

SPRING-FORD AREA SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT

Year Ended June 30, 2016



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Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

SPRING-FORD AREA SCHOOL DISTRICT

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2016

	Page
Introductory Section	
Table of Contents	1
Financial Section	
Independent Auditors' Report	4
Management's Discussion and Analysis (Unaudited)	7
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	21
Statement of Activities	22
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	23
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balances	25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	26
<i>Proprietary Fund</i>	
Statement of Net Position	28
Statement of Revenues, Expenses and Changes in Net Position	29
Statement of Cash Flows	30

SPRING-FORD AREA SCHOOL DISTRICT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2016

	Page
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	32
Statement of Changes in Fiduciary Net Position	33
Notes to the Basic Financial Statements	34
Required Supplementary Information	
Budgetary Comparison Schedule	64
Notes to the Budgetary Comparison Schedule	65
Schedule of the School District's Proportionate Share of the Net Pension Liability	66
Schedule of the School District's Contributions	67
Postemployment Benefits Other Than Pension Funding Progress	68
Supplementary Information Section	
<i>General Fund</i>	
Schedule of Tax Collectors' Receipts	69
Schedule of Revenues, Expenditures and Changes in Fund Balance	70
<i>Capital Project Funds</i>	
Combining Balance Sheet	73
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	74
<i>Athletic Activities</i>	
Schedule of Revenues and Expenditures	75
<i>Food Service Fund</i>	
Schedule of Revenues, Expenses and Changes in Net Position	76
<i>Scholarship Trust Funds</i>	
Combining Schedule of Fiduciary Net Position	77
Combining Schedule of Changes in Fiduciary Net Position	77

SPRING-FORD AREA SCHOOL DISTRICT

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2016

	Page
<i>Agency Funds</i>	
Combining Balance Sheet	78
Combining Schedule of Changes in Assets and Liabilities	79
<i>Activity Funds</i>	
Schedule of Additions and Deletions	80
<i>General Long-Term Debt</i>	
Schedule of General Obligation Bonds, Series of 2007	82
Schedule of General Obligation Bonds, Series of 2012	82
Schedule of General Obligation Bonds, Series A of 2012	82
Schedule of General Obligation Bonds, Series of 2015	83
Schedule of General Obligation Bonds, Series of 2016	83
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	84
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance With the Uniform Guidance	86
Supplementary Information – Major Federal Award Programs Audit	
Schedule of Expenditures of Federal Awards	89
Notes to the Schedule of Expenditures of Federal Awards	90
Schedule of Findings and Questioned Costs	91

FINANCIAL SECTION

Independent Auditors' Report

To the Board of School Directors
Spring-Ford Area School District
Royersford, 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 Spring-Ford Area School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Spring-Ford Area School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Board of School Directors
Spring-Ford Area School District

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 Spring-Ford Area School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

For the year ended June 30, 2016, the Spring-Ford Area School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 20, budgetary comparison information on pages 64 and 65, schedule of the school district's proportionate share of the net pension liability on page 66, schedule of the school district's contributions on page 67 and postemployment benefits other than pension funding progress on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

To the Board of School Directors
Spring-Ford Area School District

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2017, on our consideration of the Spring-Ford Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Spring-Ford Area School District's internal control over financial reporting and compliance.

Maullie LLP

Oaks, Pennsylvania
January 6, 2017

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

This discussion and analysis of Spring-Ford Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the audited financial statements and the related disclosures to enhance their understanding of the District's financial performance.

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

FINANCIAL HIGHLIGHTS

The Spring-Ford Area School District (the "District") experienced significant increases in the costs during the 2015/2016 fiscal year in special education instruction, and health related benefits for our employees. Further, increases in the mandated costs for the Public School Employees Retirement System (PSERS) employer contribution continue to cause additional stress on the financial resources of the District.

The District completed the fiscal year 2015/2016 with liabilities and deferred inflows of resources of \$330,880,528 exceeding assets and deferred outflows of resources of \$272,700,063 by \$58,180,465. In comparison the total net position of the district increased \$4,163,787 year over year.

- The governmental activities total assets increased by \$2,075,067 over prior year.
- The District's business-type activities, which are comprised of the Food Service Fund, showed an increase of \$168,270 in total assets from prior year.
- At the end of the current fiscal year, the unassigned, undesignated fund balance of the General Fund was \$9,899,500 compared to the prior year of \$8,805,750, an increase of \$1,093,750.
- The Board continues to review the fund balance of the District and strives to maintain the fund balance to within 5-8% of the total budgeted expenditures, or in future years will budget to replenish the fund balance, should it be necessary.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of two distinct series of financial statements: the District as a whole, and by fund.

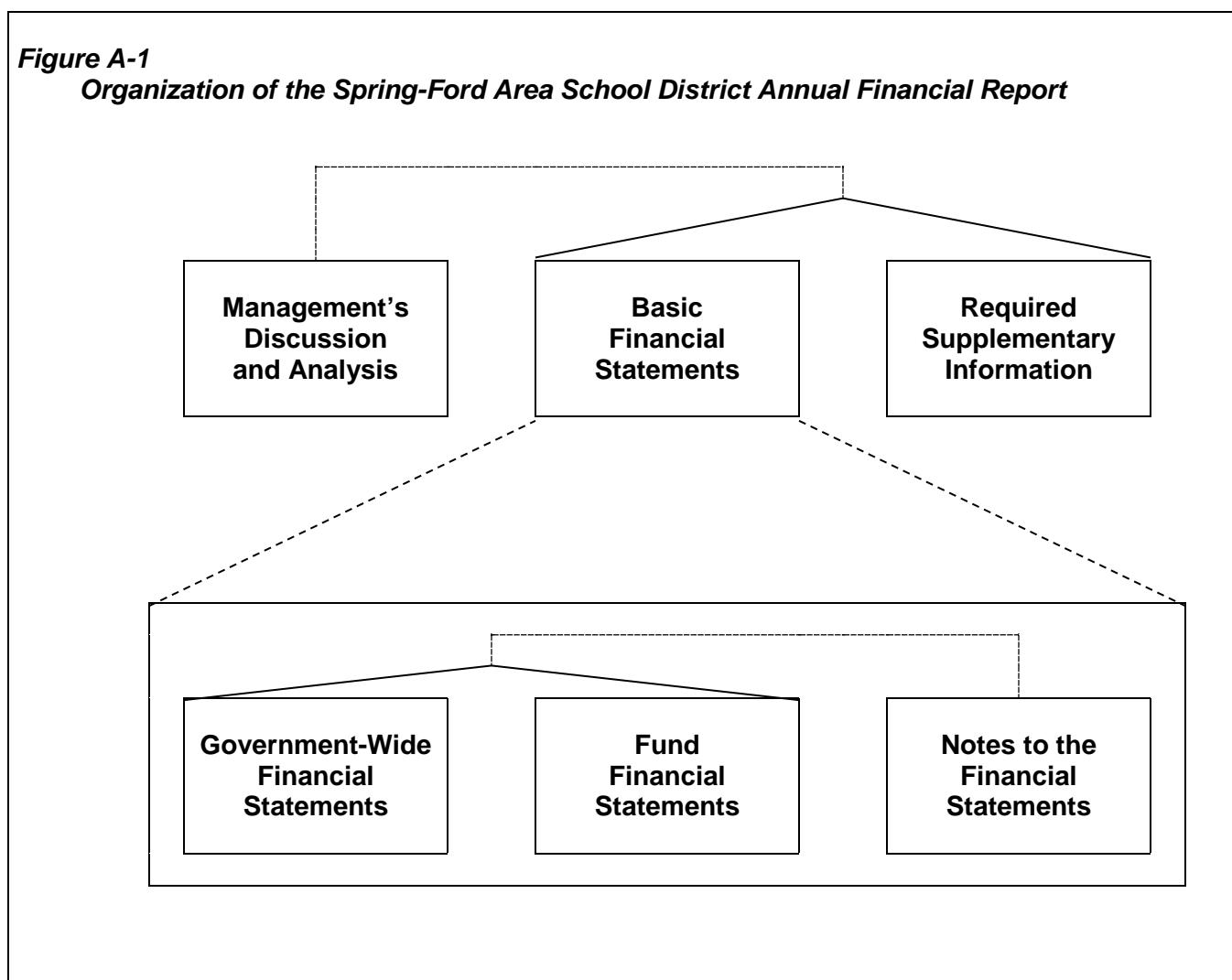
The first two statements are government-wide financial statements (District as a whole). These are the Condensed Statement of Net Position, and the Statement of Activities. The statements provide both long-term and short-term information about the District's overall financial status.

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

The remaining statements (by fund) focus on individual parts of the District's operations in more detail. The Governmental Funds statements focus on how general District services were financed in the short term, as well as what remains for future spending. The Proprietary Fund statements offer short and long term financial information about the activities the District operates as a business. For this District, this is the Food Service Fund. The Fiduciary Fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

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

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



SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

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 management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire School District (except Fiduciary Funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School District operates similar to private businesses: food services and adult education	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; 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; capital assets
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

SPRING-FORD AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2016

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Statements

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

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

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

- **Governmental Activities:** All of the District's basic services are included here, such as instruction, administration and community services. Revenues in the form of property taxes; state and federal subsidies; and state and federal 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. The food service operation is designed to be self-funding.

Fund Financial Statements

The District's fund financial statements, which begin on page 23, provide detailed information about the most significant individual funds. Some funds are required by state law and by debt 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. Governmental Funds utilize the modified-accrual accounting method. This method of accounting measures cash and all other financial assets that can readily be converted to cash. The Governmental Funds statements provide a detailed short-term view of the District's operations. Governmental Funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental Funds is reconciled in the financial statements.
- **Proprietary Fund:** The Proprietary Fund is used to account for District activities that are similar to private sector business operations. Fee for service charges by the District to customers (external and internal customers), are reported in the Proprietary Fund. Currently the Food Service Fund is the District's sole Proprietary Fund.
- **Fiduciary Funds:** The District is the trustee for some Scholarship and Agency Funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 32. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations.

SPRING-FORD AREA SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was \$(58,180,465) as of June 30, 2016, as a result of the GASB 68 pension reporting requirement.

Table A-1
Condensed Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current and other assets	\$ 76,387,433	\$ 569,701	\$ 76,957,134
Capital assets	<u>174,920,269</u>	<u>209,965</u>	<u>175,130,234</u>
TOTAL ASSETS	<u>251,307,702</u>	<u>779,666</u>	<u>252,087,368</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding, net of accumulated amortization	2,195,695	-	2,195,695
Deferred outflows of resources, pension contributions	18,084,000	333,000	18,417,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>20,279,695</u>	<u>333,000</u>	<u>20,612,695</u>
LIABILITIES			
Current and other liabilities	18,982,224	253,161	19,235,385
Long-term liabilities	306,781,601	3,644,542	310,426,143
TOTAL LIABILITIES	<u>325,763,825</u>	<u>3,897,703</u>	<u>329,661,528</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension deferrals	1,197,000	22,000	1,219,000
NET POSITION			
Net investment in capital assets	70,387,422	209,965	70,597,387
Restricted	1,621,327	-	1,621,327
Unrestricted	<u>(127,382,177)</u>	<u>(3,017,002)</u>	<u>(130,399,179)</u>
TOTAL NET POSITION	<u>\$ (55,373,428)</u>	<u>\$ (2,807,037)</u>	<u>\$ (58,180,465)</u>

SPRING-FORD AREA SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 YEAR ENDED JUNE 30, 2016

Table A-2
Condensed Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current and other assets	\$ 71,192,334	\$ 399,501	\$ 71,591,835
Capital assets	<u>178,040,301</u>	<u>211,895</u>	<u>178,252,196</u>
TOTAL ASSETS	249,232,635	611,396	249,844,031
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding, net of accumulated amortization	2,609,986	-	2,609,986
Deferred outflows of resources, pension contributions	<u>14,385,000</u>	<u>265,000</u>	<u>14,650,000</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	16,994,986	265,000	17,259,986
LIABILITIES			
Current and other liabilities	16,559,137	137,289	16,696,426
Long-term liabilities	<u>296,758,195</u>	<u>3,273,648</u>	<u>300,031,843</u>
TOTAL LIABILITIES	313,317,332	3,410,937	316,728,269
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension deferrals	<u>12,490,000</u>	<u>230,000</u>	<u>12,720,000</u>
NET POSITION			
Net investment in capital assets	70,387,422	211,895	70,599,317
Restricted	<u>1,621,327</u>	<u>-</u>	<u>1,621,327</u>
Unrestricted	<u>(131,588,460)</u>	<u>(2,976,436)</u>	<u>(134,564,896)</u>
TOTAL NET POSITION	\$ (59,579,711)	\$ (2,764,541)	\$ (62,344,252)

Table A-3 presents the District's Statement of Changes in Net Position. This schedule uses the financial information from the Statement of Activities found on page 22. The presentation of Table A-3 is similar to an income statement of a private industry organization.

