alternative minimum tax. Furthermore, the Bonds are not arbitrage bonds.

The School District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Code of 1986 (the “Code”).

The opinion set forth above in Paragraph 11 is subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance

of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for Federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The School District has covenanted to comply with all such requirements and has the legal power to do so. We express no opinion regarding other Federal tax consequences arising with respect to the Bonds.

It is to be understood that the rights of holders or registered owners of Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

The Cusip Number printed on each of the Bonds pursuant to recommendations promulgated by the Committee on Uniform Security Identification Procedures is for convenience of identification only and does not in any way affect or modify the legality, negotiability, transferability or procedure for redemption of the Bonds.

This opinion is expressly limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated herein. This opinion is given as of the date hereof and we assume no obligation to update this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. This opinion is expressly limited to the present internal laws of the Commonwealth and present federal law.

KING, SPRY, HERMAN, FREUND & FAUL, LLC

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**APPENDIX C**  
**Continuing Disclosure Certificate**

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is made as of the \_\_\_\_ day of November 2020, by the Lower Moreland Township School District (the "School District").

WITNESSETH:

WHEREAS, pursuant to a bond purchase proposal dated October 20, 2020 and an addendum thereto consisting of an invitation to bid and winning bid form dated \_\_\_\_\_, 2020 by and between the School District and \_\_\_\_\_ (the "Underwriter"), the School District is selling the School District's General Obligation Bonds, Series of 2020 ("2020 Bonds") in the aggregate principal amount of \$\_\_\_\_\_ to the Underwriter; and

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), provides that a Participating Underwriter (as defined in the Rule) shall not purchase or sell municipal securities in connection with an Offering (as defined in the Rule) unless the Participating Underwriter has reasonably determined that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide, either directly or indirectly through an indenture trustee or a designated agent, certain specified financial information and operating data and notices of certain material events; and

WHEREAS, the School District currently is the only obligated person with respect to the Bonds for purposes of the Rule; and

WHEREAS, in order to enable the Underwriter to comply with the requirements of the Rule, the School District, as such obligated person, agrees to undertake to provide the information and notices required by the Rule.

NOW, THEREFORE, in consideration of the premises, the School District, intending to be legally bound hereby, agrees as follows:

Section 1. Definitions. In addition to the terms defined in the above recitals, the following terms shall have the meanings specified below:

"EMMA" shall mean the Electronic Municipal Market Access System as provided by the MSRB.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"SID" shall mean the state information depository, if any, established for Pennsylvania for purposes of the Rule. As of the date hereof, there is no SID.

Section 2. Covenants of the School District.

The School District covenants to comply with all requirements of the Rule in furtherance of the foregoing and without limiting the generality thereof:

(a) The School District shall deliver to any bond insurer then insuring the Bonds, the MSRB through EMMA and to the SID, if any, by March 27<sup>th</sup> (270 days) following the end of the fiscal year ending the previous June 30<sup>th</sup>, the following financial information for the School District:

- (1) Financial statements for the most recent fiscal year prepared in accordance with generally accepted accounting principles for local government units; and
- (2) a copy of (or a summary of) the budget for the current fiscal year.

(b) If not submitted as part of the annual financial information, the School District shall deliver if and when available, the audited financial statements for the School District;

(c) The School District shall file in a timely manner not in excess of ten (10) business days after the occurrence of the event, to any bond insurer then insuring the Bonds and to EMMA and to the MSRB through EMMA and to the SID, if any, notice of any of the following events (collectively, "Reportable Events") with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (5) substitution of any credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or

determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds;

- (7) modifications to rights of holders of the Bonds if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances; or events affecting the tax-exempt status of the Bonds;
- (10) release, substitution, or sale of property securing payment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee if material.
- (15) Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

(d) The School District shall file in a timely manner with MSRB through EMMA notice of a failure of any obligated person to provide required annual financial information, on or before the date specified within this Disclosure Certificate.

- (e) The School District shall send to any bond insurer then insuring the Bonds:
  - (1) Copies of any information delivered to MSRB through EMMA and the SID, if any, pursuant to subsections (a) or (b) above; and
  - (2) Concurrently with the delivery of any information required pursuant to subsection (a) or (b) above, a certificate signed by an authorized officer of the School District, that it has filed such information with the MSRB through EMMA and the SID, if any.
- (f) The School District agrees to provide information required in subsection (a) or (b) above for all persons who are determined by it to be "Obligated Persons" under the Rule.
- (g) The School District agrees that the provisions of this Section 2 shall be for the benefit of the holders and beneficial owners of the Bonds, and shall be enforceable by any holders or beneficial owners of the Bonds, or by the Paying Agent on their behalf.

Section 3. Termination of Reporting Obligations. The School District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If the School District's obligations with respect to the payment of the Bonds are assumed in full by some other entity, such other entity shall be responsible for compliance with this Disclosure Certificate in the same manner as if it were the School District's, and the School District shall have no further responsibility hereunder. In addition, the School District's obligation to provide information and notices as specified in Section 2 hereof shall terminate (i) at such other times as such information and notices (or any portion thereof) are no longer required to be provided by the Rule as it applies to the Bonds, (ii) in the event of a repeal or rescission of the Rule or (iii) upon a determination that the Rule is invalid or unenforceable.

Section 4. Amendment. The School District may amend this Disclosure Certificate and waive any of the provisions hereof, but no such amendment or waiver shall be executed and effective unless (i) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of the School District or the operations conducted by the School District, (ii) this Disclosure Certificate, as modified by the amendment or waiver complies with the requirements of the Rule, and (iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds. Prior to executing any requested amendment, the School District shall provide an opinion of counsel knowledgeable in federal securities laws to the effect that the proposed amendment satisfies the requirements described above. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the School District shall describe such amendment in its next annual report delivered pursuant to Section 2(a) hereof, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the financial information or operating data being presented by the School District. In addition, if the

amendment relates to the accounting principles to be followed in preparing financial statements (i.e., changes other than those prescribed by generally accepted accounting principles), (i) notice of such change shall be given pursuant to the Reportable Event notice requirements as set forth in this Disclosure Certificate; and (ii) the annual report for the year in which the change is made will present a comparison between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. To the extent that the Rule requires or permits an approving vote of beneficial owners of the Bonds in connection with an amendment, the approving vote of beneficial owners of Bonds constituting more than 50% of the aggregate principal amount of the then outstanding Bonds shall constitute such approval. The School District shall provide notice of any amendment to this Disclosure Certificate to the MSRB through EMMA and the SID, if any, and to the registered holders of the Bonds.

Section 5. Remedies for Default. In the event of a breach or default by the School District of its covenants to provide annual financial information and notices as provided in Section 2 hereof, the Paying Agent, the Underwriter, or any holder or beneficial owner of Bonds shall have the right to bring an action in a court of competent jurisdiction to compel specific performance by the School District. A breach or default under this Disclosure Certificate shall not constitute an event of default under the Bonds or any other agreement. The Paying Agent shall be under no obligation to enforce this Disclosure Certificate but may do so and may require that it be furnished with indemnity and security for expenses satisfactory to it.

Section 6. Miscellaneous.

(a) Binding Nature of Undertaking. This Disclosure Certificate shall be binding upon and inure to the benefit of the Underwriter, and its respective successors and assigns. In addition, registered owners of the Bonds, which for the purposes of this Section 6 includes the holders of a book-entry credit evidencing an interest in the Bonds, from time to time shall be third party beneficiaries hereof and shall be entitled to enforce the provisions hereof as if they were parties hereto; but no consent of beneficial owners of the Bonds shall be required in connection with any amendment of this Disclosure Certificate, except as required by the Rule. Holders of book-entry credits evidencing an interest in the Bonds may file their names and addresses with the School District for the purposes of receiving notices or giving direction under this Disclosure Certificate.

(b) Notices. All notices and other communications required or permitted under this Disclosure Certificate shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the Paying Agent:

Manufacturers and Traders Trust Company  
Institutional Client Services, Corporate Trust  
285 Delaware Avenue, 3<sup>rd</sup> Floor  
Buffalo, NY 14202-1885  
Attn: Vice President  
Telecopy No.: (716) 842-4474

(ii) If to the School District:

Business Manager  
Lower Moreland Township School District  
2551 Murray Avenue  
Huntingdon Valley, PA 19006  
Telecopy No.: (215) 947-6933

(iii) If to the MSRB:

Municipal Services Rulemaking Board  
1640 King Street  
Suite 300  
Alexandria, VA 22314-2719  
Attn: CDI  
Telecopy No. (703) 683-1938

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section.

(c) Execution in Counterparts. This Disclosure Certificate may be executed in any number of counterparts, each of which shall be deemed to be an original as against the party whose signature appears thereon, and all of which shall together constitute one and the same instrument.

(d) Controlling Law. This Disclosure Certificate and all questions relating to its validity, interpretation, performance, and enforcement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania and the Rule.

(e) Successor and Assigns. Notwithstanding anything herein to the contrary, any successor under the Paying Agent Agreement dated as of \_\_\_\_\_, 2020 between the School District and the Paying Agent relating to the Bonds shall automatically succeed to the rights of the Paying Agent under this Disclosure Certificate.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Certificate as of the date first above written.

