

SPRING-FORD AREA SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2010

INTRODUCTORY SECTION

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
Table of Contents	1
FINANCIAL SECTION	
Independent Auditors' Report	5
Management's Discussion and Analysis (Unaudited).....	7
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Assets	23
Statement of Activities	24
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	25
Reconciliation of Total Governmental Funds Balances to Net Assets of Governmental Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balances.....	27
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	28

TABLE OF CONTENTS

	<u>Page No.</u>
<i>Proprietary Fund</i>	
Statement of Net Assets	30
Statement of Revenues, Expenses and Changes in Net Assets	31
Statement of Cash Flows	32
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Assets	34
Statement of Changes in Fiduciary Net Assets	35
Notes to the Basic Financial Statements	36
Required Supplementary Information	
Budgetary Comparison Schedule.....	61
Notes to the Budgetary Comparison Schedule.....	63
Postemployment Benefits Other Than Pension Funding Progress	64
SUPPLEMENTARY INFORMATION SECTION	
<i>Other Governmental Funds</i>	
Combining Balance Sheet.....	65
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	66

TABLE OF CONTENTS

	<u>Page No.</u>
<i>General Fund</i>	
Schedule of Tax Collectors' Receipts	67
Schedule of Revenues, Expenditures and Changes in Fund Balance	68
<i>Capital Reserve Fund</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance	72
<i>Capital Project Fund</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance	73
<i>Athletic Fund</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance	74
<i>Food Service Fund</i>	
Schedule of Revenues, Expenses and Changes in Net Assets	75
<i>Scholarship Trust Funds</i>	
Combining Schedule of Fiduciary Net Assets.....	76
Combining Schedule of Changes in Fiduciary Net Assets	76
<i>All Agency Funds</i>	
Combining Balance Sheet.....	77
Combining Schedule of Changes in Assets and Liabilities	78
<i>All Activity Funds</i>	
Schedule of Additions and Deletions	79

TABLE OF CONTENTS

	<u>Page No.</u>
<i>General Long-Term Debt</i>	
Schedule of General Obligation Bonds, Series of 2002.....	81
Schedule of General Obligation Bonds, Series of 2003.....	81
Schedule of General Obligation Bonds, Series of 2004.....	82
Schedule of General Obligation Bonds, Series of 2005.....	82
Schedule of General Obligation Bonds, Series of 2006.....	83
Schedule of General Obligation Bonds, Series of 2007.....	83
Schedule of General Obligation Bonds, Series A of 2007.....	84
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 <i>GOVERNMENT AUDITING STANDARDS</i>	85
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	87
ADDITIONAL INFORMATION - MAJOR FEDERAL AWARD PROGRAMS AUDIT	
Schedule of Expenditures of Federal and State Awards.....	89
Notes to the Schedule of Expenditures of Federal and State Awards.....	91
Schedule of Findings and Questioned Costs.....	92

FINANCIAL SECTION



MAILLIE, FALCONIERO & COMPANY, LLP

Certified Public Accountants and Business Counselors

www.maillie.com

PO Box 680
Oaks, PA 19456-0680
610-935-1420
Fax: 610-935-1632

PO Box 3068
West Chester, PA 19380-3068
610-696-4353
Fax: 610-430-8811

Independent Auditors' Report

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

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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Spring-Ford Area School District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2010, 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* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 22, budgetary comparison information on pages 61 through 63 and postemployment benefits other than pension funding progress on page 64 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Spring-Ford Area School District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Maillo Falcone + Company, LLP

Oaks, Pennsylvania
November 3, 2010

SPRING-FORD AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

The 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, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

The Management 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 trends of prior years indicated that during the fiscal year 2009-2010, the Spring-Ford Area School District would experience another year of significant increases in the costs for instruction for special education and health benefits for our employees. Further, projected increases in the Public School Employees Retirement System (PSERS) employer contribution will continue to cause an additional drain on the financial resources of all schools in Pennsylvania.

The District completed the fiscal year 2009-2010 with assets of \$253,293,188 exceeding liabilities of \$181,268,711 by \$72,024,477--an overall increase from the prior year of \$1,724,165.