Total revenues from governmental and Business type activities were \$145,364,373 for the fiscal year ended June 30, 2016, versus \$139,413,730 for the prior fiscal year. The main contributors to the increase were local property taxes, earned income tax revenue and operating grants and contributions.

Total expenditures for the current fiscal year were \$141,200,586 versus \$133,683,988 for the prior fiscal year. The major contributors to the increase in expenditures are related to increased costs around instruction and instructional support services.

Overall the District's net position increased \$4.2 million during the current fiscal year.

SPRING-FORD AREA SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 YEAR ENDED JUNE 30, 2016

Table A-3
Statement of Changes in Net Position
Year Ended June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
REVENUES			
Program revenues			
Charges for services	\$ 364,468	\$ 1,877,703	\$ 2,242,171
Operating grants and contributions	17,309,513	905,556	18,215,069
Capital grants and contributions	960,000	-	960,000
General revenues			
Property taxes	99,445,875	-	99,445,875
Other taxes	12,001,950	-	12,001,950
Grants, subsidies and contributions, unrestricted	11,474,909	-	11,474,909
Investment earnings	241,910	1,018	242,928
Other	<u>781,471</u>	<u>-</u>	<u>781,471</u>
TOTAL REVENUES	<u>142,580,096</u>	<u>2,784,277</u>	<u>145,364,373</u>
EXPENSES			
Instruction	85,891,934	-	85,891,934
Instructional student support	12,339,916	-	12,339,916
Administrative and financial support	12,476,658	-	12,476,658
Operation and maintenance of plant	10,670,827	-	10,670,827
Pupil transportation	6,987,189	-	6,987,189
Student activities	2,214,584	-	2,214,584
Community services	79,128	-	79,128
Interest on long-term debt	3,664,607	-	3,664,607
Depreciation, unallocated	4,033,500	-	4,033,500
Food services	<u>-</u>	<u>2,842,243</u>	<u>2,842,243</u>
TOTAL EXPENSES	<u>138,358,343</u>	<u>2,842,243</u>	<u>141,200,586</u>
CHANGE IN NET POSITION			
BEFORE TRANSFERS	4,221,753	(57,966)	4,163,787
TRANSFERS	<u>(15,470)</u>	<u>15,470</u>	<u>-</u>
CHANGE IN NET POSITION	4,206,283	(42,496)	4,163,787
NET POSITION, BEGINNING	<u>(59,579,711)</u>	<u>(2,764,541)</u>	<u>(62,344,252)</u>
NET POSITION, ENDING	<u>\$ (55,373,428)</u>	<u>\$ (2,807,037)</u>	<u>\$ (58,180,465)</u>

SPRING-FORD AREA SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 YEAR ENDED JUNE 30, 2016

Table A-4
Statement of Changes in Net Position
Year Ended June 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
REVENUES			
Program revenues			
Charges for services	\$ 346,113	\$ 1,927,828	\$ 2,273,941
Operating grants and contributions	15,756,132	864,363	16,620,495
Capital grants and contributions	1,086,445	-	1,086,445
General revenues			
Property taxes	94,907,901	-	94,907,901
Other taxes	12,166,239	-	12,166,239
Grants, subsidies and contributions, unrestricted	11,127,374	-	11,127,374
Investment earnings	188,888	715	189,603
Other	<u>1,041,732</u>	<u>-</u>	<u>1,041,732</u>
TOTAL REVENUES	<u>136,620,824</u>	<u>2,792,906</u>	<u>139,413,730</u>
EXPENSES			
Instruction	81,736,967	-	81,736,967
Instructional student support	10,421,114	-	10,421,114
Administrative and financial support	10,454,630	-	10,454,630
Operation and maintenance of plant	10,614,817	-	10,614,817
Pupil transportation	6,877,694	-	6,877,694
Student activities	2,084,819	-	2,084,819
Community services	68,949	-	68,949
Interest on long-term debt	4,405,938	-	4,405,938
Depreciation, unallocated	4,028,940	-	4,028,940
Food services	<u>-</u>	<u>2,990,120</u>	<u>2,990,120</u>
TOTAL EXPENSES	<u>130,693,868</u>	<u>2,990,120</u>	<u>133,683,988</u>
CHANGE IN NET POSITION			
BEFORE LOSS ON DISPOSAL OF ASSETS	5,926,956	(197,214)	5,729,742
LOSS ON DISPOSAL OF ASSETS	<u>(22,300)</u>	<u>-</u>	<u>(22,300)</u>
CHANGE IN NET POSITION	<u>5,904,656</u>	<u>(197,214)</u>	<u>5,707,442</u>
NET POSITION, BEGINNING, restated	<u>(65,484,367)</u>	<u>(2,567,327)</u>	<u>(68,051,694)</u>
NET POSITION, ENDING	<u>\$ (59,579,711)</u>	<u>\$ (2,764,541)</u>	<u>\$ (62,344,252)</u>

SPRING-FORD AREA SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 YEAR ENDED JUNE 30, 2016

Table A-5 compares the gross expenditures of the governmental activities of the District broken down by major category seven largest functions. The table further shows the net costs after applying each category's direct revenue, grants and contributions. (total cost less revenues generated by the activities).

Table A-5
Governmental Activities
Years Ended June 30, 2016 and 2015

Functions/Programs	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 85,891,934	\$ 73,408,152	\$ 81,736,967	\$ 70,442,207
Instructional student support	12,339,916	11,028,946	10,421,114	9,320,305
Administrative	12,476,658	11,519,389	10,454,630	9,647,113
Operation and maintenance of plant	10,670,827	10,201,100	10,614,817	10,180,227
Pupil transportation	6,987,189	5,042,371	6,877,694	4,884,360
Student activities	2,214,584	1,712,848	2,084,819	1,617,473
Community services	79,128	73,449	68,949	65,060
Interest on long-term debt	3,664,607	2,704,607	4,405,938	3,319,493
Unallocated depreciation expense	4,033,500	4,033,500	4,028,940	4,028,940
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$ 138,358,343</u>	 119,724,362	 <u>\$ 130,693,868</u>	 113,505,178
Less unrestricted grants, subsidies		(11,474,909)		(11,127,374)
 TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES	 <u>\$ 108,249,453</u>			 <u>\$ 102,377,804</u>

Table A-6 reflects the activities of the Food Service program, the only business-type activity of the District.

Table A-6
Business-Type Activities
Years Ended June 30, 2016 and 2015

Functions/Programs	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food services	\$ 2,842,243	\$ 58,984	\$ 2,990,120	\$ 197,929
Less investment earnings		(1,018)		(715)
 TOTAL BUSINESS-TYPE ACTIVITIES	 <u>\$ 2,842,243</u>	 \$ 57,966		 <u>\$ 197,214</u>

The Statement of Revenues, Expenses and Changes in Net Position for this Proprietary Fund will further detail the actual results of operations.

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

THE DISTRICT FUNDS

At June 30, 2016, the District's Governmental Funds reported a combined total fund balance of \$45,003,598.

General Fund

The District budgeted for significant increases in health benefit costs, costs for anticipated needs of special education and future retirement and debt service cost. These areas are a challenge for the District in budgeting. The District is self-insured for health benefits for dental and prescription insurances. This category can fluctuate annually based upon the health of the individual employees within the District. Special education costs are dependent upon the type of student enrolled in the District each year. Enrollment and/or withdrawal of severely handicapped students can cause this expenditure to fluctuate. While the District does prepare a budget with a modest reserve each year for unexpected emergencies, this expenditure is dependent upon actual experience during the fiscal year.

Capital Project Funds

Capital Reserve Fund - In order to fund projects without the need of additional borrowing issues, the District has established this fund. In the past, the tax payment settlement from Exelon was transferred to the Capital Reserve. This year, the fund was used for some capital projects.

District Wide Capital Projects Fund - The District established this fund in prior years for debt funded district-wide capital projects.

Debt Service Fund

The increase was due to interest earned on investments.

General Fund Budget

During the fiscal year, the Board of School Directors (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. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is provided on page 64.

The District applies for federal, state and local grants, and these grants cannot always be anticipated in the budgetary process.

Budgeted expenditures and other financing uses also decreased during the fiscal year as more accurate data became available. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas.

The Budgetary Reserve is an amount used for unexpected expenditures throughout the fiscal year.

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$175,130,234 invested in a broad range of capital assets net of accumulated depreciation, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$3,121,962 or 1.8% from last year.

Table A-7 reflects the capital assets of both the governmental activities and the business-type activities of the District.

Table A-7
Governmental and Business-Type Activities
Capital Assets, Net of Depreciation
Years Ended June 30, 2016 and 2015

	2016	2015
Land	\$ 10,053,911	\$ 10,053,911
Site improvements, net of accumulated depreciation	4,865,265	5,185,306
Buildings and building improvements, net of accumulated depreciation	155,663,223	158,384,021
Furniture and equipment, net of accumulated depreciation	<u>4,547,835</u>	<u>4,628,958</u>
	<u><u>\$ 175,130,234</u></u>	<u><u>\$ 178,252,196</u></u>

Debt Administration

Table A-8
Outstanding Debt
Years Ended June 30, 2016 and 2015

	2016	2015
GENERAL OBLIGATION BONDS		
Bonds, Series of 2016	\$ 7,055,000	\$ -
Bonds, Series of 2015	41,875,000	44,705,000
Bonds, Series A of 2012	4,995,000	8,580,000
Bonds, Series of 2012	17,750,000	19,935,000
Bonds, Series of 2010	-	8,195,000
Bonds, Series of 2007	<u>30,105,000</u>	<u>30,240,000</u>
	<u><u>\$ 101,780,000</u></u>	<u><u>\$ 111,655,000</u></u>

The District, as a member of the Western Center for Technical Studies, issued School Lease Revenue Bonds, Series of 2008, in the total amount of \$40,000,000. Pottsgrove School District and Upper Perkiomen School District are the other two members of the Western Center. Spring-Ford's remaining portion of the debt principal obligation is estimated to be \$13,183,632.

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET 2016-2017 AND RATES

In October 2016, Moody's Investor Services upgraded the district's general obligation rating to Aa1 from Aa2 with regard to the \$28 million in Government Obligation Bonds, Series A of 2016. Moody's cited that the Aa1 underlying rating reflects the District's continued growth in the District's affluent and residential tax base as well as a multi-year trend of improving finances. Further, the district's strong financial operations have produced healthy reserve and liquidity balance. Moody's acknowledged the District's prudent budgeting and strategic planning and expects the District's financial performance to remain strong.

The District expects the tax base will continue to experience moderate growth. There are numerous housing units in construction or planned in the future, as well as significant anticipated commercial development. The new assessment increases during 2015/2016 from property growth (\$59.3 million) have affected the tax base, thus generating approximately \$1.5 million in new gross tax dollars.

The District has developed many fiscal strategic planning models (included in the 2016/2017 Budget Book) to meet future needs of the District. These include the following: Capital Projects 5 Year Plan; Retirement Past and Future; Debt Budget and Actual; Summary of Debt Principal and Interest Requirement; Projects Financed by Bond Issues; and Future Borrowing Capacity. Because of these planning models, a Debt Service Fund account (\$8.1 million) and retirement account (\$4.0 million) are maintained and currently utilized to meet future financing needs.

The budget for the 2016/2017 fiscal year is in the amount of \$151,222,850, representing an increase of 5.2% over prior year. This budgetary increase required the District to increase the property tax rate 0.1832 of a mill from 26.0610 to 26.2442 (\$.1832 per \$1,000 of assessed value), representing a 0.70% tax increase. The state cap index was 1.95% without allowable exceptions.

The comparison of revenue and expenditure categories is as follows:

**Table A-9
Budgeted Revenues**

	<u>2016-2017</u>	<u>2015-2016</u>
Local	79.20%	79.89%
State	20.36%	19.65%
Federal/other	0.44%	0.46%

**Table A-10
Budgeted Expenditures**

	<u>2016-2017</u>	<u>2015-2016</u>
Instruction	58.01%	60.21%
Support services	30.01%	28.67%
Non-instruction/community	1.63%	1.59%
Fund transfers/debt	10.35%	9.53%

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

FUTURE ECONOMIC FACTORS

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

Act 1

The Taxpayer Relief Act Special Session Act 1 of 2006 ("Act 1") is complex legislation designed to provide property tax relief for home owners. In doing so Act 1 sets aside tax revenue from the gaming industry in Pennsylvania to offset a portion of property taxes levied by school districts in the form of homestead and/or farmstead discounts. However, Act 1 also places restrictions on the amount a school district can raise property taxes to meet its expenses. Each year the state sets the maximum amount a school district may increase its property taxes referred to as the "Index". There are currently three exceptions whereby a school district may increase the property tax greater than the Index. However, tax increases above the Index are permitted, but only through voter approval. Unlike its predecessors, Act 1 is mandatory. Act 1 may have many collateral consequences for school districts, including negative impacts to education programs, possible bond downgrade and related borrowing expense, and many diverse required actions.