LOWER MORELAND TOWNSHIP SCHOOL  
DISTRICT

BY: \_\_\_\_\_  
(Vice) President

**APPENDIX D**  
**Audited Financial Report**

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

*Year Ended June 30, 2019*



*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

# LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2019

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of School Directors  
Lower Moreland Township School District  
Huntingdon Valley, 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 Lower Moreland Township School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Lower Moreland Township 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. 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  
Lower Moreland Township School District  
Huntingdon Valley, 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 Lower Moreland Township School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Prior-Year Comparative Information*

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2019, from which summarized information was derived.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, schedule of the school district's proportionate share of the PSERS net pension liability on page 61, schedule of the school district's PSERS pension contributions on page 62, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 63, schedule of the school district's PSERS other postemployment benefit plan contributions on page 64, and schedule of changes in the total other postemployment benefit plan liability and related ratios on page 65 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.

*Maillie LLP*

Oaks, Pennsylvania  
November 14, 2019

# **LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**YEAR ENDED JUNE 30, 2019**

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The discussion and analysis of the financial performance of Lower Moreland Township School District (the "District") provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the District's financial performance.

### **FINANCIAL HIGHLIGHTS**

The trends of prior years' indicated that during the fiscal year 2018-2019, the District would experience another year of significant increases in the costs for special education instruction and increased cost for regular instruction due to enrollment increases. In the budgeting process, the Board of School Directors (the "Board") was able to balance the budget with a 2.58 percent increase in taxes. In an attempt to lessen the tax burden, the Board elected to utilize \$605,051 in fund balance or savings to offset the tax increase. The actual results of operations showed that revenues were slightly more than expected and expenditures came below the budget figure. Revenue factors denoting the slight increase include the larger than expected collection of real estate taxes and a one-time infusion of delinquent taxes due to an Act 319 property becoming taxable. On the expenditure side, the District spent an amount approaching the budget (less the costs for Long-Term Financing). The District exceeded budgeted expenditures as a result of an amount denoted for Long Term Financing. Revenues were also increased for this. The District also transferred \$500,000 to its' Capital Projects Fund.

### **USING THE BASIC FINANCIAL STATEMENTS**

The MD&A introduces the District's basic financial statements. The basic financial statements consist of a series of financial statements and notes to those statements. These statements are organized so that the reader, by considering the entity-wide financial statements, can understand Lower Moreland Township School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are entity-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status. The remaining three statements are fund financial statements that focus on individual parts of the District's operations in more detail than the entity-wide statements. The governmental fund statements tell how general District services were financed in the short term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. For Lower Moreland Township School District, this is its Food Service Fund. Fiduciary fund statements provide information about financial relationships wherein the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2019

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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 this financial report are arranged and relate to one another.

**Figure A-1**  
**Required Components of**  
**Lower Moreland Township School District's**  
**Financial Report**

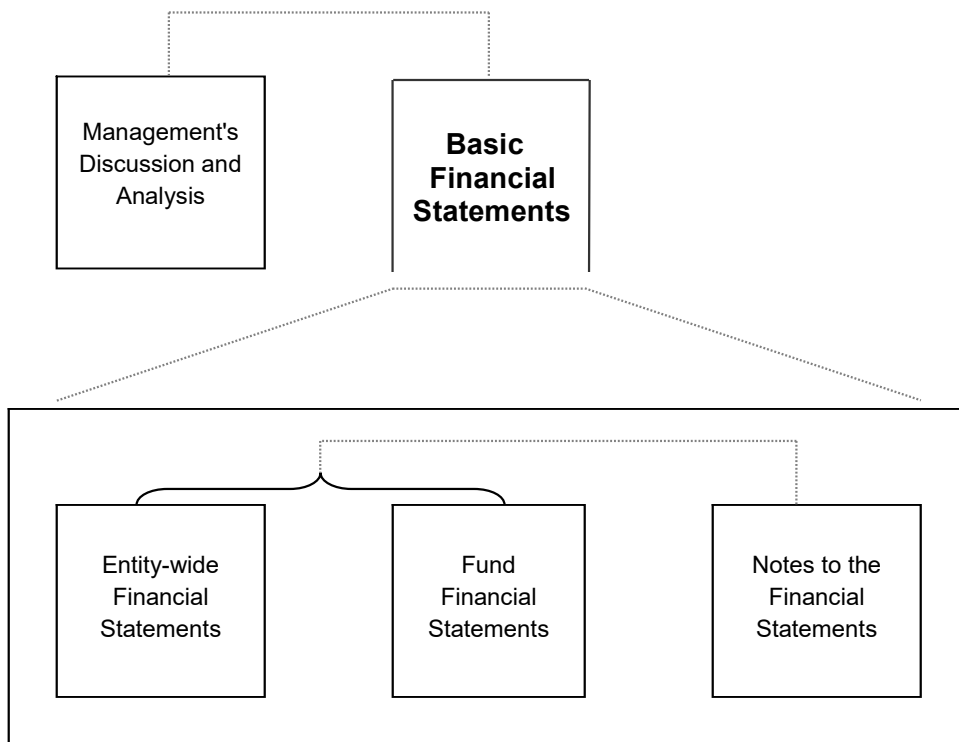


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2019**

**Figure A-2**  
**Major Features of Lower Moreland Township School District's**  
**Entity-Wide and Fund Financial Statements**

	Entity-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business - Food services	Instances in which the District is the trustee or agent to someone else's resources - Scholarship funds
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures and Changes in Fund Balances; Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows	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 resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and short-term liabilities and deferred inflows of resources; no capital assets or long-term liabilities 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 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, except for long-term debt obligations	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2019

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**OVERVIEW OF FINANCIAL STATEMENTS**

**Entity-Wide Statements**

The two entity-wide statements, which are on pages 16 and 17, report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall financial health of the District, the reader needs to consider additional financial factors, such as changes in the District's property tax base.

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

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

**Fund Financial Statements**

The District's fund financial statements, which begin on page 18, provide detailed information about the most significant funds - not the District as a whole. Some funds are required by state law and by bond requirements.

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

**Proprietary Funds** - These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities reported in the entity-wide statements, but provide more detail and additional information, such as cash flows.

**Fiduciary Funds** - The District is the trustee, or fiduciary, for some scholarship and student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on pages 27 and 28. These activities have been excluded from the District's entity-wide financial statements because the District cannot use these assets to finance its operations.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total net position was (\$39,847,501) at June 30, 2019.

**Table A-1**  
**Net Position**  
**As of June 30, 2019**

	Governmental Activities		Business- Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>ASSETS AND DEFERRED</b>						
<b>OUTFLOWS OF RESOURCES</b>						
Current and other assets	\$ 13,563,322	\$ 12,895,703	\$ 307,782	\$ 296,025	\$ 13,871,104	\$ 13,191,728
Capital assets	49,595,221	51,358,059	30,126	61,428	49,625,347	51,419,487
Total Assets	<u>63,158,543</u>	<u>64,253,762</u>	<u>337,908</u>	<u>357,453</u>	<u>63,496,451</u>	<u>64,611,215</u>
Deferred charges on bond refund	1,354,777	1,626,431	-	-	1,354,777	1,626,431
Deferred charges on pensions	10,584,000	12,080,000	-	-	10,584,000	12,080,000
Deferred charges on OPEB	371,931	289,039	-	-	371,931	289,039
Total Deferred Outflows of Resources	<u>12,310,708</u>	<u>13,995,470</u>	<u>-</u>	<u>-</u>	<u>12,310,708</u>	<u>13,995,470</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>75,469,251</u>	<u>78,249,232</u>	<u>337,908</u>	<u>357,453</u>	<u>75,807,159</u>	<u>78,606,685</u>
<b>LIABILITIES</b>						
Current and other liabilities	5,378,616	8,785,976	111,375	98,388	5,489,991	8,884,364
Long-term liabilities	108,199,374	109,116,877	-	-	108,199,374	109,116,877
TOTAL LIABILITIES	<u>113,577,990</u>	<u>117,902,853</u>	<u>111,375</u>	<u>98,388</u>	<u>113,689,365</u>	<u>118,001,241</u>
<b>DEFERRED INFLOWS- PENSIONS</b>						
Pension Activities	1,158,000	514,000	-	-	1,158,000	514,000
OPEB Activities	807,295	141,000	-	-	807,295	141,000
Total Deferred Outflows of Resources	<u>1,965,295</u>	<u>655,000</u>	<u>-</u>	<u>-</u>	<u>1,965,295</u>	<u>655,000</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS- PENSIONS</b>	<u>115,543,285</u>	<u>118,557,853</u>	<u>111,375</u>	<u>98,388</u>	<u>115,654,660</u>	<u>118,656,241</u>
<b>NET ASSETS</b>						
Net investment in capital assets	28,074,378	24,696,188	30,126	61,428	28,104,504	24,757,616
Unrestricted	(68,148,412)	(65,004,809)	196,407	197,637	(67,952,005)	(64,807,172)
TOTAL NET POSITION	<u>\$ (40,074,034)</u>	<u>\$ (40,308,621)</u>	<u>\$ 226,533</u>	<u>\$ 259,065</u>	<u>\$ (39,847,501)</u>	<u>\$ (40,049,556)</u>

Most of the District's assets are invested in capital assets (buildings, land and equipment). At June 30, 2019, the District has a lesser net investment in capital assets balance than in the prior year. The change is attributed to the retirement of debt associated with these assets as well as the completion of various projects within the District. As debt for the District is retired less quickly than the capital assets are depreciated, the net position balance will decrease. Unrestricted net position reflects a negative balance due primarily to the GASB 68 statement to account for future pension costs. The decrease in capital assets was a result of current year additions not exceeding current year depreciation. Current assets decreased due to increased accumulated depreciation.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2019**

The increase in net position is a reflection of smaller long-term liabilities due primarily to the long-term pension obligations.

