

December 18, 2018

To the Members of the School Board
Upper Moreland Township School District
Willow Grove, Pennsylvania

We have audited the financial statements of the Upper Moreland Township School District as of and for the year ended June 30, 2018 and have issued our report thereon dated December 12, 2018. Professional standards require that we advise you of the following matters relating to our audit.

OUR RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENT AUDIT

As communicated in our engagement letter dated September 1, 2018, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial Working Copy statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Upper Moreland Township School District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

PLANNED SCOPE AND TIMING OF THE AUDIT

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

COMPLIANCE WITH ALL ETHICS REQUIREMENTS REGARDING INDEPENDENCE

The engagement team, others in our firm, as appropriate, our firm and our network firms have complied with all relevant ethical requirements regarding independence.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Upper Moreland Township School District is included in Note A to the financial statements. As described in Note Q to the financial statements, during the year the entity adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the cumulative effect of the accounting changes as of the beginning of the year has been reported in the statement of activities. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of accumulated depreciation and depreciation expense is based on original cost and estimated useful lives.
- Management's estimate of the net pension liability, net OPEB liability and related deferred inflows and outflows of resources is based on the School District's proportionate share (calculated using covered payroll) of the total net pension liability, net OPEB liability and related deferred inflows and outflows of resources as provided by PSERS.
- Management's estimate of the postemployment benefits other than pensions (OPEB) single employer plan liability and related deferred inflows and outflows of resources is based on actuarial estimates.

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- Management's estimate of compensated absences is calculated based on the School District's policies relating to the amount of compensated time an employee accrues based on several factors, including position and service time.

We evaluated the key factors and assumptions used to develop the above estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent and clear.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE AUDIT

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

UNCORRECTED AND CORRECTED MISSTATEMENTS

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule of misstatements, including material misstatements that we identified as a result of our audit procedures was brought to the attention of, and corrected by, management.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Upper Moreland Township School District's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

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REPRESENTATIONS REQUESTED FROM MANAGEMENT

We have requested certain written representations from management, which are included in the management representation letter dated December 12, 2018.

MANAGEMENT'S CONSULTATIONS WITH OTHER ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

MODIFICATION OF THE AUDITORS' REPORT

We have made the following modification to our auditors' report:

For the year ended June 30, 2018, the Upper Moreland Township School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Our opinion is not modified with respect to this matter.

OTHER SIGNIFICANT MATTERS, FINDINGS OR ISSUES

In the normal course of our professional association with the Upper Moreland Township School District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Upper Moreland Township School District's auditors.

This report is intended solely for the information and use of the members of the School Board and management of the Upper Moreland Township School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



MAILLIE LLP
*Certified Public Accountants and
Business Consultants*

Client: **91576 - School District of Upper Moreland Township**
 Engagement: **2017 - School District of Upper Moreland Township**
 Period Ending: **6/30/2018**
 Workpaper: **3510.01 - Adjusting Journal Entries Report**

10/23/2018
 2:22 PM

| Account | Description | W/P Ref | Debit | Credit |
|---|--|-----------------|-------------------|-------------------|
| Adjusting Journal Entries JE # 101 | | 3550.01 | | |
| PBC - To adjust donated commodities | | | | |
| 5131000026602160-633 | DONATED COMMODIIES | | 28,055.00 | |
| 5131000036602160-633 | DONATED COMMODIIES | | 28,055.00 | |
| 5131000046602160-633 | DONATED COMMODIIES | | 28,055.00 | |
| 5131000066602160-633 | DONATED COMMODIIES | | 28,055.00 | |
| 5180000026602100-R8533 | VALUE DONATED COMMODITIES | | | 28,055.00 |
| 5180000036602100-R8533 | VALUE DONATED COMMODITIES | | | 28,055.00 |
| 5180000046602100-R8533 | VALUE DONATED COMMODITIES | | | 28,055.00 |
| 5180000066602100-R8533 | VALUE DONATED COMMODITIES | | | 28,055.00 |
| Total | | | 112,220.00 | 112,220.00 |
| Adjusting Journal Entries JE # 102 | | 3550.02 | | |
| PBC - To record PSER entry not posted | | | | |
| 10-046252 | EMPLR/EMPLE RETIREMENT | | 162,866.00 | |
| 10-046253 | EMPLOYEE BUY BACK | | 155.00 | |
| 10-010101 | CASH- GENERAL FUNDS | | | 155.00 |
| 10-010101 | CASH- GENERAL FUNDS | | | 162,866.00 |
| Total | | | 163,021.00 | 163,021.00 |
| Adjusting Journal Entries JE # 103 | | 7100.52 | | |
| To adjust donated commodity entry | | | | |
| 5180000026602100-R8533 | VALUE DONATED COMMODITIES | | 672.00 | |
| 5180000036602100-R8533 | VALUE DONATED COMMODITIES | | 672.00 | |
| 5180000046602100-R8533 | VALUE DONATED COMMODITIES | | 672.00 | |
| 5180000066602100-R8533 | VALUE DONATED COMMODITIES | | 672.00 | |
| 5131000026602160-633 | DONATED COMMODIIES | | | 672.00 |
| 5131000036602160-633 | DONATED COMMODIIES | | | 672.00 |
| 5131000046602160-633 | DONATED COMMODIIES | | | 672.00 |
| 5131000066602160-633 | DONATED COMMODIIES | | | 672.00 |
| Total | | | 2,688.00 | 2,688.00 |
| Adjusting Journal Entries JE # 104 | | 4200.11 | | |
| To adjust delinquent taxes receivable/deferred revenue for current year activity. | | | | |
| 10-048000 | DEFERRED REVENUES | | 177,529.00 | |
| 10-012100 | TAXES RECEIVABLE | | | 177,529.00 |
| Total | | | 177,529.00 | 177,529.00 |
| Adjusting Journal Entries JE # 105 | | 1300.21a | | |
| To record GASB 68 for business-type activities. | | | | |
| 51-059900 | L/T LIAB NET PENSION LIAB | | 24,000.00 | |
| 52-059900 | L/T LIAB NET PENSION LIAB | | 14,000.00 | |
| GASB68-22 | FOOD SERVICE - EXPENSE - EMPLOYEE | | 35,000.00 | |
| GASB68-27 | CHILD CARE - EXPENSE - EMPLOYEE BENEFITS | | 20,000.00 | |
| 51-079100 | DEFERRED OUTFLOWS | | | 49,000.00 |
| 51-079500 | DEFERRED INFLOWS | | | 10,000.00 |
| 52-079100 | DEFERRED OUTFLOWS | | | 28,000.00 |
| 52-079500 | DEFERRED INFLOWS | | | 6,000.00 |
| Total | | | 93,000.00 | 93,000.00 |
| Adjusting Journal Entries JE # 106 | | 1300.08a | | |
| To record PSERS OPEB - prior period adjustment. | | | | |
| 51-077200 | UNRESV'D UNDESGN'ED FDBAL | | 69,000.00 | |
| 52-077200 | UNRESV'D UNDESGN'ED FDBAL | | 39,000.00 | |
| 51-059900.01 | OTHER LONG TERM LIABILITY - OPEB | | | 69,000.00 |