Collective Bargaining Contract

The Board and the Spring-Ford Education Association most recent collective bargaining agreement expires on June 30, 2017.

Assessment

The recent downturn in the economy has resulted in increased assessment appeals in the District. The District continues to work closely with its solicitor and appraisal companies to settle assessment appeals in the best interest of the District. While new commercial growth will help offset losses, the District must be very cautious with forecasting revenue to meet expenses. The District has hired an appraiser and the District solicitor to represent the interest of the District in resolving these disputes and hopefully arriving at a mutually agreed settlement. The District does have reserve accounts to assist with major negative losses until the local economy improves.

Self-Funding Insurances and Insurance Plans

Beginning in 2010/11, the District moved to self-funded health insurance and vision. Previously, the District's health and vision coverage was fully insured with Independence Blue Cross. The District was already self-funded for its prescription and dental plans. The District continues to work with the Chester County Intermediate Unit with The Reschini Group as the medical consultant.

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

The District continually reviews its insurance plans to control escalating health care costs. The District currently offers different levels of Personal Choice plans whereby participants make higher contributions for the more expensive plans. Further, to limit or hedge the exposures of self-insurance, the District has purchased stop-loss insurance for potential high-dollar claims. As a result of self-insuring, the District has incurred year-over-year premium increases of less than 8% for the past three years.

Act 32- County-Wide EIT Collection

PA Act 32 of 2009 amends the Local Tax Enabling Act (LTEA Act 5111 of 1965) to provide for consolidation of the collection of local earned income tax (EIT) at the county level starting January 1, 2012. The act has two overarching purposes: To establish state-wide uniformity in tax rules, procedures and forms; to provide greater tax collection efficiency by reducing the large number of tax collectors; and to consolidate local EIT collection at the county level. The District is involved in the TCC (Tax Collection Committee) to form a tax collection bureau and hire a tax collection agency to collect EIT for all school districts and municipalities within the county. The TCC group has appointed Berkheimer as the tax collection agency with the option of districts/municipalities to select an early implementation of EIT and LST (Local Service Taxes) beginning January 1, 2011.

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 James D. Fink, CFO at Spring-Ford Area School District, 857 South Lewis Road, Royersford, PA 19468, or (610) 705-6000.

SPRING-FORD AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 56,115,783	\$ 640,101	\$ 56,755,884
Cash and cash equivalents, restricted (Note S)	1,361,159	-	1,361,159
Investments	8,472,852	-	8,472,852
Taxes receivable, net	4,617,905	-	4,617,905
Internal balances	206,181	(206,181)	-
Due from other governments	4,209,370	37,616	4,246,986
Other receivables, net	342,708	4,141	346,849
Inventories	351,092	94,024	445,116
Prepaid expenses	710,383	-	710,383
Capital assets, net of accumulated depreciation			
Land	10,053,911	-	10,053,911
Site improvements	4,865,265	-	4,865,265
Buildings and building improvements	155,663,223	-	155,663,223
Furniture and equipment	4,337,870	209,965	4,547,835
TOTAL ASSETS	251,307,702	779,666	252,087,368
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding, net of accumulated amortization	2,195,695	-	2,195,695
Pension activity	18,084,000	333,000	18,417,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	20,279,695	333,000	20,612,695
LIABILITIES			
Due to other governments	16,125	-	16,125
Accounts payable	5,055,303	2,480	5,057,783
Accrued salaries and benefits	12,333,678	96,058	12,429,736
Accrued interest	859,890	-	859,890
Unearned revenue	696,861	154,623	851,484
Other liabilities	20,367	-	20,367
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	9,675,000	-	9,675,000
Compensated absences	137,727	-	137,727
Portion due or payable after one year			
Bonds payable	97,053,542	-	97,053,542
Compensated absences	1,931,635	57,542	1,989,177
Net pension liability	194,580,000	3,587,000	198,167,000
Other postemployment benefits	3,403,697	-	3,403,697
TOTAL LIABILITIES	325,763,825	3,897,703	329,661,528
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	1,197,000	22,000	1,219,000
NET POSITION			
Net investment in capital assets	70,387,422	209,965	70,597,387
Restricted for			
Self-funded insurance	1,361,159	-	1,361,159
Special education compensatory	260,168	-	260,168
Unrestricted	(127,382,177)	(3,017,002)	(130,399,179)
TOTAL NET POSITION	\$ (55,373,428)	\$ (2,807,037)	\$ (58,180,465)

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 55,890,483	\$ 33,687	\$ 5,885,981	\$ -
Special programs	27,282,810	-	6,486,265	-
Vocational education programs	2,659,012	-	-	-
Other instructional programs	59,629	-	77,849	-
Support services				
Pupil personnel services	5,128,330	-	476,375	-
Instructional staff services	5,070,475	-	547,884	-
Administration services	7,313,437	-	641,459	-
Pupil health services	2,141,111	-	286,711	-
Business services	1,134,017	-	139,404	-
Operation and maintenance of plant services	10,670,827	-	469,727	-
Student transportation services	6,987,189	-	1,944,818	-
Central services	3,897,720	-	176,406	-
Other services	131,484	-	-	-
Operation of non-instructional services				
Student activities	2,214,584	330,781	170,955	-
Community services	79,128	-	5,679	-
Interest on long-term debt	3,664,607	-	-	960,000
Depreciation, unallocated	4,033,500	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	138,358,343	364,468	17,309,513	960,000
BUSINESS-TYPE ACTIVITIES				
Food service	2,842,243	1,877,703	905,556	-
TOTAL DISTRICT ACTIVITIES	\$ 141,200,586	\$ 2,242,171	\$ 18,215,069	\$ 960,000
GENERAL REVENUES				
Taxes				
Property taxes, levied for general purposes				
Public utility taxes				
Payment in lieu of taxes				
Earned income taxes				
Per capita and occupation taxes				
Grants and contributions not restricted to specific programs				
Investment earnings				
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.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Totals	
\$ (49,970,815)	\$ -	\$ (49,970,815)	
(20,796,545)	-	(20,796,545)	
(2,659,012)	-	(2,659,012)	
18,220	-	18,220	
(4,651,955)	-	(4,651,955)	
(4,522,591)	-	(4,522,591)	
(6,671,978)	-	(6,671,978)	
(1,854,400)	-	(1,854,400)	
(994,613)	-	(994,613)	
(10,201,100)	-	(10,201,100)	
(5,042,371)	-	(5,042,371)	
(3,721,314)	-	(3,721,314)	
(131,484)	-	(131,484)	
(1,712,848)	-	(1,712,848)	
(73,449)	-	(73,449)	
(2,704,607)	-	(2,704,607)	
(4,033,500)	-	(4,033,500)	
<u>(119,724,362)</u>	<u>-</u>	<u>(119,724,362)</u>	
<u>-</u>	<u>(58,984)</u>	<u>(58,984)</u>	
<u>(119,724,362)</u>	<u>(58,984)</u>	<u>(119,783,346)</u>	
99,445,875	-	99,445,875	
117,876	-	117,876	
1,663,799	-	1,663,799	
9,822,594	-	9,822,594	
397,681	-	397,681	
11,474,909	-	11,474,909	
241,910	1,018	242,928	
781,471	-	781,471	
<u>(15,470)</u>	<u>15,470</u>	<u>-</u>	
<u>123,930,645</u>	<u>16,488</u>	<u>123,947,133</u>	
4,206,283	(42,496)	4,163,787	
<u>(59,579,711)</u>	<u>(2,764,541)</u>	<u>(62,344,252)</u>	
<u>\$ (55,373,428)</u>	<u>\$ (2,807,037)</u>	<u>\$ (58,180,465)</u>	

SPRING-FORD AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	Capital Project Funds	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 36,975,149	\$ 11,057,528	\$ 8,083,106	\$ 56,115,783
Cash and cash equivalents, restricted (Note S)	1,361,159	-	-	1,361,159
Investments	7,349,625	1,123,227	-	8,472,852
Taxes receivable	4,617,905	-	-	4,617,905
Due from other funds	206,181	1,869,146	-	2,075,327
Due from other governments	4,209,370	-	-	4,209,370
Other receivables	342,458	250	-	342,708
Prepaid items	710,383	-	-	710,383
TOTAL ASSETS	\$ 55,772,230	\$ 14,050,151	\$ 8,083,106	\$ 77,905,487
LIABILITIES				
Accounts payable	\$ 5,055,303	\$ -	\$ -	\$ 5,055,303
Due to other funds	10,499,663	-	-	10,499,663
Due to other governments	16,125	-	-	16,125
Unearned revenue	696,861	-	-	696,861
Accrued salaries and benefits	12,333,678	-	-	12,333,678
Other liabilities	20,367	-	-	20,367
Current portion of compensated absences	137,727	-	-	137,727
TOTAL LIABILITIES	28,759,724	-	-	28,759,724
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue, property taxes	4,142,165	-	-	4,142,165
FUND BALANCES				
Nonspendable, prepaid expenses	710,383	-	-	710,383
Restricted for				
Self-funded insurance	1,361,159	-	-	1,361,159
Special education compensatory	260,168	-	-	260,168
Committed to				
Capital projects	-	14,050,151	-	14,050,151
Future retirement rate increase	4,011,152	-	-	4,011,152
Assigned to				
Subsequent year's budget, payroll and benefits	4,000,000	-	-	4,000,000
Future tax assessment appeals	2,627,979	-	-	2,627,979
Debt service	-	-	8,083,106	8,083,106
Unassigned	9,899,500	-	-	9,899,500
TOTAL FUND BALANCES	22,870,341	14,050,151	8,083,106	45,003,598
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 55,772,230	\$ 14,050,151	\$ 8,083,106	\$ 77,905,487

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 45,003,598
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:	
Land	10,053,911
Site improvements	4,865,265
Buildings and building improvements	155,663,223
Furniture and equipment	4,337,870
Deferred charges on refunding used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Deferred amount on refunding	3,335,304
Accumulated amortization	(1,139,609)
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.	
	16,887,000
The assets and liabilities of certain Internal Service Funds are not included in the fund financial statements but are included in the governmental activities on the statement of net position.	
	8,630,517
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(859,890)
Bonds payable	(106,728,542)
Compensated absences	(1,931,635)
Net pension liability	(194,580,000)
Other postemployment benefits	(3,403,697)
Governmental Funds follow the purchase method of inventory; therefore, no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory.	
	351,092
Some of the 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.	
	<u>4,142,165</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(55,373,428)</u>

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General Fund	Capital Project Funds	Debt Service Fund	Total Governmental Funds
REVENUES				
Local sources	\$ 113,264,688	\$ 28,261	\$ 20,210	\$ 113,313,159
State sources	27,198,094	-	-	27,198,094
Federal sources	<u>717,392</u>	<u>-</u>	<u>-</u>	<u>717,392</u>
TOTAL REVENUES	<u>141,180,174</u>	<u>28,261</u>	<u>20,210</u>	<u>141,228,645</u>
EXPENDITURES				
Instruction	81,368,833	-	-	81,368,833
Support services	40,666,079	330,690	-	40,996,769
Operation of non-instructional services	2,161,777	-	-	2,161,777
Facilities acquisition, construction and improvement services	239,543	1,152,325	-	1,391,868
Debt service	13,836,137	103,602	-	13,939,739
Refund of prior year revenues	106	-	-	106
TOTAL EXPENDITURES	<u>138,272,475</u>	<u>1,586,617</u>	<u>-</u>	<u>139,859,092</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,907,699</u>	<u>(1,558,356)</u>	<u>20,210</u>	<u>1,369,553</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,909,953	-	1,909,953
Transfers out	(1,925,423)	-	-	(1,925,423)
Insurance recoveries	19,053	-	-	19,053
Refunding bonds issued	-	7,055,000	-	7,055,000
Premium on refunding bonds issued	-	424,983	-	424,983
Payment to refunded bond escrow agent	-	(7,376,381)	-	(7,376,381)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,906,370)</u>	<u>2,013,555</u>	<u>-</u>	<u>107,185</u>
NET CHANGE IN FUND BALANCES	<u>1,001,329</u>	<u>455,199</u>	<u>20,210</u>	<u>1,476,738</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>21,869,012</u>	<u>13,594,952</u>	<u>8,062,896</u>	<u>43,526,860</u>
FUND BALANCES AT END OF YEAR	<u>\$ 22,870,341</u>	<u>\$ 14,050,151</u>	<u>\$ 8,083,106</u>	<u>\$ 45,003,598</u>

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL
FUNDS FORWARD

\$ 1,476,738

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 (\$4,893,630) exceeds capital outlays (\$1,773,598) in the current period.

(3,120,032)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Unavailable tax revenues increased by this amount this year.

1,332,504

The issuance of long-term debt 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 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.