The results of this year's operations as a whole are reported in the Statement of Activities on page 17. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories reduce the expense amounts, thus showing the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the local taxes assessed to taxpayers, and grants and entitlements not restricted to specific programs, the majority of which is the basic education subsidy provided by the Commonwealth of Pennsylvania.

Table A-2 takes the information from that statement and rearranges it slightly, so the reader can see the District's total revenues for the year.

**Table A-2**  
**Changes in Net Position**  
**Fiscal Year Ended June 30, 2019**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 322,251	\$ 354,409	\$ 783,545	\$ 740,799	\$ 1,105,796	\$ 1,095,208
Operating grants and contributions	6,355,516	6,142,222	164,878	140,362	6,520,394	6,282,584
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	37,321,946	36,276,035	-	-	37,321,946	36,276,035
Other taxes	3,602,503	3,159,380	-	-	3,602,503	3,159,380
Grants, subsidies and contributions, unrestricted	2,234,152	2,134,712	-	-	2,234,152	2,134,712
Other (including transfers)	902,310	714,095	7,121	5,004	909,431	719,099
<b>TOTAL REVENUES</b>	<b>50,738,678</b>	<b>48,780,853</b>	<b>955,544</b>	<b>886,165</b>	<b>51,694,222</b>	<b>49,667,018</b>
<b>EXPENSES</b>						
Instruction	33,682,606	32,761,419	-	-	33,682,606	32,761,419
Instructional student support	3,820,945	4,529,741	-	-	3,820,945	4,529,741
Administrative and financial support	5,066,556	5,124,804	-	-	5,066,556	5,124,804
Operation and maintenance of plant	2,626,870	1,695,204	-	-	2,626,870	1,695,204
Pupil transportation	3,090,789	2,997,500	-	-	3,090,789	2,997,500
Student activities	752,328	752,562	-	-	752,328	752,562
Community services	107,307	156,608	-	-	107,307	156,608
Interest on long-term debt	1,356,690	1,533,202	-	-	1,356,690	1,533,202
Food services	-	-	988,076	887,820	988,076	887,820
<b>TOTAL EXPENSES</b>	<b>50,504,091</b>	<b>49,551,040</b>	<b>988,076</b>	<b>887,820</b>	<b>51,492,167</b>	<b>50,438,860</b>
<b>INCREASE (DECREASE)</b>						
<b>IN NET POSITION</b>	<b>\$ 234,587</b>	<b>\$ (770,187)</b>	<b>\$ (32,532)</b>	<b>\$ (1,655)</b>	<b>\$ 202,055</b>	<b>\$ (771,842)</b>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2019**

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Total governmental activities expenses of \$50,504,091 include \$1,846,744 of depreciation expense and \$1,843,102 for pension expense related to GASB 68. Wages (\$21,194,260) and benefits (\$11,457,744) comprise 65 percent of the total governmental activity expenses. The variance in total revenues is a reflection of a 2.58 percent tax increase to pay for the additional expenses incurred during the 2018-2019 fiscal year. The District is experiencing growth especially with ESL students, and additional teaching and support positions were needed as well increased special education out-of-district placements. The increase in net position is a result additional, non-budgeted delinquent taxes collected from an Act 319 property.

Total business-type activities (food services) expenses of \$988,076 include the costs necessary to operate the cafeterias in all schools. The District's practice is to operate food service activities on a break-even basis. Menu prices are established at the beginning of each fiscal year at a level that normally allows this activity to break even. Any excess revenue at year end was applied to operating losses in the past to bring the food service fund out of a deficit position. During the 2006-2007 fiscal year, the District began to allocate energy costs to the Food Service program. In future years, the Board may elect to transfer additional excess funds to the general fund in partial payment for indirect expenses, such as other utilities and cleaning costs.

The tables below present the expenses of both the governmental activities and the business-type activities of the District.

Table A-3 shows the District's eight functions in governmental activities as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**Table A-3**  
**Governmental Activities**  
**Fiscal Year Ended June 30, 2019**

FUNCTIONS/PROGRAMS	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	\$ 33,682,606	\$ 32,761,419	\$ 28,090,844	\$ 27,269,931
Instructional student support	3,820,945	4,529,741	3,812,918	4,477,946
Administrative	5,066,556	5,124,804	5,066,556	5,124,804
Operation and maintenance of plant	2,626,870	1,695,204	2,580,534	1,695,204
Pupil transportation	3,090,789	2,997,500	2,665,135	2,593,367
Student activities	752,328	752,562	719,487	711,389
Community services	107,307	156,608	(125,525)	(88,479)
Interest on long-term debt	1,356,690	1,533,202	1,016,278	1,270,247
<b>Total Governmental Activities</b>	<b>\$ 50,504,091</b>	<b>\$ 49,551,040</b>	43,826,227	43,054,409
Less: Unrestricted grants and subsidies			2,234,152	2,134,712
<b>TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES</b>			<b>\$ 41,592,075</b>	<b>\$ 40,919,697</b>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2019**

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Unrestricted grants and subsidies of \$2,234,152 were available to reduce the cost of services of governmental activities to a net cost of \$41,592,075. Significant unrestricted grants and subsidies include the basic education subsidy (\$2,234,152).

Table A-4 reflects the activities of the Food Service program, the only business-type activity of the District.

**Table A-4**  
**Business-Type Activities**  
**Fiscal Year Ended June 30, 2019**

FUNCTIONS/PROGRAMS	Total Cost of Services		Change in Net Position	
	2019	2018	2019	2018
Food services	\$ 988,076	\$ 887,820	\$ (32,532)	\$ (1,655)

The Statement of Revenues, Expenses and Changes in Net Position for this proprietary fund further details the actual results of operations.

**THE DISTRICT FUNDS**

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$7,787,683, which is an increase from the prior year total of (\$7,256,000). The primary reasons for this change are specific to two funds:

**General Fund**

The District budgeted for significant increases in staffing, health benefit costs and special education services, and actual results reflected expenditure increases less than was anticipated. These three cost areas are a challenge for the District in budgeting. Recent enrollment increases have exceeded annual estimates and have required more facilities and staff. The District has a younger teaching staff in the elementary school. More substitutes were used as a result of increasing professional staff development and a higher incidence of child-rearing leaves. As additional years of service are earned, additional absence leave is earned also, which increases the use of substitutes. The District health benefit premium costs have trended at least 15 percent annually. This cost area also can fluctuate annually based upon the health of the individual employees as well as the medical coverage elections they choose. Revenues during the year exceeded projections particularly as they related to investment earnings. The District received excess revenues and expenditures came below budget thereby increasing the General Fund balance by \$76,483.

# LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2019

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## Capital Projects Fund

The District does not fund unexpected capital projects, but does plan its capital projects several years in advance. In order to fund planned projects, the District borrows funds and also makes transfers from its available fund balance of the General Fund to this fund. The balance of this fund increased \$455,200 due mainly to capital projects transfer from the general Fund to help fund capital projects.

## General Fund Budget

During the fiscal year, the Board authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year and is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with actual amounts is provided on page 22.

**Table A-5  
General Fund  
Original Budget**

	<u>2018-2019</u>	<u>2017-2018</u>
REVENUES		
Local revenue	\$ 39,587,742	\$ 38,544,336
State revenue	9,706,612	9,216,663
Federal revenue	<u>312,291</u>	<u>327,509</u>
Total Budgeted Revenue	<u>\$ 49,606,645</u>	<u>\$ 48,088,508</u>
EXPENDITURES		
Total instructional program expenditures	\$ 30,341,305	\$ 29,598,594
Total support services expenditures	14,378,940	14,657,533
Total noninstructional/community services	950,668	946,951
Total debt service/fund transfers	4,430,783	4,396,680
Budgetary reserve	<u>110,000</u>	<u>-</u>
Total Budgeted Expenditures	<u>\$ 50,211,696</u>	<u>\$ 49,599,758</u>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2019**

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A comparison of the 2017-2018 and 2018-2019 revenue and expenditures budget is shown in Table A-5. On the revenue side of the budget, there was a 2.58 percent real estate tax increase. Starting July 1, 2004, the Board adopted a 0.5 percent earned income tax and collections totaled \$1,930,585. Other revenue accounts have been adjusted based on recent history. On the expenditure side of the budget, there was a total expense increase of 1.01 percent. The District added new positions in Speech & Language, Music, and additional special education aides. The Board allocated \$605,051 of fund balance to help offset this increase.