- The governmental activities total assets decreased by \$534,373, which was due to the downturn of the economy causing a decrease in revenue from real estate transfers and interest earnings on investments.
- The District's business-type activities, which are comprised of the Food Service Fund, showed a decrease of \$77,970 in total assets due to the increase of cost of food and the increase of salaries and benefits.
- At the end of the current fiscal year, the unreserved, undesignated fund balance of the General Fund was \$1,687,382 compared to the prior year of \$6,013,550, a decrease of \$4,326,168.
- 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.

SPRING-FORD AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

USING THE BASIC FINANCIAL STATEMENTS

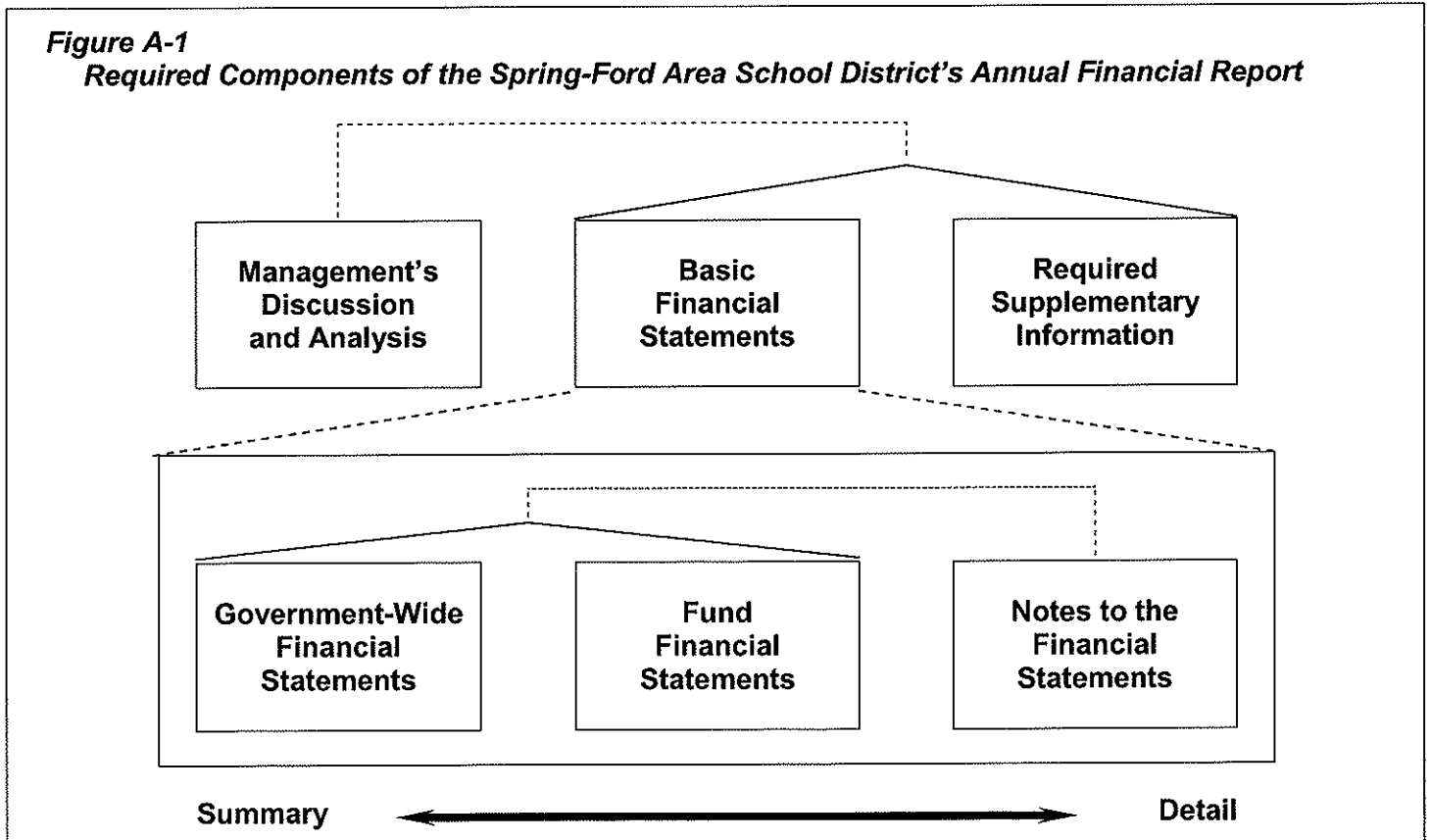
This annual report consists of two distinct series of financial statements: District-wide and fund.