10,051,948

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:

Accrued interest not reflected in Governmental Funds
Pension plan expense

119,582

(4,893,000)

In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

(108,229)

SUBTOTAL ADJUSTMENTS FORWARD

\$ 3,382,773

SPRING-FORD AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ 1,476,738
SUBTOTAL ADJUSTMENTS FORWARDED	3,382,773
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.	(522,483)
Governmental Funds use the purchase method of inventory, where all items purchased are charged to expenditures. However, the statement of activities is reflected on the consumption method of recording inventory type items; therefore, the adjustment reflects the inventory difference.	<u>(130,745)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>4,206,283</u>

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2016

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Food Service Fund	Self-Insurance Fund
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 640,101	\$ -
Due from other funds	-	8,630,517
Due from other governments	37,616	-
Other receivables	4,141	-
Inventories	<u>94,024</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>775,882</u>	<u>8,630,517</u>
CAPITAL ASSETS		
Furniture and equipment	1,157,222	-
Accumulated depreciation	<u>(947,257)</u>	<u>-</u>
TOTAL CAPITAL ASSETS	<u>209,965</u>	<u>-</u>
TOTAL ASSETS	<u>985,847</u>	<u>8,630,517</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in current fiscal year	<u>333,000</u>	<u>-</u>
LIABILITIES		
CURRENT LIABILITIES		
Due to other funds	206,181	-
Accounts payable	2,480	-
Unearned revenue	154,623	-
Accrued salaries and benefits	<u>96,058</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>459,342</u>	<u>-</u>
NONCURRENT LIABILITIES		
Compensated absences	57,542	-
Net pension liability	<u>3,587,000</u>	<u>-</u>
TOTAL NONCURRENT LIABILITIES	<u>3,644,542</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,103,884</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	<u>22,000</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	209,965	-
Unrestricted	<u>(3,017,002)</u>	<u>8,630,517</u>
TOTAL NET POSITION	<u>\$ (2,807,037)</u>	<u>\$ 8,630,517</u>

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Food Service Fund	Self-Insurance Fund
OPERATING REVENUES		
Charges for services	\$ 1,877,703	\$ -
OPERATING EXPENSES		
Salaries	1,059,847	-
Employee benefits	676,311	-
Purchased property service	69,534	-
Other purchased service	3,290	-
Supplies	996,924	-
Depreciation	15,727	-
Other operating expenses	20,610	-
TOTAL OPERATING EXPENSES	2,842,243	-
OPERATING LOSS	(964,540)	-
NONOPERATING REVENUES		
Earnings on investments	1,018	-
State sources	224,117	-
Federal sources	681,439	-
TOTAL NONOPERATING REVENUES	906,574	-
LOSS BEFORE TRANSFER	(57,966)	-
TRANSFER IN	15,470	-
CHANGE IN NET POSITION	(42,496)	-
NET POSITION AT BEGINNING OF YEAR	(2,764,541)	8,630,517
NET POSITION AT END OF YEAR	\$ (2,807,037)	\$ 8,630,517

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Food Service Fund	Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,894,531	\$ -
Payments to employees	(1,482,183)	-
Payments to suppliers	(1,090,506)	-
Payments to other governments	(63,023)	-
NET CASH USED BY OPERATING ACTIVITIES	(741,181)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances from other funds	15,470	-
Federal sources	609,642	-
State sources	229,008	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	854,120	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition, construction and improvements of capital assets	<u>(13,797)</u>	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	<u>1,018</u>	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	100,160	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>539,941</u>	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>640,101</u>	\$ -

SPRING-FORD AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

Business-Type Activities	Governmental Activities
<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
<u>Food</u>	<u>Self-Insurance Fund</u>
<u>Service Fund</u>	

RECONCILIATION OF OPERATING LOSS TO NET CASH

USED BY OPERATING ACTIVITIES

Operating loss	\$ (964,540)	\$ -
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	15,727	-
Donated foods	124,578	-
Pension expense	91,000	-
Increase in		
Other receivables	(1,627)	-
Inventories	(18,950)	-
Increase (decrease) in		
Due to other funds	(107,135)	-
Accounts payable	1,359	-
Accrued salaries and benefits	96,058	-
Unearned revenue	18,455	-
Compensated absences	<u>3,894</u>	<u>-</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (741,181)</u>	<u>\$ -</u>

SUPPLEMENTAL DISCLOSURES

Noncash activities			
Donated foods	\$ 147,568	\$ -	-

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2016

	Scholarship Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 45,413	\$ 253,159
Investments	<u>39,109</u>	<u>-</u>
TOTAL ASSETS	84,522	\$ 253,159
LIABILITIES		
Accounts payable	<u>400</u>	<u>\$ 253,159</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 84,122</u>	

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Scholarship Trust Funds</u>
ADDITIONS	
Contributions	2,900
Investment earnings	<u>\$ 172</u>
TOTAL ADDITIONS	3,072
DEDUCTIONS	
Scholarships awarded and fees paid	<u>3,750</u>
CHANGE IN NET POSITION	(678)
NET POSITION AT BEGINNING OF YEAR	<u>84,800</u>
NET POSITION AT END OF YEAR	<u>\$ 84,122</u>

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

School District

The Spring-Ford Area School District is located in Royersford, Pennsylvania. The District tax base consists of Limerick and Upper Providence Townships and Royersford and Spring City Boroughs.

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

Board of School Directors

The District is governed by a board of nine School Directors who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term. The Board of School Directors has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate every person residing in such district between the ages of 6 and 21 years who may attend.

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

Administration

The Superintendent of Schools shall be the executive officer of the Board of School Directors and, in that capacity, shall administer the District in conformity with Board policies and the School Laws of Pennsylvania. The Superintendent shall be directly responsible to, and therefore appointed by, the Board of School Directors. The Superintendent shall be responsible for the overall administration, supervision and operation of the District.

The Director of Business and Fiscal Affairs, recommended by the Superintendent and appointed by the Board of School Directors, shall supervise and coordinate all business aspects of the District. In this capacity, he or she shall be responsible to ensure that all work accomplished by him/her, or by persons under his/her supervision, is in the best interests of the District. The Director of Business and Fiscal Affairs is directly responsible to the Superintendent.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the District. In addition, component units can be organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading. This report presents the activities of the Spring-Ford Area School District. The District is not a component unit of another reporting entity nor does it have any component units.

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

Basis of Presentation and Accounting

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

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

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

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

The Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are food service charges. Operating expenses of the Enterprise Fund include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds are reported using the economic resources measurement focus.

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

Fund Accounting

The 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 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 District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

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

Capital Project Funds - These funds are used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreement. The District's Capital Project Funds are presented below.

The *Capital Reserve Fund* was established to set aside funds for capital expenses in the future.

The *District-Wide Capital Projects Fund* was established with proceeds from the Series A of 2007 General Obligation Bonds. The purpose of this fund is to finance certain special capital projects within the District.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

Proprietary Funds

Enterprise Fund - The Enterprise Fund (Food Service Fund) is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by an activity to other departments, funds, or component units of the District on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, the financial statements of the Internal Service Fund are consolidated into the governmental activities column when presented in the government-wide financial statements.

Self-Insurance Fund - The Self-Insurance Fund is used to account for all financial transactions related to the administration of the District's self-insured health plans.

Fiduciary Funds

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

Trust Funds are used to account for the resources of the various scholarships whose sole purpose is to provide annual scholarships to particular students as prescribed by donor stipulations.

Agency Funds account for the assets held as an agent for the various student activities and retirees escrow.

Cash and Cash Equivalents

The 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.

Investments

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

Pennsylvania Local Government Investment Trust 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.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016, was in excess of the minimum requirements just described.

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

Short-Term Interfund Receivables/Payables

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

Allowance for Doubtful Accounts

The District believes that all receivables are collectible; therefore, an allowance for doubtful accounts is not needed.

Inventories and Prepaid Items

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated foods received from the federal government. Donated foods are valued at their fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased. Inventories on government-wide financial statements are presented at the lower of cost or market on a first-in, first-out method and are expensed when used.

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

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$5,000 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest incurred during the construction of capital assets utilized by the Enterprise Fund is also capitalized.

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

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

	<u>Years</u>
Site improvements	20-50
Buildings and building improvements	20-50
Furniture and equipment	5-20
Vehicles	8

Long-Term Obligations

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

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

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The District accounts for compensated absences by complying with GASB Statement No.16, *Accounting for Compensated Absences*. This statement requires a liability be reported for certain compensated absences as the benefits are earned by employees instead of when they are paid.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For the Governmental Funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In the Enterprise Fund, the entire amount of compensated absences is reported as a fund liability.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The 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 District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Deferred Outflows/Inflows of Resources

The District previously implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to assets, the statement of net 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 District's deferred outflows on the statement on net position consist of deferred charges on debt refundings, net of accumulated amortization and the deferred outflow related to pension activity. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred 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 the actual employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of net 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 District has two items, which arise only under a modified accrual basis of accounting 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 and the proprietary fund statement of net position. The deferred inflow related to pension activity is the result of differences between the projected and actual investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the 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 District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance and GASB Statement No. 54

The District previously 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 District's fund balances more transparent.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are prepaid expenses.
- ***Restricted*** - Amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation. Fund Balance types in this category include amounts for capital projects, self-insured costs and special education costs.
- ***Committed*** - Amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end. Fund balance of this type is for the future retirement rate increase. Since the District is required to contribute to the retirement plan, the retirement rate commitment has been set up by the Board of School Directors to provide for any fluctuations to the rate increases.
- ***Assigned*** - Amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the District Manager and/or District Finance Director. Fund balance of this type includes amounts for subsequent year's budget, contractual or legal settlement commitments, self-insured costs and debt service.
- ***Unassigned*** - Amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. It is the policy of the District to retain a minimum 5% to 8% of the subsequent year operating budget in the unassigned category.

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the government for specific purposes but does not meet the criteria to be classified as restricted or committed. The details of the fund balances are included in the Governmental Funds balance sheet (page 23). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

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.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE B - CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$37,674,924 of the District's \$59,302,012 bank balance is uninsured and collateralized with securities held by the pledging bank's trust department not in the District's name, \$500,000 was insured by the FDIC and \$21,127,088 is uninsured and uncollateralized.

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

Investments

As of June 30, 2016, the District had the following investments and maturities:

Investment Type	Amortized Cost	Fair Value	Maturities Less Than One Year
State investment pools	\$ 8,472,852	\$ -	\$ 8,472,852
Certificates of deposit	<u>39,109</u>	<u>-</u>	<u>39,109</u>
	<u>\$ 8,511,961</u>	<u>\$ -</u>	<u>\$ 8,511,961</u>

A portion of the District's investments is in the PSDLAf and PLGIT programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAf and PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2016, is \$8,472,852. These assets maintain a stable net asset value of \$1 per share. PSDLAf is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. The District had \$867,625 invested in a PLGIT I-Class account at June 30, 2016. This investment limits redemptions or exchanges to two per calendar month. The District had \$1,982,000 invested in PLGIT CD programs, which generally must be held to maturity. The District had \$4,500,000 invested in PSDLAf flex pools and \$1,123,227 in PA Invest which are not subject to withdrawal restrictions.

Certificates of deposit held by banks of \$39,109 are stated at cost plus interest earned. CD programs are subject to withdrawal restrictions in place at the applicable banks.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE B - CASH AND INVESTMENTS (Continued)

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, 2016.

NOTE C - TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for District operations, capital improvements and debt service. Property taxes are based on assessed valuations of all taxable real property within the District. Taxable real property was assessed at \$3,828,584,843. The tax rate for the year was \$2.606 per \$100 of assessed valuation. Current tax collections for the District were approximately 95% of the total levy.

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

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

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

NOTE D - RECEIVABLES

Receivables at June 30, 2016, consisted of taxes, other revenue and intergovernmental grants and entitlements. The real estate taxes receivable account represents real estate transfer taxes and prior year uncollected tax levies. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

SPRING-FORD AREA SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE D - RECEIVABLES (Continued)

A summary of receivables by fund is as follows:

	General Fund	Food Service Fund
Taxes receivable	\$ 4,617,905	\$ -
Federal subsidies	20,993	34,369
State subsidies	4,181,583	3,247
Other governments	6,794	-
Other revenue	<u>342,458</u>	<u>4,141</u>
	<u>\$ 9,169,733</u>	<u>\$ 41,757</u>

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2016, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 206,181
Capital Project Funds	General Fund	1,869,146
Self-Insurance Fund	General Fund	<u>8,630,517</u>
		<u>\$ 10,705,844</u>

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." The amounts between the Debt Service Fund and the General Fund are interfund borrowings to pay for principal and interest due on outstanding bonds and notes payable. The amounts between the General Fund and the Food Service Fund are for payroll. The amounts between the General Fund and the Capital Projects Fund are for capital projects. The amounts between the General Fund and Self-Insurance Fund are for health benefits.

SPRING-FORD AREA SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Project Funds	General Fund	\$ 1,909,953
Food Service Fund	General Fund	<u>15,470</u>
		<u><u>\$ 1,925,423</u></u>

The District typically transfers budgeted dollar amounts from the General Fund to the Capital Project Funds, Food Service Fund and the Debt Service Fund to assist in providing for various repairs, maintenance, or purchase of buildings and equipment, payment of debt service costs and operation of student activities. Transfers may be made from the General Fund to the Self-Insurance Fund for health care stabilization.