**CAPITAL ASSETS**

At June 30, 2019, the District had \$49,595,221 invested in a broad range of governmental capital assets, including land, buildings, furniture and equipment, and construction-in-progress. This amount represents a net decrease (including additions, deletions and depreciation) of (\$1,762,838) or (3.43) percent from last year. This was a result of decreases in the building and equipment category due to the fact that current year additions did not exceed current year depreciation.

Business-type activities assets were depreciated and \$31,302 of depreciation expense was recognized during the fiscal year. Total business-type capital assets were \$30,126 at June 30, 2019.

**Table A-6**  
**Capital Assets - Net of Depreciation**

	2019	2018
Land	\$ 661,530	\$ 661,530
Buildings (includes construction-in-progress)	48,045,332	49,774,070

**DEBT ADMINISTRATION**

As of July 1, 2018, the District had total outstanding bonded debt of \$33,015,000. During the year, the District made payments against principal, which resulted in debt being decreased by \$3,335,000 resulting in ending outstanding debt as of June 30, 2019 of \$29,680,000. In addition, the District had \$524,750 outstanding in capital leases at year end.

The District's borrowing base is the average of its past three years of revenues. Its non-electoral debt limit is calculated by multiplying the borrowing base by 225 percent. As of June 30, 2019, the District's non-electoral debt limit was \$108,635,051. The District's net general obligation debt (general obligation debt reduced by future state subsidy reimbursements) was \$29,680,000. Its excess borrowing capacity as of June 30, 2019 was \$81,989,131.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2019**

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The Board approved the District's budget for fiscal year 2019-2020 on June 18, 2019. The District is allowed to update its borrowing base calculation to include the budgeted revenues for 2019-2020. Based upon the inclusion of the 2019-2020 revenue as part of the borrowing base calculation, the District's current excess borrowing capacity is \$81,989,131, which is further increased by any general obligation debt principal payments that are made during the 2019-2020 fiscal year.

**Table A-7**  
**Outstanding Debt**

	<u>2019</u>	<u>2018</u>
General Obligation Notes/Bonds:		
Bonds	\$ 29,680,000	\$ 33,015,000
Lease	524,750	398,001

Other obligations include accrued vacation pay and sick leave for District employees and other post-employment benefits. More detailed information about the District's long-term liabilities is included in Notes 7 and 8 to the financial statements.

**ECONOMIC FACTORS**

The District's general obligation bond rating is a Standard & Poor's AA+/Stable rating. The AA+/Stable rating is based upon the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default. The AA+/Stable rating reflects the District's very strong wealth and income indications as well as the expectation that the District will continue to maintain strong fund balance levels.

The District appoints a Board member liaison who meets with officials from its Township municipality to review the actions of the various planning boards and to share information about pending and approved building and occupancy permits. The municipality provides the District with estimates of future residential and commercial construction in the District, particularly when large-scale land development groups are being considered. The build-out forecast of the remaining vacant ground within the District is also reviewed in order to better project future assessment base growth.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Mark McGuinn, Business Manager, at Lower Moreland Township School District, 2551 Murray Avenue, Huntingdon Valley, Pennsylvania 19006, (215) 938-0270.

# LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,123,288	\$ 43,471	\$ 4,166,759
Investments	7,994,137	253,122	8,247,259
Taxes receivable, net	886,559	-	886,559
Due from other governments	559,338	8,022	567,360
Inventories	-	3,167	3,167
Capital assets			
Land	661,530	-	661,530
Buildings and building improvements	70,811,321	-	70,811,321
Machinery and equipment	4,141,623	398,077	4,539,700
Accumulated depreciation	(26,019,253)	(367,951)	(26,387,204)
<b>TOTAL ASSETS</b>	<b>63,158,543</b>	<b>337,908</b>	<b>63,496,451</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	1,354,777	-	1,354,777
Deferred outflows of resources, pension activity	10,584,000	-	10,584,000
Deferred outflows of resources, OPEB activity	371,931	-	371,931
<b>TOTAL DEFERRED OUTFLOWS         OF RESOURCES</b>	<b>12,310,708</b>	<b>-</b>	<b>12,310,708</b>
<b>LIABILITIES</b>			
Accounts payable	527,363	62,987	590,350
Accrued salaries and benefits	4,452,771	-	4,452,771
Unearned revenue	2,841	48,388	51,229
Other current liabilities	74,033	-	74,033
Accrued interest	321,608	-	321,608
Long-term liabilities			
Portion due or payable within one year			
Bonds and note payable	3,500,000	-	3,500,000
Compensated absences payable	17,963	-	17,963
Capital leases payable	216,345	-	216,345
Portion due or payable after one year			
Bonds and note payable	27,369,757	-	27,369,757
Capital leases payable	308,405	-	308,405
Compensated absences	647,349	-	647,349
Net pension liability	71,335,000	-	71,335,000
Net OPEB liability	4,804,555	-	4,804,555
<b>TOTAL LIABILITIES</b>	<b>113,577,990</b>	<b>111,375</b>	<b>113,689,365</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension activity	1,158,000	-	1,158,000
Deferred inflows of resources, OPEB activity	807,295	-	807,295
<b>TOTAL DEFERRED INFLOWS         OF RESOURCES</b>	<b>1,965,295</b>	<b>-</b>	<b>1,965,295</b>
<b>NET POSITION</b>			
Net investment in capital assets	28,074,378	30,126	28,104,504
Unrestricted	(68,148,412)	196,407	(67,952,005)
<b>TOTAL NET POSITION</b>	<b>\$ (40,074,034)</b>	<b>\$ 226,533</b>	<b>\$ (39,847,501)</b>

See accompanying notes to the basic financial statements.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 33,682,606	\$ 56,675	\$ 5,535,087	\$ -
Instructional student support	3,820,945	-	54,363	-
Administrative and financial support services	5,066,556	-	-	-
Operation and maintenance of plant services	2,626,870	-	-	-
Pupil transportation	3,090,789	-	425,654	-
Student activities	752,328	32,744	-	-
Community services	107,307	232,832	-	-
Interest on long-term debt	1,356,690	-	340,412	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>50,504,091</b>	<b>322,251</b>	<b>6,355,516</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service	988,076	783,545	164,878	-
<b>TOTAL SCHOOL DISTRICT ACTIVITIES</b>	<b>\$ 51,492,167</b>	<b>\$ 1,105,796</b>	<b>\$ 6,520,394</b>	<b>\$ -</b>

**GENERAL REVENUES**

Taxes

Property taxes, levied for general purposes

Taxes levied for specific purposes

Grants and contributions not restricted to specific programs

Investment earnings

Contributions

Miscellaneous

**TRANSFERS**

**TOTAL GENERAL REVENUES**

**CHANGE IN NET POSITION**

**NET POSITION AT BEGINNING OF YEAR**

**NET POSITION AT END OF YEAR**

*See accompanying notes to the basic financial statements.*

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-Type</u>	<u>Totals</u>
<u>Activities</u>	<u>Activities</u>	
\$ (28,090,844)	\$ -	\$ (28,090,844)
(3,766,582)	-	(3,766,582)
(5,066,556)	-	(5,066,556)
(2,626,870)	-	(2,626,870)
(2,665,135)	-	(2,665,135)
(719,584)	-	(719,584)
125,525	-	125,525
(1,016,278)	-	(1,016,278)
<u>(43,826,324)</u>	<u>-</u>	<u>(43,826,324)</u>
<u>-</u>	<u>(39,653)</u>	<u>(39,653)</u>
<u>(43,826,324)</u>	<u>(39,653)</u>	<u>(43,865,977)</u>
37,321,946	-	37,321,946
3,602,503	-	3,602,503
2,234,152	-	2,234,152
788,641	-	788,641
60,910	-	60,910
59,880	-	59,880
(7,121)	7,121	-
<u>44,060,911</u>	<u>7,121</u>	<u>44,068,032</u>
234,587	(32,532)	202,055
<u>(40,308,621)</u>	<u>259,065</u>	<u>(40,049,556)</u>
\$ <u>(40,074,034)</u>	\$ <u>226,533</u>	\$ <u>(39,847,501)</u>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2019 AND 2018**

	General Fund	Capital Projects Fund	Total	
			2019	2018
<b>ASSETS</b>				
Cash and cash equivalents	\$ 867,111	\$ 3,256,177	\$ 4,123,288	\$ 4,928,218
Investments	7,994,137	-	7,994,137	6,247,061
Taxes receivable, net	886,559	-	886,559	836,453
Due from other governments	559,338	-	559,338	439,461
Prepaid items	-	-	-	444,510
<b>TOTAL ASSETS</b>	<b>\$ 10,307,145</b>	<b>\$ 3,256,177</b>	<b>\$ 13,563,322</b>	<b>\$ 12,895,703</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 496,857	\$ 30,506	\$ 527,363	\$ 611,821
Other current liabilities	74,033	-	74,033	92,759
Accrued salaries and benefits	4,452,771	-	4,452,771	4,219,113
Unearned revenue	2,839	-	2,839	-
<b>TOTAL LIABILITIES</b>	<b>5,026,500</b>	<b>30,506</b>	<b>5,057,006</b>	<b>4,923,693</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues, property taxes	718,633	-	718,633	716,010
<b>FUND BALANCES</b>				
Nonspendable, prepaid items	-	-	-	444,510
Restricted to capital projects	-	3,225,671	3,225,671	2,770,471
Committed				
Self funded insurance	1,500,000	-	1,500,000	1,500,000
Assigned				
PSERS rate increases	1,000,000	-	1,000,000	1,000,000
Unassigned	2,062,012	-	2,062,012	1,541,019
<b>TOTAL FUND BALANCES</b>	<b>4,562,012</b>	<b>3,225,671</b>	<b>7,787,683</b>	<b>7,256,000</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 10,307,145</b>	<b>\$ 3,256,177</b>	<b>\$ 13,563,322</b>	<b>\$ 12,895,703</b>