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

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

June 30, 2010

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

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

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 assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

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

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

Fund Financial Statements

The District's fund financial statements, which begin on page 25, provide detailed information about the most significant funds--not the District as a whole. Some funds are required by state law and by bond requirements.

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

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

- **Proprietary Fund:** This fund is used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the District charges customers for services it provides, whether to outside customers or to other units in the District, these services are generally reported in the Proprietary Fund. The Food Service Fund is the District's Proprietary Fund and is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flow.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for some Scholarship and Agency Funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 34. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net assets were \$72,024,477 as of June 30, 2010.

Table A-1
Condensed Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current and other assets	\$ 66,332,184	\$ 66,190	\$ 66,398,374
Capital assets	<u>186,590,074</u>	<u>304,740</u>	<u>186,894,814</u>
TOTAL ASSETS	<u>\$ 252,922,258</u>	<u>\$ 370,930</u>	<u>\$ 253,293,188</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current and other liabilities	\$ 16,328,171	\$ 58,011	\$ 16,386,182
Long-term liabilities	<u>164,825,919</u>	<u>56,610</u>	<u>164,882,529</u>
TOTAL LIABILITIES	<u>181,154,090</u>	<u>114,621</u>	<u>181,268,711</u>
NET ASSETS			
Invested in capital assets, net of related debt	42,833,443	304,740	43,138,183
Restricted	19,391,322	-	19,391,322
Unrestricted	<u>9,543,403</u>	<u>(48,431)</u>	<u>9,494,972</u>
TOTAL NET ASSETS	<u>71,768,168</u>	<u>256,309</u>	<u>72,024,477</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 252,922,258</u>	<u>\$ 370,930</u>	<u>\$ 253,293,188</u>

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

Table A-2
Condensed Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Current and other assets	\$ 80,194,164	\$ 138,599	\$ 80,332,763
Capital assets	<u>173,262,467</u>	<u>310,301</u>	<u>173,572,768</u>
TOTAL ASSETS	<u>\$ 253,456,631</u>	<u>\$ 448,900</u>	<u>\$ 253,905,531</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current and other liabilities	\$ 11,076,549	\$ 54,246	\$ 11,130,795
Long-term liabilities	<u>172,420,788</u>	<u>53,636</u>	<u>172,474,424</u>
TOTAL LIABILITIES	<u>183,497,337</u>	<u>107,882</u>	<u>183,605,219</u>
NET ASSETS			
Invested in capital assets, net of related debt	38,351,779	310,301	38,662,080
Restricted	18,345,434	-	18,345,434
Unrestricted	<u>13,262,081</u>	<u>30,717</u>	<u>13,292,798</u>
TOTAL NET ASSETS	<u>69,959,294</u>	<u>341,018</u>	<u>70,300,312</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 253,456,631</u>	<u>\$ 448,900</u>	<u>\$ 253,905,531</u>

Most of the District's net assets are invested in capital assets (buildings, land and equipment).

The results of this year's operations as a whole are reported in the statement of activities on page 24. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers.

Table A-3 takes the information from that statement and rearranges it slightly, so you can see our total revenues for the year.

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

Table A-3
Changes in Net Assets
Year Ended June 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
REVENUES			
Program revenues			
Charges for services	\$ 460,763	\$ 2,477,102	\$ 2,937,865
Operating grants and contributions	13,434,767	768,485	14,203,252
Capital grants and contributions	1,948,361	-	1,948,361
General revenues			
Property taxes	77,935,632	-	77,935,632
Other taxes	9,548,290	-	9,548,290
Grants, subsidies and contributions, unrestricted	10,007,517	-	10,007,517
Investment earnings	1,084,001	1,665	1,085,666
Loss on sale of capital assets	-	(1,220)	(1,220)
Other	514,695	-	514,695
	<u>114,934,026</u>	<u>3,246,032</u>	<u>118,180,058</u>
EXPENSES			
Instruction	66,052,573	-	66,052,573
Instructional student support	9,004,607	-	9,004,607
Administrative and financial support	7,614,029	-	7,614,029
Operation and maintenance of plant	11,195,501	-	11,195,501
Pupil transportation	6,957,868	-	6,957,868
Student activities	1,670,400	-	1,670,400
Community services	82,814	-	82,814
Interest on long-term debt	6,968,734	-	6,968,734
Depreciation, unallocated	3,546,130	-	3,546,130
Food services	-	3,363,237	3,363,237
	<u>113,092,656</u>	<u>3,363,237</u>	<u>116,455,893</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	1,841,370	(117,205)	1,724,165
TRANSFERS	<u>(32,496)</u>	<u>32,496</u>	<u>-</u>
CHANGE IN NET ASSETS	1,808,874	(84,709)	1,724,165
NET ASSETS, BEGINNING	<u>69,959,294</u>	<u>341,018</u>	<u>70,300,312</u>
NET ASSETS, ENDING	<u>\$ 71,768,168</u>	<u>\$ 256,309</u>	<u>\$ 72,024,477</u>