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| Account | Description | W/P Ref | Debit | Credit |
|--------------|-----------------------------|---------|--------------------------|--------------------------|
| 52-059900.01 | OTHER LONG TERM LIAB - OPEB | | | 39,000.00 |
| Total | | | <u>108,000.00</u> | <u>108,000.00</u> |

Adjusting Journal Entries JE # 107

1300.08a

To record PSERS OPEB adjustment.

| | | | | |
|--------------|--|--|-------------------------|-------------------------|
| 51-059900.01 | OTHER LONG TERM LIABILITY - OPEB | | 4,000.00 | |
| 51-079100.01 | DEFERRED OUTFLOWS - OPEB | | 4,000.00 | |
| 52-059900.01 | OTHER LONG TERM LIAB - OPEB | | 3,000.00 | |
| 52-079100.01 | DEFERRED OUTFLOWS - OPEB | | 2,000.00 | |
| 51-079500.01 | DEFERRED INFLOWS - OPEB | | | 4,000.00 |
| 52-079500.01 | DEFERRED INFLOWS - OPEB | | | 2,000.00 |
| GASB75-51 | Maillie Reclass - Employee Benefits OPEB | | | 4,000.00 |
| GASB75-52 | Maillie Reclass - Employee Benefits OPEB | | | 3,000.00 |
| Total | | | <u>13,000.00</u> | <u>13,000.00</u> |

Adjusting Journal Entries JE # 108

To transfer from GF and set up Internal Service Fund

| | | | | |
|---------------|-----------------------------------|--|----------------------------|----------------------------|
| 10-046238 | UNEMPLOYMENT COMPENSATION | | 928,598.00 | |
| 10-046260 | MEDICAL RECEIPT COBRA/RET | | 32,457.00 | |
| 10-046262 | AETNA/US HEALTHCARE | | 101,738.00 | |
| 10-046263 | DELTA DENTAL | | 331,428.00 | |
| 10-5460 | Transfer to Internal Service Fund | | 2,155,297.00 | |
| 62-018100 | Prepaid Expenses | | 597,912.00 | |
| 62-046239 | Workers Compensation | | 1,024,916.00 | |
| 62-046261 | IBC Medical | | 1,326,398.00 | |
| 62-046264 | Rx | | 600,292.00 | |
| 10-018100 | PREPAID EXPENSES | | | 597,912.00 |
| 10-046239 | WORKERS COMPENSATION | | | 1,024,916.00 |
| 10-046261 | INDEPENDENCE BLUE CROSS | | | 1,326,398.00 |
| 10-046264 | PC RX SELF FUNDED | | | 600,292.00 |
| 62-046238 | Unemployment | | | 928,598.00 |
| 62-046260 | Medical Receipt Cobra | | | 32,457.00 |
| 62-046262 | Aetna | | | 101,738.00 |
| 62-046263 | Delta Dental | | | 331,428.00 |
| 62-9000-R9310 | Transfers from General Fund | | | 2,155,297.00 |
| Total | | | <u>7,099,036.00</u> | <u>7,099,036.00</u> |

Adjusting Journal Entries JE # 109

To gross up 2018 Bond Issuance

| | | | | |
|------------------------|--------------------------|--|--------------------------|--------------------------|
| 399000001000130L-R9120 | PROCEEDS REFUNDING BONDS | | 210,174.00 | |
| 399000001000130L-R9122 | BOND ISSUE COSTS | | 185,518.00 | |
| 399000001000130L-R9123 | BOND PREMIUM | | | 395,692.00 |
| Total | | | <u>395,692.00</u> | <u>395,692.00</u> |