*See accompanying notes to the basic financial statements.*

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2019**

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 7,787,683
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	661,530
Buildings	70,811,321
Furniture and equipment	4,141,623
Accumulated depreciation	(26,019,253)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Unamortized bond premiums and discounts	(1,189,757)
Other post employment benefits	(4,804,555)
Capital lease payable	(524,750)
Bonds payable in future years	(29,680,000)
Pension liability	(71,335,000)
Accumulated compensated absences	(665,312)
Accrued interest	(321,608)
<p>Refunded debt resulted in deferred charges which will be amortized over the life of new debt but do not represent current rights.</p>	1,354,777
<p>Deferred inflows and outflows related to pension and OPEB activities are not financial resources and therefore not reported on the governmental funds.</p>	8,990,636
<p>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.</p>	<u>718,631</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(40,074,034)</u></u>

*See accompanying notes to the basic financial statements.*

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	General Fund	Capital Projects Fund	Total	
			2019	2018
<b>REVENUES</b>				
Local sources	\$ 40,198,905	\$ 59,082	\$ 40,257,987	\$ 38,541,186
State sources	9,550,316	-	9,550,316	9,162,264
Federal sources	603,761	-	603,761	601,207
<b>TOTAL REVENUES</b>	<b>50,352,982</b>	<b>59,082</b>	<b>50,412,064</b>	<b>48,304,657</b>
<b>EXPENDITURES</b>				
Instruction	30,480,215	-	30,480,215	29,952,515
Support services	14,097,191	-	14,097,191	14,719,080
Operation of non-instructional services	839,429	-	839,429	889,361
Facilities acquisition, construction and improvement services	-	103,882	103,882	3,077,401
Debt service	4,703,698	-	4,703,698	4,682,092
<b>TOTAL EXPENDITURES</b>	<b>50,120,533</b>	<b>103,882</b>	<b>50,224,415</b>	<b>53,320,449</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>232,449</b>	<b>(44,800)</b>	<b>187,649</b>	<b>(5,015,792)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	351,155	-	351,155	539,663
Transfers in	-	500,000	500,000	-
Transfers out	(507,121)	-	(507,121)	(5,004)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(155,966)</b>	<b>500,000</b>	<b>344,034</b>	<b>534,659</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>76,483</b>	<b>455,200</b>	<b>531,683</b>	<b>(4,481,133)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>4,485,529</b>	<b>2,770,471</b>	<b>7,256,000</b>	<b>11,737,133</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 4,562,012</b>	<b>\$ 3,225,671</b>	<b>\$ 7,787,683</b>	<b>\$ 7,256,000</b>

See accompanying notes to the basic financial statements.

**LOWER MORELAND TOWNSHIP 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, 2019**

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 531,683
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 (\$1,846,744) exceeds capital outlays (\$83,906) in the current period.	(1,762,838)
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 increased by this amount this year.	2,622
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:	
Compensated absences not reflected in Governmental Funds	(20,743)
Changes in net pension plan liability and related deferrals	(1,319,001)
Accrued interest not reflected in Governmental Funds	59,764
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of issuance costs, 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 these differences in the treatment of long-term debt and related items.	3,267,202
The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	<u>(524,102)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 234,587</u>

*See accompanying notes to the basic financial statements.*

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 39,587,742	\$ 39,587,742	\$ 40,198,905	\$ 611,163
State sources	9,706,612	9,706,612	9,550,316	(156,296)
Federal sources	312,291	312,291	603,761	291,470
TOTAL REVENUES	<u>49,606,645</u>	<u>49,606,645</u>	<u>50,352,982</u>	<u>746,337</u>
EXPENDITURES				
Instruction	30,341,305	30,524,505	30,480,215	44,290
Support services	14,378,940	14,032,216	14,097,191	(64,975)
Operation of non-instructional services	950,668	950,668	839,429	111,239
Debt Service	4,430,783	4,704,307	4,703,698	609
Budgetary reserve	110,000	-	-	-
TOTAL EXPENDITURES	<u>50,211,696</u>	<u>50,211,696</u>	<u>50,120,533</u>	<u>91,163</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(605,051)</u>	<u>(605,051)</u>	<u>232,449</u>	<u>837,500</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(507,121)	(507,121)
Proceeds from capital leases	-	-	351,155	351,155
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(155,966)</u>	<u>(155,966)</u>
NET CHANGE IN FUND BALANCE	(605,051)	(605,051)	76,483	\$ <u>681,534</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>4,041,019</u>	<u>4,041,019</u>	<u>4,485,529</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 3,435,968</u>	<u>\$ 3,435,968</u>	<u>\$ 4,562,012</u>	

See accompanying note to the budgetary comparison schedule.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**STATEMENTS OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019 AND 2018**

	Enterprise Fund	
	Food Service Fund	
	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 43,471	\$ 66,525
Investments	253,122	202,144
Other receivables	8,022	22,420
Inventories	3,167	4,936
TOTAL CURRENT ASSETS	<u>307,782</u>	<u>296,025</u>
<b>CAPITAL ASSETS</b>		
Machinery and equipment	398,077	398,077
Accumulated depreciation	<u>(367,951)</u>	<u>(336,649)</u>
TOTAL CAPITAL ASSETS	<u>30,126</u>	<u>61,428</u>
TOTAL ASSETS	<u>337,908</u>	<u>357,453</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	62,987	53,799
Unearned revenue, student balances	45,221	39,653
Unearned revenue, donated commodities	3,167	4,936
TOTAL CURRENT LIABILITIES	<u>111,375</u>	<u>98,388</u>
<b>NET POSITION</b>		
Net investment in capital assets	30,126	61,428
Unrestricted	<u>196,407</u>	<u>197,637</u>
TOTAL NET POSITION	<u>\$ 226,533</u>	<u>\$ 259,065</u>

*See accompanying notes to the basic financial statements.*

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	Enterprise Fund	
	Food Service Fund	
	2019	2018
OPERATING REVENUES		
Charges for services	\$ 783,545	\$ 740,799
OPERATING EXPENSES		
Purchased property services	34,128	29,095
Other purchased services	883,919	788,958
Supplies	38,727	34,882
Depreciation	31,302	34,885
TOTAL OPERATING EXPENSES	<u>988,076</u>	<u>887,820</u>
OPERATING LOSS	<u>(204,531)</u>	<u>(147,021)</u>
NONOPERATING REVENUES		
Interfund transfers	7,121	5,004
State sources	13,858	10,789
Federal sources	151,020	129,573
TOTAL NONOPERATING REVENUES	<u>171,999</u>	<u>145,366</u>
CHANGE IN NET POSITION	<u>(32,532)</u>	<u>(1,655)</u>
NET POSITION AT BEGINNING OF YEAR	<u>259,065</u>	<u>260,720</u>
NET POSITION AT END OF YEAR	<u>\$ 226,533</u>	<u>\$ 259,065</u>

*See accompanying notes to the basic financial statements.*

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	Enterprise Fund	
	Food Service Fund	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 789,113	\$ 841,409
Payments to suppliers	(908,859)	(818,286)
<b>NET CASH PROVIDED (USED) BY OPERATING</b>		
<b>ACTIVITIES</b>	<u>(119,746)</u>	<u>23,123</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING</b>		
<b>ACTIVITIES</b>		
State sources	15,168	10,698
Federal sources	125,381	93,998
Interfund transfers	7,121	5,004
Increase in investments	(50,978)	(114,746)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL</b>		
<b>FINANCING ACTIVITIES</b>	<u>96,692</u>	<u>(5,046)</u>
<b>NET INCREASE (DECREASE) IN CASH AND</b>		
<b>CASH EQUIVALENTS</b>	(23,054)	18,077
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>66,525</u>	<u>48,448</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 43,471</u></u>	<u><u>\$ 66,525</u></u>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	Enterprise Fund	
	Food Service Fund	
	2019	2018
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (204,531)	\$ (147,021)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	31,302	34,885
Donated commodities	38,727	34,882
(Increase) decrease in		
Inventories	1,769	6,319
Other receivables	-	96,175
Increase (decrease) in		
Accounts payable	9,188	(233)
Deferred revenue	3,799	(1,884)
	<u>3,799</u>	<u>(1,884)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ <u>(119,746)</u></b>	<b>\$ <u>23,123</u></b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Noncash activity		
Donated foods	\$ 38,727	\$ 34,882