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

Table A-4
Changes in Net Assets
Year Ended June 30, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
REVENUES			
Program revenues			
Charges for services	\$ 512,758	\$ 2,462,135	\$ 2,974,893
Operating grants and contributions	11,599,689	742,413	12,342,102
Capital grants and contributions	1,497,453	-	1,497,453
General revenues			
Property taxes	77,657,536	-	77,657,536
Other taxes	9,238,063	-	9,238,063
Grants, subsidies and contributions, unrestricted	10,826,844	-	10,826,844
Investment earnings	2,528,931	11,360	2,540,291
Loss on sale of capital assets	-	(1,862)	(1,862)
Other	551,330	-	551,330
	<u>114,412,604</u>	<u>3,214,046</u>	<u>117,626,650</u>
EXPENSES			
Instruction	60,624,492	-	60,624,492
Instructional student support	8,935,998	-	8,935,998
Administrative and financial support	7,336,589	-	7,336,589
Operation and maintenance of plant	11,181,964	-	11,181,964
Pupil transportation	6,533,759	-	6,533,759
Student activities	1,686,456	-	1,686,456
Community services	76,198	-	76,198
Interest on long-term debt	7,199,007	-	7,199,007
Depreciation, unallocated	3,437,163	-	3,437,163
Food services	-	3,351,615	3,351,615
	<u>107,011,626</u>	<u>3,351,615</u>	<u>110,363,241</u>
CHANGE IN NET ASSETS	7,400,978	(137,569)	7,263,409
NET ASSETS, BEGINNING	<u>62,558,316</u>	<u>478,587</u>	<u>63,036,903</u>
NET ASSETS, ENDING	<u>\$ 69,959,294</u>	<u>\$ 341,018</u>	<u>\$ 70,300,312</u>

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

Tables A-5 and A-6 present the expenses of both the governmental activities and the business-type activities of the District.

Table A-5 shows the District's seven largest functions: instruction, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities and community services, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-5
Governmental Activities
Years Ended June 30, 2010 and 2009

Functions/Programs	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 66,052,573	\$ 55,725,139	\$ 60,624,492	\$ 52,067,333
Instructional student support	9,004,607	8,378,166	8,935,998	8,350,765
Administrative	7,614,029	7,317,195	7,336,589	7,054,513
Operation and maintenance of plant	11,195,501	10,927,137	11,181,964	10,922,259
Pupil transportation	6,957,868	4,791,097	6,533,759	4,322,278
Student activities	1,670,400	1,463,210	1,686,456	1,472,093
Community services	82,814	80,318	76,198	73,768
Interest on long-term debt	6,968,734	5,020,373	7,199,007	5,701,554
Unallocated depreciation expense	3,546,130	3,546,130	3,437,163	3,437,163
TOTAL GOVERNMENTAL ACTIVITIES	\$ 113,092,656	97,248,765	\$ 107,011,626	93,401,726
Less unrestricted grants, subsidies		<u>(10,007,517)</u>		<u>(10,826,844)</u>
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES		\$ 87,241,248		\$ 82,574,882

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

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, 2010 and 2009

Functions/Programs	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food services	\$ <u>3,363,237</u>	\$ 117,650	\$ <u>3,351,615</u>	\$ 147,067
Less investment earnings		<u>(1,665)</u>		<u>(9,498)</u>
TOTAL BUSINESS-TYPE ACTIVITIES		\$ <u>115,985</u>		\$ <u>137,569</u>

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

THE DISTRICT FUNDS

At June 30, 2010, the District's Governmental Funds reported a combined total fund balance of \$48,216,327.

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 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; also, \$698,922 was transferred from the General Fund. This was the state rental reimbursement for the payment of the 2000 Authority Bond that the Capital Reserve had previously paid off. Also, interest was received in excess of \$300,000 due to an investment from June 2008 that matured on June 2010 at an interest rate of 5.21%.