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 10,053,911	\$ -	\$ -	\$ 10,053,911
Capital assets being depreciated				
Site improvements	10,539,992	72,063	-	10,612,055
Buildings and building improvements	207,491,681	908,839	-	208,400,520
Furniture and equipment	13,071,905	792,696	-	13,864,601
TOTAL CAPITAL ASSETS	231,103,578	1,773,598	-	232,877,176
BEING DEPRECIATED				
Accumulated depreciation				
Site improvements	(5,354,686)	(392,104)	-	(5,746,790)
Buildings and building improvements	(49,107,660)	(3,629,637)	-	(52,737,297)
Furniture and equipment	(8,654,842)	(871,889)	-	(9,526,731)
TOTAL ACCUMULATED DEPRECIATION	(63,117,188)	(4,893,630)	-	(68,010,818)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	167,986,390	(3,120,032)	-	164,866,358
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	178,040,301	(3,120,032)	-	174,920,269
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	1,143,425	13,797	-	1,157,222
Accumulated depreciation	(931,530)	(15,727)	-	(947,257)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	211,895	(1,930)	-	209,965
CAPITAL ASSETS, net	\$ 178,252,196	\$ (3,121,962)	\$ -	\$ 175,130,234

SPRING-FORD AREA SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE F - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION		
Regular programs		\$ 415,976
SUPPORT SERVICES		
Instructional staff services	4,584	
Pupil health services	3,567	
Business services	3,765	
Operation and maintenance of plant services	281,271	
Student transportation services	13,719	
Central and other support services	105,895	
OPERATION OF NON-INSTRUCTIONAL SERVICES		
Student activities	31,353	
DEPRECIATION, unallocated		<u>4,033,500</u>
		\$ <u>4,893,630</u>

NOTE G - LONG-TERM DEBT

General Obligation Bonds

The District issues general obligation bonds to provide funds for acquisition and construction of major capital facilities. At June 30, 2016, the outstanding balance of general obligation bonds issued was \$101,780,000.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2017	\$ 9,675,000	\$ 4,040,492	\$ 13,715,492
2018	10,120,000	3,724,638	13,844,638
2019	10,205,000	3,332,938	13,537,938
2020	10,640,000	2,908,638	13,548,638
2021	11,065,000	2,487,237	13,552,237
2022 to 2026	37,230,000	5,808,525	43,038,525
2027 to 2031	8,900,000	1,500,588	10,400,588
2032 to 2033	3,945,000	198,354	4,143,354
	<u>\$ 101,780,000</u>	<u>\$ 24,001,410</u>	<u>\$ 125,781,410</u>

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE H - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Interest Rate	Maturity Date
GOVERNMENTAL ACTIVITIES		
General obligation bonds		
Series of 2007	3.50% to 4.75%	3/1/2025
Series of 2010	1.50% to 4.00%	4/1/2023
Series of 2012	1.00% to 5.00%	3/1/2023
Series A of 2012	1.00% to 3.00%	2/1/2018
Series of 2015	2.75% to 5.00%	6/1/2033
Series of 2016	2.00% to 4.00%	2/1/2023
TOTAL GENERAL OBLIGATION BONDS		
Deferred amounts		
Issuance premium		
TOTAL GENERAL OBLIGATION BONDS, net		
Compensated absences		
Vacation pay		
Sick pay		
TOTAL COMPENSATED ABSENCES		
Net pension liability		
Other postemployment benefits		
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES		
BUSINESS-TYPE ACTIVITIES		
Compensated absences, sick pay		
Net pension liability		
TOTAL LONG-TERM LIABILITIES		

Funds to repay the outstanding bonds will be provided from future taxes or other general revenues in the General Fund. Total interest expense paid during the year ended June 30, 2016, was \$4,176,139. Interest costs incurred were charged to expenditures in the General Fund.

Vested employee benefits will be liquidated by Governmental and Proprietary Funds.

The Debt Service Fund has been used to liquidate other long-term liabilities in prior years.

In February 2016, the District authorized the issuance of General Obligation Bonds, Series of 2016, in the amount of \$7,055,000. The bonds were issued for the purpose of providing funds to current refund the General Obligation Bonds, Series of 2010 and to pay the costs of issuing and insuring the bonds. The new issue will reduce debt service payments for the District by \$372,908 with an economic gain of \$344,500.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 30,240,000	\$ -	\$ (135,000)	\$ 30,105,000	\$ 140,000
8,195,000	-	(8,195,000)	-	-
19,935,000	-	(2,185,000)	17,750,000	2,260,000
8,580,000	-	(3,585,000)	4,995,000	3,685,000
44,705,000	-	(2,830,000)	41,875,000	2,890,000
-	7,055,000	-	7,055,000	700,000
<u>111,655,000</u>	<u>7,055,000</u>	<u>(16,930,000)</u>	<u>101,780,000</u>	<u>9,675,000</u>
5,539,781	424,983	(1,016,222)	4,948,542	-
117,194,781	7,479,983	(17,946,222)	106,728,542	9,675,000
900,087	58,033	-	958,120	96,703
1,087,113	24,130	-	1,111,243	41,024
1,987,200	82,163	-	2,069,363	137,727
174,695,000	19,885,000	-	194,580,000	-
2,881,214	689,786	(167,303)	3,403,697	-
122,063,195	8,251,932	(18,113,525)	112,201,602	9,812,727
53,648	3,894	-	57,542	-
3,220,000	367,000	-	3,587,000	-
<u>\$ 125,336,843</u>	<u>\$ 8,622,826</u>	<u>\$ (18,113,525)</u>	<u>\$ 115,846,144</u>	<u>\$ 9,812,727</u>

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I - DEFEASED DEBT

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

As of June 30, 2016, the District has defeased debt outstanding of \$59,800,000.

NOTE J - UNEARNED REVENUE

General Fund

Program grants received prior to the incurrence of qualifying expenditures are recorded as unearned revenue. Unearned revenue is \$696,861, representing funds received to be used for future expenditures.

Food Service Fund

Unearned revenue of \$154,623 in the Food Service Fund represents the carryover of student deposits.

NOTE K - PENSIONS

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.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - PENSIONS (Continued)

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

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

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.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - PENSION PLAN (Continued)

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

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2016, was 25.00% 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 \$13,539,000 for the year ended June 30, 2016.

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

At June 30, 2016, the School District reported a liability of \$198,167,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 to June 30, 2015. 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, 2015, the School District's proportion was 0.4575%, which was an increase of 0.0080% from its proportion measured as of June 30, 2014.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - PENSION PLAN (Continued)

For the year ended June 30, 2016, the School District recognized pension expense of \$18,523,000 . At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ -	\$ 803,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	394,000
Changes in proportions	4,435,000	-
Difference between employer contributions and proportionate share of total contributions	355,000	-
Contributions subsequent to the measurement date	<u>13,294,000</u>	-
	<u>\$ 18,084,000</u>	<u>\$ 1,197,000</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ -	\$ 15,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	7,000
Changes in proportions	82,000	-
Difference between employer contributions and proportionate share of total contributions	6,000	-
Contributions subsequent to the measurement date	<u>245,000</u>	-
	<u>\$ 333,000</u>	<u>\$ 22,000</u>

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - PENSION PLAN (Continued)

\$13,539,000 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2017	\$ 247,000	\$ 5,000
2018	247,000	5,000
2019	247,000	5,000
2020	<u>2,852,000</u>	<u>51,000</u>
	<u>\$ 3,593,000</u>	<u>\$ 66,000</u>

Actuarial Assumptions - The total pension liability as of June 30, 2015, was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Actuarial Cost Method** - Entry Age Normal - level % of pay
- **Investment Return** - 7.5%, includes inflation at 3.00%
- **Salary Increases** - Effective average of 5.50%, which reflects an allowance for inflation of 3.00, real wage growth of 1% and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Table (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - PENSION PLAN (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting and were effective beginning with the June 30, 2011 actuarial valuation.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	22.50%	4.80%
Private markets (equity)	15.00%	6.60%
Private real estate	12.00%	4.50%
Global fixed income	7.50%	2.40%
U.S. long treasuries	3.00%	1.40%
TIPS	12.00%	1.10%
High yield bonds	6.00%	3.30%
Cash	3.00%	0.70%
Absolute return	10.00%	4.90%
Risk parity	10.00%	3.70%
MLPs/Infrastructure	5.00%	5.20%
Commodities	8.00%	3.10%
Financing (LIBOR)	-14.00%	1.10%
	100.00%	

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, 2015.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - PENSION PLAN (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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.

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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School District's proportionate share of the net pension liability	\$ 244,261,000	\$ 198,167,000	\$ 159,426,000

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

NOTE L - COMPENSATED ABSENCES

Sick Pay

Under the District's administrative regulations, professional, administrators and eligible support personnel accumulate unused sick days from year to year. These accumulated sick days are nonvesting during the employee's tenure.

Upon retirement, employees are entitled to payment of unused sick days as follows: All employees may elect either (1) a lump sum retirement bonus of \$11 to \$32 per unused sick day depending on their classification or (2) employer contributions to continuation of employee elected health insurance benefits based on unused accumulated sick days times a rate per day as follows:

Unused Sick Days	Professional and Administrative	Nurses, Aides, Maintenance and Custodial Workers
0 to 50	\$21 per day	\$18 per day
51 to 100	\$23 per day	\$20 per day
101 to 150	\$26 per day	\$22 per day
151 to 200	\$29 per day	\$24 per day
201 or more	\$32 per day	\$27 per day

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE L - COMPENSATED ABSENCES (Continued)

Benefits payable under option (2) of this plan shall be paid directly to the insurance carrier until the employee reaches age 65. To qualify for either of these options, the employee must be eligible for super annuation, withdrawal, or disability pension from PSERS and must be retiring from a full-time position.

The District maintains records of accumulated sick days earned by employees who are eligible to retire. As a result, liabilities of \$1,070,219, including FICA tax (net of reimbursement), have been established as a long-term liability in the governmental activities column of the government-wide statement of net position and a long-term liability of \$57,542, including FICA tax (net of reimbursement), is recorded in the Food Service Fund and in the business-type activities column of the government-wide statement of net position, as required by GASB Statement No. 16. In addition, a liability of \$41,024, including FICA tax (net of reimbursement), has been set up in the General Fund for the portion that will use currently available financial resources. This amount is also shown as a current liability in the governmental activities column of the government-wide statement of net position.

Vacation Leave

Unused vacation leave is paid upon an employee's termination. The District maintains records of each employee's accumulated vacation days. In accordance with GASB Statement No. 16, the portion of vacation pay earned at June 30, 2016, that will use currently available financial resources is \$96,703, including FICA tax and retirement contributions (net of reimbursement), which has been recorded in the General Fund and as a current liability in the governmental activities column of the government-wide statement of net position. The remaining vacation pay earned at June 30, 2016, of \$861,417 including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

SPRING-FORD AREA SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to the plan are as follows:

Normal cost	\$ 394,418
Amortization of unfunded actuarial accrued liability	324,846
Interest	<u>17,749</u>
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>737,013</u>
Interest on net OPEB obligation	129,655
Adjustment to ARC	<u>(176,882)</u>
ANNUAL OPEB EXPENSE	<u>689,786</u>
Net OPEB contributions during the year	<u>(167,303)</u>
INCREASE IN NET OPEB OBLIGATION	<u>522,483</u>
Net OPEB obligation at beginning of year	<u>2,881,214</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 3,403,697</u>

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 729,469	58.6%	\$ 2,329,621
2015	698,827	21.1%	2,881,214
2016	689,786	24.3%	3,403,697

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Funded Status and Funding Progress

According to the actuarial report dated July 1, 2014, the actuarial accrued liability for benefits was \$5,291,387 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$56,477,729, and the ratio of the UAAL to the covered payroll was 9.37%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 68, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.5% initially, reduced by increments of .5% to an ultimate rate of 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2014, was 28 years.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE N - COMMITMENTS AND CONTINGENCIES

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

As of June 30, 2016, several suits and claims were in progress dealing with various subject matters. In these actions, indicated amounts are either not material or management is of the opinion that insurance coverage is adequate to cover the applicable claim. Management believes no adverse financial decisions of a material amount against the District would result from these legal proceedings.

NOTE O - OPERATING LEASES

The District has entered into various lease obligations primarily for rental of computer equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2016, were \$1,104,762.

Future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2017	\$ 770,767
2018	527,660
2019	210,603
	<hr/>
	\$ <u>1,509,030</u>

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE P - 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 except for worker's compensation for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages for the 2015-2016 year. Settlement amounts have not exceeded insurance coverage for the current year or the four prior years.