*See accompanying notes to the basic financial statements.*

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2019**

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	<u>Private- Purpose Trust Funds</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 68,238	\$ 17,450
Investments	<u>-</u>	<u>102,127</u>
TOTAL ASSETS	68,238	\$ <u><u>119,577</u></u>
<b>LIABILITIES</b>		
Accounts payable	<u>-</u>	\$ <u><u>119,577</u></u>
<b>NET POSITION</b>		
Held in trust for benefits and other purposes	\$ <u><u>68,238</u></u>	

*See accompanying notes to the basic financial statements.*

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>Private-Purpose Trust Funds</u>	
	<u>2019</u>	<u>2018</u>
ADDITIONS		
Contributions	\$ 16,545	\$ 14,999
DEDUCTIONS		
Scholarships awarded	<u>30,300</u>	<u>23,900</u>
CHANGE IN NET POSITION	(13,755)	(8,901)
NET POSITION AT BEGINNING OF YEAR	<u>81,993</u>	<u>90,894</u>
NET POSITION AT END OF YEAR	<u>\$ 68,238</u>	<u>\$ 81,993</u>

*See accompanying notes to the basic financial statements.*

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Lower Moreland Township School District (the "District") complies with generally accepted accounting principles ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**Reporting Entity**

Lower Moreland Township School District is organized under regulations contained in the School Code of the Commonwealth of Pennsylvania. The District operates under a locally elected Board form of government consisting of nine members elected to four-year terms. The District provides educational services in accordance with state and federal laws and regulations.

The District serves an area of approximately nine square miles in southeastern Montgomery County and includes Lower Moreland Township and a very small portion of Bryn Athyn Borough. The District has one elementary school, one middle school, and one high school, serving 2,032 students.

In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of Lower Moreland Township School District. The District is not a component unit of another reporting entity, nor does it have any component units.

**Jointly-Governed Organization**

The District is a participant in the Eastern Center for Arts and Technology. This organization provides vocational technical education to secondary students electing to participate in this curriculum. There are nine school districts participating in and funding the operations of this organization. Each district appoints one board member to represent its school district on the Eastern Center for Arts and Technology's operating board.

**Basis of Presentation and Accounting**

**Government-Wide Financial Statements** - The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements exclude fiduciary activities.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

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

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses.

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of borrowings attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), granters, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from the capital projects fund. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

***Fund Financial Statements*** - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are represented by fund type.

**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.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Governmental Funds***

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

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

**Capital Projects Fund** - The Capital Projects Fund is used to account for the acquisition, construction, and renovation of major capital facilities.

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (i.e... collectible within the current year or within 60 days from year end and available to pay obligations of the current period). This includes property taxes, interest earnings, real estate transfer taxes, earned income taxes, and certain fees for services. Revenues for state and federally funded projects are recognized at the time the expenditures are made or when received in advance.

Other revenues including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured, as well as expenditures related to compensated absences, are recognized when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Proprietary Fund***

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District does not attempt to allocate all "building-wide costs" to the enterprise fund. Thus, general fund expenditures which partially benefit the enterprise fund (utilities, Janitorial services, insurance, etc.) are not proportionately recognized with the enterprise fund. Similarly, the enterprise fund does not recognize a cost for the building space it occupies.

**Food Service Fund** - The District's only proprietary fund is the Food Service fund, which is a major enterprise fund. This fund accounts for the revenues and costs of feeding students; it distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of this fund are food service charges. Operating expenses for this fund include food production costs, supplies, and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Fiduciary Funds***

Fiduciary funds are restricted to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds.

**Trust and Agency Funds** - The District has one private-purpose fund that accounts for activities in various scholarship funds, whose sole purpose is to provide annual scholarships to particular students as prescribed by donor stipulations. In addition, the District has one agency fund, which accounts for funds held on behalf of students of the District. The agency fund is unlike all other types of funds, reporting only assets and liabilities. Therefore, this fund cannot be said to have a measurement focus. It does, however, use the accrual basis of accounting to recognize receivables and payables.

**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 no restrictions on withdrawal.

# LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

Pennsylvania Local Government Investment Trust 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.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2019, was in excess of the minimum requirements just described.

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.

#### Property Taxes

Property taxes are assessed against individual properties based on property ownership as of July 1. Taxes are levied on July 1 and are payable in the following periods:

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

The District's taxes are billed and collected by the District-elected tax collector. The tax on real estate for public school purposes for fiscal 2018-2019 was 35.1906 mills (\$35.19 for \$1,000 of assessed valuation) for the entire District.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventories**

All inventories are valued at the lower of cost (first-in, first-out method) or market. The costs for inventories of governmental activities are recorded as expenditures at the time individual inventory items are purchased.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Property, plant, and equipment (net of salvage value) of the District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Site improvements	15-20
School buildings	40-60
Furniture and equipment	5-10

**Long-Term Obligations**

Long-term debt and other long-term obligations are reported as liabilities, net of premiums and discounts, in the entity-wide financial statements and the proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences**

The District's policies regarding vacation, personal, and sick time permit employees to accumulate earned but unused time. The liability for these compensated absences is recorded as long-term debt in the entity-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

**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 three items that qualify for reporting in this category. The first item, the deferred outflow related to pension activity is reported in the government-wide statement of net position. The deferred outflow related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year, the difference between projected and actual earnings, the difference between actual employer contributions and proportionate share of total contributions, difference between expected and actual experience, the actual contributions subsequent to the measurement date, and changes of assumptions. The second item, the deferred charges 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 third item is the deferred outflow related to OPEB activity, which is reported in the government wide statement of net position. The deferred outflow related to OPEB activity is the result of changes of actuarial assumptions, actual contributions subsequent to the measurement date, the net difference between projected and actual investment earnings, and the changes in the School District's proportionate share of total contributions.

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 activity, are reported in the government-wide statement of net position. The deferred inflow related to pension activity is the result of differences between projected and actual experience, the difference between actual employer contributions and proportionate share of total contributions and the changes in proportion. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The third item, deferred inflows related to OPEB activity, are reported in the government-wide statement of net position. The deferred inflow related to OPEB activity is the result of changes in actuarial assumptions, the difference between expected and actual experience and the difference between actual employer contributions and the proportionate share of total contributions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance**

The School District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority. The Board of School Directors has not delegated the authority to assign fund balance.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments by passage of a motion. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is intended to be used by the School District for specific purposes but does not meet the criteria to be classified as restricted or committed.

The School District will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**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. The District does not have a policy for custodial credit risk. At June 30, 2019, the carrying amount of the District’s deposits was \$4,252,447, and the bank balance was \$4,922,742. Of the bank balance, \$250,000 was covered by federal depository insurance; \$110,188 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository’s agent was not in the District’s name and the remaining District deposits totaling \$4,562,554 are in the Pennsylvania Local Government Investment Trust (“PLGIT”).

**Investments**

As of June 30, 2019, the School District held the following investments:

<u>Investment Type</u>	<u>Maturities</u>	<u>Amortized Cost</u>
State investment pools	Less than one year	\$ <u><u>8,349,386</u></u>

The School District’s investments is in the 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 PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2019, is \$8,349,386. These assets maintain a stable net asset value of \$1 per share.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE B - CASH AND INVESTMENTS (Continued)**

Investments held with qualifying external state investment pools bank balances are valued at amortized cost in accordance with GASB Statement No. 79. The School District had \$74,458 invested in PLGIT/Plus Class account which incurs a penalty if funds are withdrawn within 30 days of deposit. The School District had \$8,274,928 in PLGIT I-Class which limits redemptions or exchanges to two per calendar month.

**Fair Value Measurement**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The School District did not have any recurring fair value measurements as of June 30, 2019.

**NOTE C - INTERFUND TRANSFERS**

The composition of interfund transfers for the year ended June 30, 2019 is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 500,000
Food Service Fund	General Fund	7,121

The amount between the General Fund and Food Service Fund is for reimbursement for expenditures not covered by Food Service Fund revenue.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 661,530	\$ -	\$ -	\$ 661,530
Construction in progress	103,514	-	(103,514)	-
<b>TOTAL CAPITAL ASSETS         NOT BEING DEPRECIATED</b>	<b>765,044</b>	<b>-</b>	<b>(103,514)</b>	<b>661,530</b>
Capital assets being depreciated				
Buildings and building improvements	70,670,237	141,084	-	70,811,321
Machinery and equipment	4,095,287	46,336	-	4,141,623
<b>TOTAL CAPITAL ASSETS         BEING DEPRECIATED</b>	<b>74,765,524</b>	<b>187,420</b>	<b>-</b>	<b>74,952,944</b>
Accumulated depreciation				
Buildings and building improvements	(20,999,681)	(1,766,308)	-	(22,765,989)
Machinery and equipment	(3,172,828)	(80,436)	-	(3,253,264)
<b>TOTAL ACCUMULATED         DEPRECIATION</b>	<b>(24,172,509)</b>	<b>(1,846,744)</b>	<b>-</b>	<b>(26,019,253)</b>
<b>TOTAL CAPITAL ASSETS     BEING DEPRECIATED, net</b>	<b>50,593,015</b>	<b>(1,659,324)</b>	<b>-</b>	<b>48,933,691</b>
<b>GOVERNMENTAL ACTIVITIES     CAPITAL ASSETS, net</b>	<b>51,358,059</b>	<b>(1,659,324)</b>	<b>(103,514)</b>	<b>49,595,221</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Furniture and equipment	398,077	-	-	398,077
Accumulated depreciation	(336,649)	(31,302)	-	(367,951)
<b>BUSINESS-TYPE ACTIVITIES         CAPITAL ASSETS, net</b>	<b>61,428</b>	<b>(31,302)</b>	<b>-</b>	<b>30,126</b>
<b>CAPITAL ASSETS, net</b>	<b>\$ 51,419,487</b>	<b>\$ (1,690,626)</b>	<b>\$ (103,514)</b>	<b>\$ 49,625,347</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				\$ 1,766,815
Instructional student support				78,739
Administrative and financial support services				161
Operation and maintenance of plant services				997
Pupil transportation				32
				<u>\$ 1,846,744</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service				\$ <u>31,302</u>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE E - GENERAL LONG-TERM DEBT**