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

Capital Projects Fund

In November 2007, the District borrowed \$36,000,000 in the General Obligation Bond, Series of 2007A. The renovation and construction of an addition at the high school began in 2009 and opened in August 2010.

Other Governmental Funds

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, which is not prohibited by state law. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is provided on pages 61 and 62.

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 increased this same amount to compensate for the additional approved grants. 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 that will be used for unexpected expenditures throughout the fiscal year. Experience indicates that there are certain variables over which control is impossible regardless of the care with which the budget is prepared.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had \$186,894,814 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$13,322,046 or 7.7% from last year.

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Land	\$ 10,053,911	\$ 10,053,911
Construction in progress	18,693,814	1,799,956
Site improvements, net of accumulated depreciation	5,365,858	5,685,422
Buildings and building improvements, net of accumulated depreciation	150,408,916	153,603,108
Furniture and equipment, net of accumulated depreciation	2,372,315	2,430,371

Construction in progress shows an increase due to the renovations and additions at the High School. More detailed information about our capital assets is in the financial statements.

Debt Administration

Table A-8
Outstanding Debt
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
GENERAL OBLIGATION BONDS		
Bonds, Series A of 2007	\$ 35,095,000	\$ 36,000,000
Bonds, Series of 2007	30,665,000	30,670,000
Bonds, Series of 2006	24,050,000	26,860,000
Bonds, Series of 2005	30,310,000	32,180,000
Bonds, Series of 2004	11,740,000	12,430,000
Bonds, Series of 2003	17,685,000	18,725,000
Bonds, Series of 2002	11,080,000	11,695,000
	<u>\$ 160,625,000</u>	<u>\$ 168,560,000</u>

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

SPRING-FORD AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

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 total portion of this sub-lease is estimated to be \$16,588,957. During the year, \$615,623 in principal was paid on the lease, leaving an estimated balance of \$15,973,334.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET 2010-2011 AND RATES

In October 2007, Moody's assigned an Aa3 for the underlying rating on the District's \$187.3 million in Government Obligation Bonds. Moody's cited that the Aa3 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. The strength of the District's tax base is evident in wealth indicators that are well above state and national averages. Reserve growth was driven largely by conservative budgeting and increased property tax revenues due to tax base growth. Moody's acknowledged the District's financial flexibility gained from a Capital Reserve Fund; establishment of a debt service account to meet future debt payment associated with additional debt plans; and appropriated funds to meet substantially increasing retirement costs. 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 approximately 1,812 housing units in construction or planned in the future and significant anticipated commercial development. The new assessment increases during 2009/2010 from property growth (\$72,070,420) have affected the tax base, thus generating approximately \$1,662,665 in new tax dollars. The last five years of increases in assessment values generated Real Estate Taxes of \$10,908,486, representing a five-year average of \$2,181,697. In addition, the last five years of Earned Income Tax have been generating \$1,447,670, representing a five-year average of \$289,534 of additional revenue.

In June 2009, the construction and renovations at the High School began with opening for students in August 2010. The estimated cost submitted to PlanCon G was \$28,593,164.

The District has developed many fiscal strategic planning models (included in the 2010/2011 Budget Book) to meet future needs of the District. These include the following: Capital Reserve 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 (\$3.4 million) and retirement account (\$1,900,000) will be maintained to meet future financing needs. In addition, a self-insurance escrow account (\$1,346,696) was required as a reserve.

The budget for the 2010/2011 year is in the amount of \$125,463,931 and is \$4,625,221 more than the budget for 2009/2010. This represents a 3.83% increase in budget. The District needed to increase the property tax rate 0.46 of a mill from 23.07 to 23.53 (\$.46 per \$1,000 of assessed value), representing a 2.0% tax increase. The state cap index was 2.94 without allowable exceptions. The difference in percentage between the budget increase and tax increase is due to the increase of the retirement rate from 4.78% to 8.22%, increase in insurance rates and the increase in the debt payments.

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

The comparison of revenue and expenditure categories is as follows:

Table A-9
Budgeted Revenues

	<u>2009-2010</u>	<u>2008-2009</u>
Local	80.74%	80.88%
State	17.61%	17.42%
Federal/other	1.65%	1.70%

Please note this is the second year of the federal stimulus revenue in the amount of \$891,100.