The District is a member of the School Districts Insurance Consortium (SDIC) for worker's compensation coverage. SDIC is comprised of 78 member school districts which jointly self-assume their worker's compensation liabilities. Even though the member school districts contribute to SDIC's insurance fund, they remain individually liable for their own worker's compensation claims. The members of SDIC are required to participate in any deficiencies of SDIC and are subject to periodic assessments, as required. At June 30, 2016, there was no unfunded liability.

The District is self-insured for its medical, dental and hospitalization benefits and prescription drug benefits. The monthly premium is revised annually in April for the upcoming fiscal year beginning July 1 and is based upon actual cost plus basis per third-party administrator.

NOTE Q - JOINT VENTURE

The District is a participating member of the Western Montgomery Career and Technical Center (the "Center"). The Center is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The Board of Directors of each participating district must approve the Center's annual operating budget. Each participating district pays a pro-rata share of the Center's operating costs based on the previous five years average daily members at the Center from each district. The District's share of the Center's operating costs for 2015-2016 was \$1,429,241.

On dissolution of the Center, the net position of the Center will be shared on a pro rata basis of each participating district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have an equity interest in the Center, as defined by GASB Statement No. 14, except a residual interest in net position upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the Center can be obtained from the Center's administrative office.

In September 2008, the District entered into a long-term sublease agreement with the Center through February 2029 for a portion of the debt service payments on the Center's School Lease Revenue Bonds, Series of 2008. The payments for each year are based on a proration of the previous market value (40%) and the previous five-year average of average daily members (60%).

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE Q - JOINT VENTURE (Continued)

Future estimated minimum sublease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2017	\$ 1,354,508
2018	1,353,871
2019	1,353,536
2020	1,355,233
2021	1,353,268
2022 to 2026	6,771,006
2027 to 2029	<u>4,063,099</u>
	 <u>\$ 17,604,521</u>

Sublease expenditures for the year ended June 30, 2016, were \$1,353,838.

NOTE R - JOINTLY GOVERNED ORGANIZATION

The District is a participating member of the Montgomery County Intermediate Unit (MCIU). The MCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The Board of Directors of each participating district must approve MCIU's annual operating budget. The MCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no ongoing financial interest or responsibility in the MCIU. The MCIU contracts with participating districts to supply special education services and computer services and to serve as a conduit for certain federal programs.

NOTE S - SELF-INSURANCE

In July 2010, the District elected to sponsor a self-insured employee welfare benefit plan for health care coverage. An administrative services agreement was signed with a third-party insurance company (claims administrator) to administer the costs and claims associated with the plan. The agreement required the District to establish a reserve escrow of \$1,350,200. These funds (including earned interest) are reported as restricted cash on the statement of net position. The total amount held in escrow as of June 30, 2016, is \$1,361,159. The reserve will be used to pay claims, retention charges and broker commissions incurred prior to but paid after the date of determination. The reserve is intended to secure only the District's obligations to the claims administrator and has no effect, application, or operation regarding the District's direct obligation to the benefit program. The claims administrator may, in its discretion, require a greater or lesser reserve amount from the District to secure the District's obligations under the agreement. If the claims administrator requires a lesser amount, the District will receive a refund or credit.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE T - DONATED FOODS

The Food Service Fund contains inventories which consist of both food commodities donated by the federal government and other food and supply inventories. Donated foods represent \$63,157 of the Proprietary Funds' inventory balance at June 30, 2016. These inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and are expensed as used.

NOTE U - SUBSEQUENT EVENT

On October 25, 2016 the District issued \$26,930,000 of General Obligation Bonds, Series A of 2016. The proceeds of the bonds will be used to finance the current refunding of the District's outstanding General Obligation Bonds, Series of 2007, and pay the allocable costs of issuing and insuring the Series A of 2016 Bonds.

The District is not aware of any additional events or transactions that occurred subsequent to June 30, 2016 but prior to January 6, 2017 that would require recognition or disclosure in its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SPRING-FORD AREA SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Local sources	\$ 111,690,636	\$ 111,690,636	\$ 113,264,688	\$ 1,574,052
State sources	27,482,028	27,482,028	27,198,094	(283,934)
Federal sources	639,290	639,290	717,392	78,102
TOTAL REVENUES	139,811,954	139,811,954	141,180,174	1,368,220
EXPENDITURES				
Instruction				
Regular programs	57,965,726	53,010,055	52,478,394	531,661
Special programs	25,914,829	27,128,066	26,173,917	954,149
Vocational education programs	2,659,012	2,659,012	2,659,012	-
Other instructional programs	43,548	106,185	55,946	50,239
Nonpublic school programs	-	1,564	1,564	-
Higher education programs for secondary students	-	5,034	-	5,034
Support services				
Pupil personnel services	4,911,942	5,136,412	4,852,166	284,246
Instructional staff services	3,645,437	4,936,111	4,731,688	204,423
Administration services	7,202,428	7,238,978	6,940,028	298,950
Pupil health services	2,057,966	2,188,718	2,110,536	78,182
Business services	960,782	1,116,311	1,077,859	38,452
Operation and maintenance of plant services	12,159,856	10,508,806	10,022,960	485,846
Student transportation services	7,592,268	7,034,318	7,002,970	31,348
Central and other services	2,593,588	3,887,774	3,796,388	91,386
Other support services	111,700	140,184	131,484	8,700
Operation of non-instructional services				
Student activities	2,226,339	2,326,261	2,085,889	240,372
Community services	58,546	86,950	75,888	11,062
Facilities acquisition, construction and improvement services	-	239,548	239,543	5
Debt service	12,943,034	13,836,244	13,836,137	107
Refund of prior year revenues	-	-	106	(106)
TOTAL EXPENDITURES	143,047,001	141,586,531	138,272,475	3,314,056
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,235,047)	(1,774,577)	2,907,699	4,682,276
OTHER FINANCING USES				
Transfers out	(464,953)	(1,925,423)	(1,925,423)	-
Insurance recoveries	-	-	19,053	19,053
Budgetary reserve	(300,000)	(300,000)	-	300,000
TOTAL OTHER FINANCING USES	(764,953)	(2,225,423)	(1,906,370)	319,053
NET CHANGE IN FUND BALANCE	(4,000,000)	(4,000,000)	1,001,329	5,001,329
FUND BALANCE AT BEGINNING OF YEAR	21,869,012	21,869,012	21,869,012	-
FUND BALANCE AT END OF YEAR	\$ 17,869,012	\$ 17,869,012	\$ 22,870,341	\$ 5,001,329

See accompanying notes to the budgetary comparison schedule.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2016

NOTE A - BUDGETARY INFORMATION

An operating budget is adopted prior to the beginning of each year for the General Fund on a basis consistent with generally accepted accounting principles. The General Fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to adoption of the District's budget and reporting of its financial statements, specifically:

- The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located and within 15 days of final action that the proposed budget has been prepared and is available for public inspection at the administrative office of the District.
- Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Pennsylvania School Code allows the Board to make budgetary transfers between major function and major object code only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the Pennsylvania Department of Education's 2028 Report when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2015-2016 budget transfers.

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, expenditures exceeded appropriations in the following General Fund department levels (the legal level of budgetary control):

GENERAL FUND

Refund of prior year revenues	\$ <u>106</u>
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These excess expenditures were funded by available fund balance in the General Fund.

SPRING-FORD AREA SCHOOL DISTRICT
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 LAST TWO FISCAL YEARS

	<u>2016</u>	<u>2015</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	<u>0.4575%</u>	<u>0.4495%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	\$ <u>198,167,000</u>	\$ <u>177,915,000</u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ <u>58,861,569</u>	\$ <u>67,363,329</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	<u>336.67%</u>	<u>264.11%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>45.64%</u>	<u>57.24%</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
LAST TWO FISCAL YEARS

	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 13,539,000	\$ 12,062,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>13,539,000</u>	<u>12,062,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ _____ -	\$ _____ -
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	<u>\$ 54,156,000</u>	<u>\$ 58,861,569</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>25.00%</u>	<u>20.50%</u>

SPRING-FORD AREA SCHOOL DISTRICT
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED JUNE 30, 2016

Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2010	\$ -	\$ 4,624,572	\$ 4,624,572	0%	\$ 55,492,660	8.33%
2012	-	5,443,748	5,443,748	0%	54,387,337	10.01%
2014	-	5,291,387	5,291,387	0%	56,477,729	9.37%

SUPPLEMENTARY INFORMATION SECTION

SPRING-FORD AREA SCHOOL DISTRICT

SCHEDULE OF TAX COLLECTORS' RECEIPTS

GENERAL FUND

YEAR ENDED JUNE 30, 2016

	Limerick Township	Royersford Borough	Spring City Borough	Upper Providence Township	Totals
CURRENT REAL ESTATE TAXES					
Assessed value	\$ 1,422,059,457	\$ 186,357,860	\$ 116,461,230	\$ 2,103,706,296	\$ 3,828,584,843
Millage rate	0.026061	0.026061	0.026061	0.026061	0.026061
TOTAL TAX PER TAX DUPLICATE	37,060,292	4,856,672	3,035,096	54,824,690	99,776,750
Less homestead exclusion	(982,224)	(173,327)	(127,412)	(1,104,050)	(2,387,013)
Plus penalties	59,383	11,296	10,416	39,237	120,332
TOTAL TAXES TO BE COLLECTED	36,137,451	4,694,641	2,918,100	53,759,877	97,510,069
Less					
Discounts	644,373	79,688	46,586	923,618	1,694,265
Refunds and adjustments	6,434	-	(3,116)	(765)	2,553
Returned to County	424,382	68,362	105,292	2,295,746	2,893,782
NET CURRENT REAL ESTATE TAXES COLLECTED	\$ 35,062,262	\$ 4,546,591	\$ 2,769,338	\$ 50,541,278	\$ 92,919,469
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	\$ 280,575	\$ 11,921	\$ 357	\$ 742,385	\$ 1,035,238
CURRENT PER CAPITA TAXES					
Number of persons assessed	\$ 10,197	\$ 2,886	\$ 2,404	\$ 11,464	\$ 26,951
Tax rate	10	10	10	10	10
TAXABLE VALUATION	101,970	28,860	24,040	114,640	269,510
Plus					
Additions	-	70	230	8,920	9,220
Penalties	492	116	115	346	1,069
TOTAL TAXES TO BE COLLECTED	102,462	29,046	24,385	123,906	279,799
Less					
Discounts	1,318	250	201	1,921	3,690
Exonerations	-	150	-	600	750
Reductions	1,470	4,950	2,590	4,820	13,830
Outstanding	19,720	7,980	6,970	24,117	58,787
NET CURRENT PER CAPITA TAXES COLLECTED	\$ 79,954	\$ 15,716	\$ 14,624	\$ 92,448	\$ 202,742

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED JUNE 30, 2016

REVENUES

Local sources

Current real estate taxes	\$ 92,919,469
Interim real estate taxes	1,035,238
Public utility taxes	117,876
Payment in lieu of taxes	1,663,799
Current per capita taxes	
Act 511	101,371
Act 679	101,371
Occupational privilege tax	154,376
Earned income tax	9,822,594
Real estate transfer tax	1,749,768
Delinquent real estate taxes	2,408,896
Delinquent per capita taxes	40,563
Interest	193,439
Admissions	98,501
Fees	168,323
Student activity - special events	5,290
Other student activity income	77,752
Revenue from local governmental units	74,177
State revenue received from an entity acting as an agent for the Commonwealth	5,000
Federal revenue from intermediary sources	1,588,723
Rentals	342,943
Contributions	131,270
Tuition from patrons	14,634
Refunds and other miscellaneous revenue	449,315
TOTAL LOCAL SOURCES	113,264,688

State sources

Basic education	9,089,424
Tuition for orphans	110,175
Specialized education	2,575,419
Transportation	1,925,326
Rental and sinking fund payments	960,000
Health services	171,915
Property tax allocation	2,385,485
Other state revenues	442,498
Social Security	2,047,463
Retirement	7,490,389
TOTAL STATE SOURCES	27,198,094

Federal sources

Title I	262,816
Title II	105,622
Medical assistance	348,954
TOTAL FEDERAL SOURCES	717,392