The following summarizes the changes in long-term debt for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Amount Due in One Year
Bonds payable	\$ 33,015,000	\$ -	\$ (3,335,000)	\$ 29,680,000	\$ 3,500,000
Premiums on bonds	1,523,109	-	(331,113)	1,191,996	-
Discounts on bonds	(2,747)	-	508	(2,239)	-
Deferred charges on refunding	(1,626,431)	-	271,654	(1,354,777)	-
Capital lease payable	398,001	351,155	(224,406)	524,750	216,345
Accumulated compensated absences	644,569	20,743	-	665,312	17,963
Net pension liability	72,156,000	-	(821,000)	71,335,000	-
Net OPEB liability	4,863,856	-	(59,301)	4,804,555	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 110,971,357</b>	<b>\$ 371,898</b>	<b>\$ (4,498,658)</b>	<b>\$ 106,844,597</b>	<b>\$ 3,734,308</b>

**General Obligation Bonds:**

In 2011, the District issued \$1,000,000 in general obligation notes to finance the renovations of six science labs. The interest rate is 5.426%. The notes mature through September 2026.

\$ 965,000

In 2014, the District issued \$5,405,000 in general obligation bonds to currently refund \$5,820,000 of general obligation bonds, Series of 2009 and 2009A. The interest rate varies from 3.0% to 5.0%. The bonds mature through February 2023.

3,390,000

In 2014, the District issued \$7,120,000 in general obligation bonds to finance capital projects in the District. The interest rate varies from 2.0% to 4.0%. The bonds mature through February 2025.

7,095,000

In 2015, the District issued \$9,220,000 in general obligation bonds to currently refund \$9,940,000 of general obligation bonds, Series of 2009 AA and 2010. The interest rate varies from 2.0% to 5.0%. The bonds mature through February 2022.

4,120,000

In 2016, the District issued \$9,500,000 in general obligation bonds to currently refund \$9,015,000 of general obligation bonds, Series of 2009. The interest rate varies from 0.4% to 2.125%. The bonds mature through November 2028.

9,385,000

In 2016, the District issued \$8,355,000 in general obligation bonds to currently refund \$8,625,000 of general obligation bonds, Series of 2009 and to finance capital projects in the District. The interest rate varies from .6% to 5%. The bonds mature through August 2023.

4,725,000

**TOTAL**

**\$ 29,680,000**

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE E - GENERAL LONG-TERM DEBT (Continued)**

Bonds payable is comprised of the following:

Bonds payable, at face	\$ 29,680,000
Unamortized discount	(2,239)
Unamortized premium	<u>1,191,996</u>
BONDS PAYABLE, NET	<u>\$ 30,869,757</u>

Amounts due in one year	\$ 3,500,000
Amounts due after one year	<u>27,369,757</u>
BONDS PAYABLE, NET	<u>\$ 30,869,757</u>

Payments of long-term debt for bonds and capital leases payable are to be funded by the general fund, while long-term debt for compensated absences is paid out of the fund from which the liability was incurred.

Presented below is a summary of debt service requirements to maturity by years:

Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2020	\$ 3,500,000	\$ 935,191	\$ 4,435,191
2021	3,597,143	750,266	4,347,409
2022	3,732,143	602,516	4,334,659
2023	3,827,143	478,741	4,305,884
2024	3,882,143	385,204	4,267,347
2025 to 2029	<u>11,141,428</u>	<u>646,947</u>	<u>11,788,375</u>
	<u>\$ 29,680,000</u>	<u>\$ 3,798,865</u>	<u>\$ 33,478,865</u>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**NOTE F - CAPITAL LEASES**

The District has entered into lease agreements as lessee for financing the acquisition of computer equipment for the Lower Moreland High School and Murray Avenue Middle School. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired do not meet the District's capitalization requirements and are therefore not recorded as capital assets by the District.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>		
2020	\$	237,605
2021		237,604
2022		<u>87,009</u>
TOTAL MINIMUM LEASE PAYMENTS		562,218
Less: Amount representing interest		<u>(37,468)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$	<u>524,750</u>

Total expenditures under these leases amounted to \$237,605 during the fiscal year ended June 30, 2019.

**NOTE G - FUND BALANCES**

As of June 30, 2019, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Restricted			
Capital projects	\$ -	\$ 3,225,671	\$ 3,225,671
Committed			
Self funded insurance	1,500,000	-	1,500,000
Assigned			
PSERS	1,000,000	-	1,000,000
Unassigned	<u>2,062,012</u>	<u>-</u>	<u>2,062,012</u>
TOTAL FUND BALANCES	\$ <u>4,562,012</u>	\$ <u>3,225,671</u>	\$ <u>7,787,683</u>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE H - DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE**

**General Fund**

Real estate taxes collected within 60 days of the close of the fiscal year are recorded as current revenues. The noncurrent portion of real estate taxes receivable is recorded as deferred inflows of resources until such time as it becomes available.

At June 30, 2019, deferred inflows of resources for unavailable revenues related to property taxes consisted of delinquent taxes receivable of \$718,633.

**Food Service Fund**

Unearned revenue in the Food Service Fund represents the carryover of unused donated foods of \$3,167 and prepaid balances on student meal accounts of \$45,221.

**NOTE I - 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](http://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.

# LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE I - PENSION PLAN (Continued)

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.

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%.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE I - PENSION PLAN (Continued)**

**Employer Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2019, was 32.60% 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 \$6,698,000 for the year ended June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$71,335,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2018, the School District's proportion was 0.1486% which was an increase of 0.0025% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of \$8,017,000. At June 30, 2019, 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>
Difference between expected and actual experience	\$ 574,000	\$ 1,104,000
Changes in assumptions	1,329,000	-
Net difference between projected and actual investment earnings	350,000	-
Changes in proportions	1,498,000	52,000
Difference between employer contributions and proportionate share of total contributions	135,000	2,000
Contributions subsequent to the measurement date	<u>6,698,000</u>	<u>-</u>
	<u>\$ 10,584,000</u>	<u>\$ 1,158,000</u>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE I - PENSION PLAN (Continued)**

\$6,698,000 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, 2019. 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</u> <u>June 30,</u>	
2019	\$ 1,997,000
2020	1,256,000
2021	(255,000)
2022	<u>(270,000)</u>
	<u>\$ 2,728,000</u>

**Actuarial Assumptions**

The total pension liability at June 30, 2018 was determined by rolling forward the System's total pension liability at June 30, 2017 to June 30, 2018 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 growth – effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

# LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE I - PENSION PLAN (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.0%	0.9%
	<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, 2018.

**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.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE I - 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>88,425,000</u>	\$ <u>71,335,000</u>	\$ <u>56,885,000</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](http://www.psers.state.pa.us).

**NOTE J - CONTINGENCIES**

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the granters or their representatives. The District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**NOTE K - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in Insurance coverage for the 2018-2019 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE L - OPERATING LEASES**

Lower Moreland Township School District, in the normal course of business, leases certain office equipment. Lease expense for the year ended June 30, 2019 was \$61,250.

Future liabilities in accordance with the terms of these noncancelable leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 43,408
2021	27,285
2022	26,778
2023	<u>16,448</u>
	<u>\$ 113,919</u>

**NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—SINGLE EMPLOYER PLAN**

**Plan Description**

The District's healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

**Funding Policy**

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board.

**Plan Membership** - At June 30, 2019, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>228</u>
	<u>232</u>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**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, 2019 benefit payments paid as they came due were \$57,671.

**Benefits Provided**

The School District currently provides medical and prescription drug coverage to the Superintendent at 100% of premium until age 65. The School District also provides medical, prescription drug, and dental coverage for all administrators and teachers at the completion of 20 years of service with the School District and 30 years of service with PSERS. The District pays the premiums up to a lifetime maximum of \$20,000. After the lifetime maximum is reached, the member must pay the full premium. Spouses are automatically included in the plan. This coverage is available until the member is eligible for Medicare. If a member passes away, the spouse can continue benefits until the member would have been eligible for Medicare.