Table A-10
Budgeted Expenditures

	<u>2009-2010</u>	<u>2008-2009</u>
Instruction	55.0%	54.7%
Support services	29.5%	30.2%
Non-instruction/community	1.1%	1.3%
Fund transfers/debt	14.4%	13.8%

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

Act 1 is complex legislation setting rules for slot money distribution, requiring front-end voter referenda on tax shifting, mandating new school district budget practices and requiring back-end voter referenda on future real estate tax increases above an "index" and on building projects. Act 1 is designed to provide homeowner real estate tax reductions in varying amounts and to assist schools in controlling expenditures. Act 1 will have many collateral consequences for school districts, including negative education program impacts, possible bond downgrade and related borrowing expense and many diverse required actions. Act 1 is an amalgamation of Acts 50 and 72. The key difference is that Act 1 is mandatory and provides very few school board options.

The new property tax relief law represents a fundamental change in the Commonwealth's school funding system. An anticipated \$1 billion from gaming will be used to provide dollar-for-dollar local tax cuts. School boards will be required to seek voter approval for future tax increases that rise faster than an inflation index and also fall outside of ten carefully crafted exceptions (for specific costs that are outside of a school district's control). The voters in each community will have unprecedented control over the way their schools are funded.

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

Collective Bargaining Contract

The Board and the Spring-Ford Education Association have a collective bargaining agreement that extends through 2010-2011.

Assessment

The current downturn in the economy has increased the number of assessment appeals in the District. The District is working 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.

Major Capital Projects

The Spring-Ford Area Senior High School addition/renovations began in 2009 with occupancy in August 2010. Construction still continues in some areas with final completion expected during the 2010/11 school year.

Western Center for Technical Studies addition/renovations were completed in time for the 2010/11 school year.

Self-Funding Insurances and Insurance Plans

Beginning in 2010/11, the District moved towards self-funded insurance in health insurance and vision. Previously, the District was fully insured with Independence Blue Cross. The District was already set up with a self-funded prescription and dental plan. The District continues to work with the Chester County Intermediate Unit with The Reschini Group as the medical consultant.

In an effort to control escalating health care costs, the District changed its prescription plan from a 2-tier 5/10 plan to a 3-tier plan 10/30/50 plan. The Health Care Plan was changed from PC10/20/70 to a PC 20/30/70 and employees on a PC 10 plan changed to a PC 20 plan. The District continues to offer a PC310 at no additional cost to the employee. Employees selecting plans above the PC310 have a co-pay. The new plan designs were implemented for all the support staff in 2010/11 and planned for the professional staff in year 2011/12 or the beginning of a new contract. The District expects to save \$700,000 for implementing the new health care plans and with self-insurance.

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.

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

Refunded General Obligation Bond Series of 2002

The District refunded General Obligation Bond, Series of 2002, with principal remaining of \$11,080,000, by issuing General Obligation Bond, Series of 2010, in the amount of \$11,770,000. Due to the lower interest rates on financing the remaining principal, the District will have a savings in the amount to \$605,462. The savings of the refunding will be transferred to the Capital Reserve Account.

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 Timothy C. Anspach, Business Manager, at Spring-Ford Area School District, 857 South Lewis Road, Royersford, PA 19468, 610-705-6204.

SPRING-FORD AREA SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 15,320,453	\$ 7,869	\$ 15,328,322
Investments	43,723,228	2,267	43,725,495
Taxes receivable, net	2,467,346	-	2,467,346
Internal balances	69,075	(69,075)	-
Due from other governments	1,410,777	35,120	1,445,897
Other receivables, net	40,193	189	40,382
Inventories	350,641	89,820	440,461
Prepaid expenses	1,762,150	-	1,762,150
Deferred charges, net of accumulated amortization	1,188,321	-	1,188,321
Capital assets, net of accumulated depreciation			
Land	10,053,911	-	10,053,911
Site improvements	5,365,858	-	5,365,858
Buildings and building improvements	150,408,916	-	150,408,916
Furniture and equipment	2,067,575	304,740	2,372,315
Construction in progress	18,693,814	-	18,693,814
TOTAL ASSETS	\$ 252,922,258	\$ 370,930	\$ 253,293,188