TOTAL FORWARD

\$ 141,180,174

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED JUNE 30, 2016

EXPENDITURES

Instruction		
Regular programs	\$ 52,478,394	
Life skills support	434,998	
Sensory support	1,384,948	
Emotional support	5,737,852	
Academic support	14,017,159	
Multi-handicapped support	806,306	
Early intervention support	85,901	
Other support	3,706,753	
Other vocational education programs	2,659,012	
Summer school	8,498	
Homebound instruction	23,771	
Alternative regular education programs	23,677	
Nonpublic school programs	1,564	
TOTAL FORWARD	<u>81,368,833</u>	
Support services		
Guidance services	3,292,628	
Psychological services	1,275,826	
Social work services	139,712	
Student accounting services	144,000	
Technology support services	9,212	
School library services	1,841,409	
Instruction and curriculum development services	894,062	
Special education administration services	881,742	
Instructional staff professional development services	1,105,263	
Board services	156,855	
Tax assessment and collection services	266,232	
Legal services	309,548	
Office of the Superintendent services	822,820	
Community relations services	216,136	
Office of the Principal services	5,140,704	
Other administration services	27,733	
Medical services	709,663	
Dental services	7,596	
Nursing services	1,266,918	
Nonpublic health services	52,417	
Other health services	73,942	
Fiscal services	896,876	
Purchasing services	30,216	
Warehousing and distributing services	52,717	
Printing, publishing and duplicating services	78,764	
Other support services - business	19,286	
Supervision of operation and maintenance of plant services	387,565	
Operation of building services	8,332,370	
Care and upkeep of grounds services	644,177	
Care and Upkeep of equipment services	142,142	
Vehicle operation and maintenance services	157,748	
Security services	256,275	
Other operation and maintenance of plant services	102,683	
Supervision of student transportation services	198,029	
Vehicle operation services	4,567,243	
Vehicle servicing and maintenance services	320,949	
Nonpublic transportation	1,913,768	
Other student transportation services	2,981	
Planning, research, development and evaluation services	3,297,122	
Information services	4,039	
Staff services	495,227	
Support services not listed elsewhere	131,484	
TOTAL FORWARD	<u>\$ 40,666,079</u>	

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED JUNE 30, 2016

REVENUES	
TOTAL FORWARDED	\$ <u>141,180,174</u>
EXPENDITURES	
Instruction	
TOTAL FORWARDED	<u>81,368,833</u>
Support services	
TOTAL FORWARDED	<u>40,666,079</u>
Operation of non-instructional services	
Student activities	1,419,145
School sponsored student activities	65,502
School sponsored athletics	601,242
Community services	29,194
Community recreation	46,694
TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES	<u>2,161,777</u>
Facilities acquisition, construction and improvement services	239,543
Debt service	13,836,137
Refund of prior year revenues	106
TOTAL EXPENDITURES	<u>138,272,475</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,907,699
OTHER FINANCING USES	
Transfers out	(1,925,423)
Insurance recoveries	19,053
TOTAL OTHER FINANCING USES	<u>(1,906,370)</u>
NET CHANGE IN FUND BALANCE	1,001,329
FUND BALANCE AT BEGINNING OF YEAR	<u>21,869,012</u>
FUND BALANCE AT END OF YEAR	\$ <u>22,870,341</u>

SPRING-FORD AREA SCHOOL DISTRICT

COMBINING BALANCE SHEET

CAPITAL PROJECT FUNDS

JUNE 30, 2016

	<u>Capital Reserve Fund</u>	<u>District-Wide Capital Projects Fund</u>	<u>Total Capital Project Funds</u>
ASSETS			
Cash and cash equivalents	\$ 11,057,528	\$ -	\$ 11,057,528
Investments	1,123,227	-	1,123,227
Due from other funds	1,869,146	-	1,869,146
Other receivables	250	-	250
TOTAL ASSETS	\$ 14,050,151	\$ -	\$ 14,050,151
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
FUND BALANCES			
Committed to capital projects	14,050,151	-	14,050,151
TOTAL FUND BALANCES	14,050,151	-	14,050,151
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,050,151	\$ -	\$ 14,050,151

SPRING-FORD AREA SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT FUNDS
 YEAR ENDED JUNE 30, 2016

	<u>Capital Reserve Fund</u>	<u>District-Wide Capital Projects Fund</u>	<u>Total Capital Project Funds</u>
REVENUES			
Local sources	\$ <u>28,261</u>	\$ _____ -	\$ <u>28,261</u>
EXPENDITURES			
Support services	330,690	-	330,690
Facilities acquisition, construction and improvement services	1,152,325	-	1,152,325
Debt service	-	103,602	103,602
TOTAL EXPENDITURES	<u>1,483,015</u>	<u>103,602</u>	<u>1,586,617</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(1,454,754)</u>	<u>(103,602)</u>	<u>(1,558,356)</u>
OTHER FINANCING SOURCES			
Transfers in	1,909,953	-	1,909,953
Refunding bonds issued	-	7,055,000	7,055,000
Premium on refunding bonds issued	-	424,983	424,983
Payment to refunded bond escrow agent	-	(7,376,381)	(7,376,381)
TOTAL OTHER FINANCING SOURCES	<u>1,909,953</u>	<u>103,602</u>	<u>2,013,555</u>
NET CHANGE IN FUND BALANCES	<u>455,199</u>	-	<u>455,199</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>13,594,952</u>	-	<u>13,594,952</u>
FUND BALANCES AT END OF YEAR	\$ <u>14,050,151</u>	\$ _____ -	\$ <u>14,050,151</u>

**SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
ATHLETIC ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Athletic Activities

REVENUES

Local sources		
Admissions	\$	112,340
Interest		55
		<hr/>
TOTAL REVENUES		112,395

EXPENDITURES

Operation of non-instructional services	
Salaries	6,200
Employee benefits	1,878
Professional fees	47,004
Repairs and maintenance	30,646
Rent	19,626
Contracted carriers	94,820
Travel	4,534
General supplies	74,543
Books and periodicals	5,730
Equipment	52,672
Dues and fees	18,777
Miscellaneous	5,172
TOTAL EXPENDITURES	361,602

DEFICIENCY OF REVENUES OVER EXPENDITURES \$ (249,207)

SPRING-FORD AREA SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOOD SERVICE FUND YEAR ENDED JUNE 30, 2016

REVENUES

Sale of food	\$ 1,865,565
Special functions	10,360
Federal subsidies	556,861
State subsidies	51,909
Interest	1,018
Donated foods	124,578
State reimbursements	
Social Security	39,160
Retirement	133,048
Refunds and other miscellaneous revenues	<u>1,778</u>

TOTAL REVENUES 2,784,277

COST OF GOODS SOLD

Beginning inventory	75,074
Food and milk	827,419
Donated foods	124,578
Supplies	<u>63,877</u>
	1,090,948
Ending inventory	(94,024)
TOTAL COST OF GOODS SOLD	<u>996,924</u>

GROSS PROFIT 1,787,353

EXPENSES

Salaries	1,059,847
Employee benefits	676,311
Disposal services	19,295
Repairs and maintenance	48,157
Communication	3,290
Utilities	2,082
Depreciation	15,727
Dues and fees	<u>20,610</u>
TOTAL EXPENSES	<u>1,845,319</u>

CHANGE IN NET POSITION BEFORE TRANSFER (57,966)

TRANSFER IN 15,470

CHANGE IN NET POSITION (42,496)

NET POSITION AT BEGINNING OF YEAR (2,764,541)

NET POSITION AT END OF YEAR \$ (2,807,037)

SPRING-FORD AREA SCHOOL DISTRICT
COMBINING SCHEDULES OF FIDUCIARY NET POSITION
AND CHANGES IN FIDUCIARY NET POSITION
SCHOLARSHIP TRUST FUNDS
JUNE 30, 2016

	W. J. Griffith Memorial Scholarship Fund	Edwind R. Thomas Trust Fund	Alvin P. Harley Memorial Scholarship Fund	Deserving Students Scholarship Fund	Barbara Karwoski Scholarship Fund	David Freed Memorial Scholarship Fund
SCHEDULE OF FIDUCIARY NET POSITION						
ASSETS						
Cash and cash equivalents	\$ 1,802	\$ 31,186	\$ 4,353	\$ 100	\$ 3,988	\$ 207
Investments	<u>5,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,558</u>
TOTAL ASSETS	6,932	31,186	4,353	100	3,988	3,765
LIABILITIES						
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION	<u>6,932</u>	<u>31,186</u>	<u>4,353</u>	<u>100</u>	<u>3,988</u>	<u>3,765</u>
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION						
ADDITIONS						
Contributions	\$ -	\$ -	\$ -	\$ 2,900	\$ -	\$ -
Investment earnings	<u>13</u>	<u>47</u>	<u>5</u>	<u>-</u>	<u>5</u>	<u>9</u>
TOTAL ADDITIONS	13	47	5	2,900	5	9
DEDUCTIONS						
Scholarships awarded and fees paid	<u>200</u>	<u>-</u>	<u>50</u>	<u>1,750</u>	<u>250</u>	<u>200</u>
CHANGE IN NET POSITION	(187)	47	(45)	1,150	(245)	(191)
NET POSITION AT BEGINNING OF YEAR	<u>7,119</u>	<u>31,139</u>	<u>4,398</u>	<u>(1,050)</u>	<u>4,233</u>	<u>3,956</u>
NET POSITION AT END OF YEAR	<u>6,932</u>	<u>31,186</u>	<u>4,353</u>	<u>100</u>	<u>3,988</u>	<u>3,765</u>

Thomas J. Henry Scholarship Fund	Richard Hoisington Memorial Music Fund	Richard Hoover Scholarship Fund	Limerick Lions- Franklin Roth Scholarship Fund	Nancy Jann Scholarship Fund	Sandy Sankey Scholarship Fund	Total Scholarship Trust Funds
\$ 1,298	\$ 1,008	\$ 820	\$ -	\$ 632	\$ 19	\$ 45,413
—	—	—	10,723	—	19,698	39,109
1,298	1,008	820	10,723	632	19,717	84,522
—	—	—	—	—	400	400
\$ 1,298	\$ 1,008	\$ 820	\$ 10,723	\$ 632	\$ 19,317	\$ 84,122
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ - 2	\$ - 2	\$ - 1	\$ - 29	\$ -	\$ - 59	\$ 2,900 172
2	2	1	29	-	59	3,072
50	100	250	500	—	400	3,750
(48)	(98)	(249)	(471)	-	(341)	(678)
1,346	1,106	1,069	11,194	632	19,658	84,800
\$ 1,298	\$ 1,008	\$ 820	\$ 10,723	\$ 632	\$ 19,317	\$ 84,122

SPRING-FORD AREA SCHOOL DISTRICT

COMBINING BALANCE SHEET

AGENCY FUNDS

JUNE 30, 2016

	Activity Funds	Premium Escrow Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ <u>252,859</u>	\$ <u>300</u>	\$ <u>253,159</u>
LIABILITIES			
Accounts payable	\$ <u>252,859</u>	\$ <u>300</u>	\$ <u>253,159</u>

SPRING-FORD AREA SCHOOL DISTRICT
COMBINING SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ <u>231,525</u>	\$ <u>495,093</u>	\$ <u>473,759</u>	\$ <u>252,859</u>
LIABILITIES				
Accounts payable	\$ <u>231,525</u>	\$ <u>495,093</u>	\$ <u>473,759</u>	\$ <u>252,859</u>
PREMIUM ESCROW FUND				
ASSETS				
Cash and cash equivalents	\$ <u>300</u>	\$ <u>362,104</u>	\$ <u>362,104</u>	\$ <u>300</u>
LIABILITIES				
Accounts payable	\$ <u>300</u>	\$ <u>362,104</u>	\$ <u>362,104</u>	\$ <u>300</u>
AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ <u>231,825</u>	\$ <u>857,197</u>	\$ <u>835,863</u>	\$ <u>253,159</u>
LIABILITIES				
Accounts payable	\$ <u>231,825</u>	\$ <u>857,197</u>	\$ <u>835,863</u>	\$ <u>253,159</u>

SPRING-FORD AREA SCHOOL DISTRICT

SCHEDULE OF ADDITIONS AND DELETIONS

ACTIVITY FUNDS

YEAR ENDED JUNE 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
SENIOR HIGH SCHOOL				
103A - SAP Snack Attack	\$ 2,781	\$ 2,983	\$ -	\$ 5,764
103B - Secretarial Award	200	-	200	-
Arboretum Club	122	-	-	122
Art Enrichment	3,553	1,800	1,540	3,813
Class Gift Main Account	349	500	849	-
Class of 2015	1,208	200	1,408	-
Class of 2016	1,173	18,745	19,853	65
Class of 2017	4,931	67,050	62,782	9,199
Class of 2018	5,620	9,739	2,790	12,569
Class of 2019	-	47,471	31,679	15,792
Commencement	592	24,041	25,735	(1,102)
Culture Awareness Club	460	45	71	434
Debate Club	30	-	-	30
Family and Consumer Science				
Club	389	2,774	2,853	310
FBLA	220	1,759	1,655	324
French Club	1,178	-	50	1,128
German Club	1,101	2,866	2,902	1,065
Honor Society	3,391	3,704	3,098	3,997
In/Out Club	(4)	7,930	7,926	-
Library Club	2,473	1,115	2,496	1,092
Math Club	43	-	-	43
Media Center Coffee Area	4,896	2,683	3,270	4,309
Model UN	154	638	728	64
Pep Club	1,174	147	226	1,095
Ram Buddies	-	1,472	-	1,472
Ramoirs	102	20	120	2
Rampage	210	493	314	389
Rotary/Interact	2,247	15,274	16,664	857
SADD	2,896	13,855	14,490	2,261
Science Club	248	67	-	315
Skiboard Club	129	12,990	12,433	686
SNAP	1,193	100	-	1,293
Spanish Club	649	81	50	680
Student Council	8,040	12,445	12,864	7,621
Tech Club	-	3,055	2,841	214
Theater	26,794	22,145	25,471	23,468
WSFTV	8,642	3,107	716	11,033
Yearbook	32,212	12,189	21,873	22,528
TOTAL FORWARD	\$ 119,396	\$ 293,483	\$ 279,947	\$ 132,932