Under Act 110/43, any support staff, administrators, and teachers who are eligible (age 60 with 30 years of service, age 62 with one year of service, or 35 years of service regardless of age) are allowed to continue coverage for themselves and their dependents until the member reaches Medicare age. The retiree is responsible for payment equal to the premium determined for the purposes of COBRA.

**Assumptions**

The following assumptions and actuarial methods and calculation were used:

**Interest Rate** - 2.98%, based on S&P Municipal Bond 20 Year High Grade Rate Index at 7/1/2018.

**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 from 2.75% to 0%.

**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.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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

**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	2.57%	5.02%	45	1.37%	1.65%
30	2.57%	4.02%	50	1.92%	2.06%
35	1.50%	2.85%	55	3.38%	3.11%
40	1.34%	1.60%	60	5.57%	6.40%

**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** - 55% of Teachers and Administrators and 10% of the Support Staff are assumed to elect coverage. Spouses who are not receiving subsidized benefits are assumed to cease coverage upon attainment of age 65.

**Percent Married at Retirement** - 40% of employees are assumed to be married and have a spouse covered by the plan at retirement.

**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.

**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.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Participant Data** – Based on census information as of July 2018. Due to the timing of School District turnover, the data is believed to be representative of the population for the 2018-2019 school year.

**Changes in Assumptions** - In the 2018 actuarial valuation, the discount rate changed from 3.13% to 2.98%.

**Changes in the Total OPEB Liability**

	<u>Total Pension Liability</u>
Balance at June 30, 2018	\$ <u>1,886,856</u>
Changes for the year	
Service cost	151,107
Interest cost	62,810
Changes of benefit terms	399,840
Changes for experience	(431,733)
Changes in assumptions	(304,654)
Benefit payments	<u>(57,671)</u>
Net changes	<u>(180,301)</u>
Balance at June 30, 2019	\$ <u><u>1,706,555</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 total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.98 percent) or 1-percentage-point higher (3.98 percent) than the current discount rate:

	1% Decrease <u>1.98%</u>	Current Discount Rate <u>2.98%</u>	1% Increase <u>3.98%</u>
Total OPEB liability	\$ <u><u>1,851,925</u></u>	\$ <u><u>1,706,555</u></u>	\$ <u><u>1,568,477</u></u>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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

***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 total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% <u>Decrease</u>	Current <u>Rates</u>	1% <u>Increase</u>
Total OPEB liability	\$ 1,514,485	\$ 1,706,555	\$ 1,937,608

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

**Related to OPEB** - For the year ended June 30, 2019, the School recognized OPEB expense of \$566,548. At June 30, 2019, the School 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>
Changes in assumptions	\$ 24,485	\$ 284,344
Changes in proportion	-	-
Difference between expected and actual experience	-	402,951
Net difference between projected and actual investments earnings	-	-
Contributions subsequent to the measurement date	<u>27,446</u>	<u>-</u>
	<u>\$ 51,931</u>	<u>\$ 687,295</u>

\$27,446 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, 2019. 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>	
2020	\$ (47,209)
2021	(47,209)
2022	(47,209)
2023	(47,209)
2024	(47,209)
Thereafter	<u>(426,765)</u>
	<u>\$ (662,810)</u>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE N - 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.

**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, 2018, 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](http://www.psers.pa.gov).

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE N - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS–PSERS (Continued)**

***Benefits Provided***

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS’ Health Options Program. As of June 30, 2018 there were no assumed future benefit increases to participating eligible retirees

***Contributions***

The school districts’ contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% 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 \$165,000 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$3,098,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2018, the District’s proportion was 0.1486% percent, which was an increase of 0.0025% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized OPEB expense of \$165,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 19,000	\$ -
Changes in assumptions	49,000	117,000
Net difference between projected and actual investment earnings	5,000	-
Changes in proportions	76,000	-
Difference between employer contributions and proportionate share of total contributions	-	3,000
Contributions subsequent to the measurement date	171,000	-
	<u>\$ 320,000</u>	<u>\$ 120,000</u>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE N - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS–PSERS (Continued)**

\$171,000 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ (3,000)
2020	(3,000)
2021	(3,000)
2022	(3,000)
2020	(1,000)
Thereafter	<u>(7,000)</u>
	<u>\$ (20,000)</u>

***Actuarial Assumptions***

The Total OPEB Liability as of June 30, 2018, was determined by rolling forward the System’s Total OPEB Liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.98% - 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%

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE N - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS–PSERS (Continued)**

The actuarial assumptions used in the June 30, 2018 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, 2016 determined the employer contribution rate for fiscal year 2018.
- 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.

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>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.9%	0.03%
US core fixed income	92.8%	1.2%
Non-US developed fixed	<u>1.3%</u>	0.4%
	<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, 2018.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE N - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS–PSERS (Continued)**

***Discount Rate***

The discount rate used to measure the Total OPEB Liability was 2.98%. 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 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

***Sensitivity of the Net OPEB Sensitivity 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, 2018, 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, 2018, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2018, 1,077 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.

The following presents the net OPEB liability for June 30, 2018, calculated using current Healthcare cost trends as well as what the net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ <u>3,098,000</u>	\$ <u>3,098,000</u>	\$ <u>3,099,000</u>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE N - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS–PSERS (Continued)**

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

The following presents the System net OPEB liability, calculated using the discount rate of 2.98%, as well as what the System net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage-point higher (3.98%) than the current rate:

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
District's proportionate share of the net OPEB liability	\$ <u>3,523,000</u>	\$ <u>3,098,000</u>	\$ <u>2,745,000</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](http://www.psers.pa.gov).

## **REQUIRED SUPPLEMENTARY INFORMATION**

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE**  
**SHARE OF THE PSERS NET PENSION LIABILITY**  
**LAST FIVE FISCAL YEARS**

	2019	2018	2017	2016	2015
School District's proportion of the net pension liability (asset)	0.1486%	0.1461%	0.1441%	0.1444%	0.1441%
School District's proportionate share of the net pension liability (asset)	\$ 71,335,000	\$ 72,156,000	\$ 71,411,000	\$ 62,548,000	\$ 57,036,000
School District's covered payroll	\$ 20,007,014	\$ 19,456,077	\$ 18,656,759	\$ 18,573,290	\$ 18,394,366
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	356.55%	370.87%	382.76%	336.76%	310.07%
The plan's fiduciary net position as a percentage of the total pension liability	54.00%	51.84%	50.14%	45.64%	57.24%

**NOTES TO SCHEDULE**

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

This schedule is 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.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS**  
**LAST FIVE FISCAL YEARS**

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 6,698,000	\$ 6,304,000	\$ 5,618,000	\$ 4,603,000	\$ 3,738,000
Contributions in relation to the contractually required contribution	6,698,000	6,304,000	5,618,000	4,603,000	3,738,000
CONTRIBUTION (EXCESS) DEFICIENCY	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 20,545,171	\$ 20,007,014	\$ 19,456,077	\$ 18,656,759	\$ 18,573,290
Contributions as a percentage of covered payroll	32.60%	31.74%	28.88%	24.67%	20.13%

**NOTE TO SCHEDULE**

This schedule is 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.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE**  
**SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT**  
**PLAN LIABILITY**  
**LAST TWO FISCAL YEARS**

	<u>2019</u>	<u>2018</u>
School District's proportion of the net OPEB liability	<u>0.1486%</u>	<u>0.1461%</u>
School District's proportionate share of the net OPEB liability	\$ <u>3,098,000</u>	\$ <u>2,977,000</u>
School District's covered payroll	\$ <u>20,007,014</u>	\$ <u>19,456,077</u>
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>15.48%</u>	<u>15.30%</u>
The plan's fiduciary net position as a percentage of the net OPEB liability	<u>5.56%</u>	<u>5.73%</u>

**NOTE TO SCHEDULE**

This schedule is 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.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT**  
**BENEFIT PLAN CONTRIBUTIONS**  
**LAST TWO FISCAL YEARS**

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	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 171,000	\$ 165,000
Contributions in relation to the contractually required contribution	<u>171,000</u>	<u>165,000</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 20,545,171</u>	<u>\$ 20,007,014</u>
Contributions as a percentage of covered payroll	<u>0.83%</u>	<u>0.82%</u>

**NOTE TO SCHEDULE**

This schedule is 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.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT**  
**BENEFIT PLAN LIABILITY AND RELATED RATIOS**  
**LAST TWO FISCAL YEARS**

	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 151,107	\$ 148,790
Interest	62,810	45,738
Changes of benefit terms	399,840	-
Difference between expected and actual experience	(431,733)	-
Changes of assumptions	(304,654)	28,251
Benefit payments	<u>(57,671)</u>	<u>(52,374)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(180,301)	170,405
 TOTAL OPEB LIABILITY, BEGINNING	 <u>1,886,856</u>	 <u>1,716,451</u>
 TOTAL OPEB LIABILITY, ENDING	 <u>\$ 1,706,555</u>	 <u>\$ 1,886,856</u>
 COVERED PAYROLL	 <u>\$ 20,545,171</u>	 <u>\$ 18,194,738</u>
 TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	 <u>8.31%</u>	 <u>10.37%</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.

This schedule is 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.