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES AND NET ASSETS			
LIABILITIES			
Due to other governments	\$ 387,543	\$ -	\$ 387,543
Accounts payable	5,276,586	175	5,276,761
Accrued salaries and benefits	7,840,499	-	7,840,499
Accrued interest	1,925,324	-	1,925,324
Deferred revenue	892,211	57,836	950,047
Other liabilities	6,008	-	6,008
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	8,220,000	-	8,220,000
Compensated absences	162,804	-	162,804
Portion due or payable after one year			
Bonds payable	154,037,408	-	154,037,408
Compensated absences	1,690,807	56,610	1,747,417
Other postemployment benefits	714,900	-	714,900
TOTAL LIABILITIES	181,154,090	114,621	181,268,711
NET ASSETS			
Invested in capital assets, net of related debt	42,833,443	304,740	43,138,183
Restricted for			
Debt service	3,452,654	-	3,452,654
Other projects	15,938,668	-	15,938,668
Unrestricted	9,543,403	(48,431)	9,494,972
TOTAL NET ASSETS	71,768,168	256,309	72,024,477
TOTAL LIABILITIES AND NET ASSETS	\$ 252,922,258	\$ 370,930	\$ 253,293,188

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
GOVERNMENTAL ACTIVITIES							
Instruction							
Regular programs	\$ 44,627,896	\$ 210,719	\$ 2,432,980	\$ -	\$ (41,984,197)	\$ -	\$ (41,984,197)
Special programs	18,558,998	-	7,261,616	-	(11,297,382)	-	(11,297,382)
Vocational education programs	2,638,052	-	-	-	(2,638,052)	-	(2,638,052)
Other instructional programs	55,825	-	311,950	-	256,125	-	256,125
Adult education programs	171,802	106,055	4,114	-	(61,633)	-	(61,633)
Support services							
Pupil personnel services	3,357,689	-	146,724	-	(3,210,965)	-	(3,210,965)
Instructional staff services	3,829,119	-	288,228	-	(3,540,891)	-	(3,540,891)
Administration services	5,448,734	-	215,231	-	(5,233,503)	-	(5,233,503)
Pupil health services	1,817,799	-	191,489	-	(1,626,310)	-	(1,626,310)
Business services	763,997	-	36,041	-	(727,956)	-	(727,956)
Operation and maintenance of plant services	11,195,501	-	268,364	-	(10,927,137)	-	(10,927,137)
Student transportation services	6,957,868	-	2,166,771	-	(4,791,097)	-	(4,791,097)
Central services	1,306,333	-	45,562	-	(1,260,771)	-	(1,260,771)
Other services	94,965	-	-	-	(94,965)	-	(94,965)
Operation of non-instructional services							
Student activities	1,670,400	143,989	63,201	-	(1,463,210)	-	(1,463,210)
Community services	82,814	-	2,496	-	(80,318)	-	(80,318)
Interest on long-term debt	6,968,734	-	-	1,948,361	(5,020,373)	-	(5,020,373)
Depreciation, unallocated	3,546,130	-	-	-	(3,546,130)	-	(3,546,130)
TOTAL GOVERNMENTAL ACTIVITIES	113,092,656	460,763	13,434,767	1,948,361	(97,248,765)	-	(97,248,765)
BUSINESS-TYPE ACTIVITIES							
Food service	3,363,237	2,477,102	768,485	-	-	(117,650)	(117,650)
TOTAL DISTRICT ACTIVITIES	\$ 116,455,893	\$ 2,937,865	\$ 14,203,252	\$ 1,948,361	(97,248,765)	(117,650)	(97,366,415)
GENERAL REVENUES							
Taxes							
Property taxes, levied for general purposes					77,935,632	-	77,935,632
Public utility taxes					116,414	-	116,414
Payment in lieu of taxes					1,719,165	-	1,719,165
Earned income taxes					7,319,463	-	7,319,463
Per capita and occupation taxes					393,248	-	393,248
Grants and contributions not restricted to specific programs					10,007,517	-	10,007,517
Investment earnings					1,084,001	1,665	1,085,666
Loss on sale of capital assets					-	(1,220)	(1,220)
Miscellaneous					514,695	-	514,695
TRANSFERS					(32,496)	32,496	-
TOTAL GENERAL REVENUES AND TRANSFERS					99,057,639	32,941	99,090,580
CHANGE IN NET ASSETS					1,808,874	(84,709)	1,724,165
NET ASSETS AT BEGINNING OF YEAR					69,959,294	341,018	70,300,312
NET ASSETS AT END OF YEAR					\$ 71,768,168	\$ 256,309	\$ 72,024,477