SPRING-FORD AREA SCHOOL DISTRICT

SCHEDULE OF ADDITIONS AND DELETIONS

ACTIVITY FUNDS

YEAR ENDED JUNE 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
SENIOR HIGH SCHOOL				
TOTAL FORWARDED	\$ <u>119,396</u>	\$ <u>293,483</u>	\$ <u>279,947</u>	\$ <u>132,932</u>
8TH GRADE				
Drama Club	3,358	1,087	902	3,543
Family and Consumer Science Club	-	-	-	-
In/Out Club	-	73,440	66,540	6,900
Radio Club	447	-	-	447
Student Fund	40,300	1,583	3,895	37,988
Student Government	1,060	-	-	1,060
World Language Club	430	1,952	1,683	699
Yearbook	6,444	5,505	7,534	4,415
TOTAL 8TH GRADE	<u>52,039</u>	<u>83,567</u>	<u>80,554</u>	<u>55,052</u>
7TH GRADE				
5th Grade Class Trip	166	14,624	13,955	835
6th Grade Class Trip	5,791	32,290	32,435	5,646
7th Grade Class Trip	3,120	7,754	10,278	596
Arboretum Club	34	-	-	34
Builders Club	200	460	521	139
Courtyard	582	-	178	404
Drama Club	31	-	31	-
Family and Consumer Science Club	92	-	-	92
In/Out Club	188	1,790	1,791	187
Language	36	-	-	36
Newspaper	187	-	-	187
School Store	1,978	-	-	1,978
SFTV	39	-	-	39
Student Fund	28,060	37,302	35,038	30,324
Student Government	2,219	-	190	2,029
Technology	-	-	-	-
Yearbook	17,367	23,823	18,841	22,349
TOTAL 7TH GRADE	<u>60,090</u>	<u>118,043</u>	<u>113,258</u>	<u>64,875</u>
TOTAL ALL ACTIVITY FUNDS	\$ <u>231,525</u>	\$ <u>495,093</u>	\$ <u>473,759</u>	\$ <u>252,859</u>

SPRING-FORD AREA SCHOOL DISTRICT

SCHEDULE OF GENERAL OBLIGATION BONDS

YEAR ENDED JUNE 30, 2016

SERIES OF 2007

Fiscal Year	Principal	Rate	Interest	Total Debt Service
2016 to 2017	\$ 140,000	3.70%	\$ 1,302,443	\$ 1,442,443
2017 to 2018	1,780,000	4.00%	1,297,263	3,077,263
2018 to 2019	3,530,000	4.00%	1,226,063	4,756,063
2019 to 2020	3,675,000	4.00%	1,084,863	4,759,863
2020 to 2021	3,830,000	4.00%	937,862	4,767,862
2021 to 2022	3,995,000	4.00%	784,662	4,779,662
2022 to 2023	4,170,000	4.75%	624,863	4,794,863
2023 to 2024	4,380,000	4.75%	426,787	4,806,787
2024 to 2025	4,605,000	4.75%	218,738	4,823,738
	<u>\$ 30,105,000</u>		<u>\$ 7,903,544</u>	<u>\$ 38,008,544</u>

SERIES OF 2012

Fiscal Year	Principal	Rate	Interest	Total Debt Service
2016 to 2017	\$ 2,260,000	3.00%	\$ 740,000	\$ 3,000,000
2017 to 2018	2,320,000	4.00%	672,200	2,992,200
2018 to 2019	2,410,000	5.00%	579,400	2,989,400
2019 to 2020	2,535,000	4.00%	458,900	2,993,900
2020 to 2021	2,630,000	4.00%	357,500	2,987,500
2021 to 2022	2,745,000	4.00%	252,300	2,997,300
2022 to 2023	2,850,000	5.00%	142,500	2,992,500
	<u>\$ 17,750,000</u>		<u>\$ 3,202,800</u>	<u>\$ 20,952,800</u>

SERIES A OF 2012

Fiscal Year	Principal	Rate	Interest	Total Debt Service
2016 to 2017	\$ 3,685,000	2.92%	\$ 146,850	\$ 3,831,850
2017 to 2018	1,310,000	3.00%	39,300	1,349,300
	<u>\$ 4,995,000</u>		<u>\$ 186,150</u>	<u>\$ 5,181,150</u>

SPRING-FORD AREA SCHOOL DISTRICT

SCHEDULE OF GENERAL OBLIGATION BONDS

YEAR ENDED JUNE 30, 2016

SERIES OF 2015

Fiscal Year	Principal	Rate	Interest	Total Debt Service
2016 to 2017	\$ 2,890,000	4.00%	\$ 1,622,775	\$ 4,512,775
2017 to 2018	3,750,000	4.00%	1,507,175	5,257,175
2018 to 2019	3,265,000	3.76%	1,357,175	4,622,175
2019 to 2020	3,390,000	3.88%	1,234,575	4,624,575
2020 to 2021	3,525,000	5.00%	1,103,175	4,628,175
2021 to 2022	3,685,000	3.98%	926,925	4,611,925
2022 to 2023	3,835,000	5.00%	780,325	4,615,325
2023 to 2024	1,505,000	4.00%	588,575	2,093,575
2024 to 2025	1,560,000	4.00%	528,375	2,088,375
2025 to 2026	1,625,000	4.00%	465,975	2,090,975
2026 to 2027	1,685,000	2.75%	400,975	2,085,975
2027 to 2028	1,725,000	3.00%	354,638	2,079,638
2028 to 2029	1,775,000	3.00%	302,888	2,077,888
2029 to 2030	1,830,000	3.13%	249,638	2,079,638
2030 to 2031	1,885,000	3.25%	192,450	2,077,450
2031 to 2032	1,940,000	3.30%	131,187	2,071,187
2032 to 2033	2,005,000	3.35%	67,167	2,072,167
	<u>\$ 41,875,000</u>		<u>\$ 11,813,993</u>	<u>\$ 53,688,993</u>

SERIES OF 2016

Fiscal Year	Principal	Rate	Interest	Total Debt Service
2016 to 2017	\$ 700,000	3.00%	\$ 228,424	928,424
2017 to 2018	960,000	4.00%	208,700	1,168,700
2018 to 2019	1,000,000	4.00%	170,300	1,170,300
2019 to 2020	1,040,000	4.00%	130,300	1,170,300
2020 to 2021	1,080,000	4.00%	88,700	1,168,700
2021 to 2022	1,125,000	2.00%	45,500	1,170,500
2022 to 2023	1,150,000	2.00%	23,000	1,173,000
	<u>\$ 7,055,000</u>		<u>\$ 894,924</u>	<u>\$ 7,949,924</u>

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

To the Board of School Directors
Spring-Ford Area School District
Royersford, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Spring-Ford Area School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Spring-Ford Area School District's basic financial statements, and have issued our report thereon dated January 6, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 16-01 to be a material weakness.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

To the Board of School Directors
Spring-Ford Area School District

Compliance and Other Matters

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

Purpose of this Report

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

Maille LLP

Oaks, Pennsylvania
January 6, 2017

***Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of
Federal Awards in Accordance With the Uniform Guidance***

To the Board of School Directors
Spring-Ford Area School District
Royersford, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Spring-Ford Area School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Spring-Ford Area School District's major federal programs for the year ended June 30, 2016. Spring-Ford Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

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

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

To the Board of School Directors
Spring-Ford Area School District

Opinion on Each Major Federal Program

In our opinion, the Spring-Ford Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

To the Board of School Directors
Spring-Ford Area School District

Report on Schedule of Expenditures of Federal Awards Required By the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Spring-Ford Area School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Spring-Ford Area School District's basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Purpose of this Report

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

Maillio LLP

Oaks, Pennsylvania
January 6, 2017

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

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Title I Improving Basic Programs	I	84.010	013-160414	July 1, 2015 to September 30, 2016
Title I Improving Basic Programs	I	84.010	013-150414	July 1, 2014 to September 30, 2015
TOTAL TITLE I				
Title II Improving Teacher Quality	I	84.367	020-160414	July 1, 2015 to September 30, 2016
Passed through the Montgomery County Intermediate Unit				
Title III Language Instruction	I	84.365	N/A	July 1, 2015 to September 30, 2016
Title III Language Instruction	I	84.365	N/A	July 1, 2014 to September 30, 2015
TOTAL TITLE III				
Individual Disability Education Act	I	84.027	N/A	July 1, 2015 to September 30, 2016
Individual Disability Education Act - Section 619	I	84.173	N/A	July 1, 2015 to September 30, 2016
TOTAL SPECIAL EDUCATION CLUSTER				
TOTAL U.S. DEPARTMENT OF EDUCATION				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Pennsylvania Department of Public Welfare				
Medical Assistance Reimbursement	I	93.778	N/A	July 1, 2015 to September 30, 2016
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2015 to September 30, 2016
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2014 to September 30, 2015
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program	I	10.555	N/A	July 1, 2015 to September 30, 2016
TOTAL CHILD NUTRITION CLUSTER				
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AWARDS				

Footnotes:

- (A) Total amount of donated foods received from Department of Agriculture.
- (B) Beginning inventory at July 1, 2015.
- (C) Total amount of donated foods used.
- (D) Ending inventory at June 30, 2016.

Source Codes:

I = Indirect funding

See accompanying notes to the schedule of expenditures of federal awards.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2015</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2016</u>	<u>Passed Through to Sub-Recipients</u>
\$ 262,816	\$ 268,789	\$ -	\$ 262,816	\$ 262,816	\$ (5,973)	\$ -
234,053	<u>437</u>	<u>437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>269,226</u>	<u>437</u>	<u>262,816</u>	<u>262,816</u>	<u>(5,973)</u>	<u>-</u>
105,622	<u>106,033</u>	<u>-</u>	<u>105,622</u>	<u>105,622</u>	<u>(411)</u>	<u>-</u>
6,656	6,481	-	6,656	6,656	175	-
4,013	<u>3,573</u>	<u>3,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>10,054</u>	<u>3,573</u>	<u>6,656</u>	<u>6,656</u>	<u>175</u>	<u>-</u>
1,575,878	1,575,878	-	1,575,878	1,575,878	-	-
6,189	<u>6,189</u>	<u>-</u>	<u>6,189</u>	<u>6,189</u>	<u>-</u>	<u>-</u>
	<u>1,582,067</u>	<u>-</u>	<u>1,582,067</u>	<u>1,582,067</u>	<u>-</u>	<u>-</u>
	<u>1,967,380</u>	<u>4,010</u>	<u>1,957,161</u>	<u>1,957,161</u>	<u>(6,209)</u>	<u>-</u>
	<u>28,136</u>	<u>-</u>	<u>48,954</u>	<u>48,954</u>	<u>20,818</u>	<u>-</u>
N/A	522,492	-	556,861	556,861	34,369	-
N/A	87,150	87,150	-	-	-	-
N/A	<u>147,568</u> (A)	<u>(40,168)</u> (B)	<u>124,579</u>	<u>124,579</u>	<u>(63,157)</u> (D)	<u>-</u>
	<u>757,210</u>	<u>46,982</u>	<u>681,440</u>	<u>681,440</u>	<u>(28,788)</u>	<u>-</u>
	<u>757,210</u>	<u>46,982</u>	<u>681,440</u>	<u>681,440</u>	<u>(28,788)</u>	<u>-</u>
\$ 2,752,726	\$ 50,992	\$ 2,687,555	\$ 2,687,555	\$ (14,179)	\$ -	

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

NOTE A - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note A to the School District's basic financial statements.

NOTE B - FEDERAL EXPENDITURES

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants, which were active during the fiscal year.

NOTE C - DONATED FOODS

Donated foods were valued according to cost estimates provided by the U.S.D.A.

NOTE D - INDIRECT COST RATES

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

NOTE E - ADJUSTMENTS TO BEGINNING BALANCES

As a result of information obtained during the fiscal year ended June 30, 2016, an adjustment to the accrued or (deferred) revenue as of June 30, 2015, of a federal program was necessary. A schedule of the adjustment is as follows:

Grant Program - Title	CFDA Number	Pass-Through Grantor Number	Accrued (Deferred) June 30, 2015	Adjustment	Accrued (Deferred) July 1, 2015
National School Lunch Program, Federal	10.555	N/A	\$ <u>87,145</u>	\$ <u>5</u>	\$ <u>87,150</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

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

Federal Awards

Internal control over major programs:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Grant Guidance: **No**

Identification of major programs:

Program	CFDA
Special Education Cluster (IDEA)	
Special Education	
Grants to States (IDEA, Part B)	84.027
Preschool Grants (IDEA, Section 619)	84.173

The threshold used for distinguishing Types A and B programs was \$750,000.

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

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.