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 8,078,542	\$ 3,789,249	\$ -	\$ 3,452,662	\$ 15,320,453
Investments	12,452,639	12,116,730	19,119,167	34,692	43,723,228
Taxes receivable	2,166,251	-	-	-	2,166,251
Due from other funds	72,052	-	-	-	72,052
Due from other governments	1,410,777	-	-	-	1,410,777
Other receivables	40,189	-	-	4	40,193
Prepaid items	1,762,150	-	-	-	1,762,150
TOTAL ASSETS	\$ 25,982,600	\$ 15,905,979	\$ 19,119,167	\$ 3,487,358	\$ 64,495,104
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 4,659,158	\$ 2,015	\$ 615,413	\$ -	\$ 5,276,586
Due to other funds	-	-	2,977	-	2,977
Due to other governments	387,543	-	-	-	387,543
Deferred revenue	2,602,360	-	-	-	2,602,360
Accrued salaries and benefits	7,840,499	-	-	-	7,840,499
Other liabilities	6,008	-	-	-	6,008
Current portion of compensated absences	162,804	-	-	-	162,804
TOTAL LIABILITIES	15,658,372	2,015	618,390	-	16,278,777
FUND BALANCES					
Reserved for					
Prepaid expenditures	1,762,150	-	-	-	1,762,150
Next year's appropriations	3,598,397	-	-	-	3,598,397
Debt Service Funds	-	-	-	3,452,654	3,452,654
Capital Project Funds	-	-	18,500,777	-	18,500,777
Special Revenue Funds	-	15,903,964	-	34,704	15,938,668
Unreserved					
Designated	3,276,299	-	-	-	3,276,299
Undesignated	1,687,382	-	-	-	1,687,382
TOTAL FUND BALANCES	10,324,228	15,903,964	18,500,777	3,487,358	48,216,327
TOTAL LIABILITIES AND FUND BALANCES	\$ 25,982,600	\$ 15,905,979	\$ 19,119,167	\$ 3,487,358	\$ 64,495,104

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2010

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 48,216,327

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	5,365,858
Buildings and building improvements	150,408,916
Furniture and equipment	2,067,575
Construction in progress	18,693,814

Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Deferred charges	1,968,624
Accumulated amortization	(780,303)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest	(1,925,324)
Bonds payable	(162,257,408)
Compensated absences	(1,690,807)
Other postemployment benefits	(714,900)

Governmental Funds follow the purchase method of inventory; therefore, no inventory is reflected on the balance sheet. However, the statement of net assets uses the consumption method of inventory.

350,641

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year-end.

301,095

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.

1,710,149

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 71,768,168

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, 2010

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources	\$ 92,174,272	\$ 408,938	\$ 203,868	\$ 102,356	\$ 92,889,434
State sources	20,853,233	-	-	137	20,853,370
Federal sources	2,987,466	-	-	-	2,987,466
TOTAL REVENUES	<u>116,014,971</u>	<u>408,938</u>	<u>203,868</u>	<u>102,493</u>	<u>116,730,270</u>
EXPENDITURES					
Instruction	65,404,929	31,268	136,729	-	65,572,926
Support services	34,457,461	7,092	154,638	-	34,619,191
Operation of non-instructional services	1,509,090	-	-	233,003	1,742,093
Facilities acquisition, construction and improvement services	798	57,333	16,930,062	-	16,988,193
Debt service	15,073,550	-	-	-	15,073,550
Refund of prior year revenues	1,832,554	-	-	-	1,832,554
TOTAL EXPENDITURES	<u>118,278,382</u>	<u>95,693</u>	<u>17,221,429</u>	<u>233,003</u>	<u>135,828,507</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,263,411)</u>	<u>313,245</u>	<u>(17,017,561)</u>	<u>(130,510)</u>	<u>(19,098,237)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	698,922	-	196,727	895,649
Transfers out	(895,649)	(32,496)	-	-	(928,145)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(895,649)</u>	<u>666,426</u>	<u>-</u>	<u>196,727</u>	<u>(32,496)</u>
NET CHANGE IN FUND BALANCES	(3,159,060)	979,671	(17,017,561)	66,217	(19,130,733)
FUND BALANCES AT BEGINNING OF YEAR	<u>13,483,288</u>	<u>14,924,293</u>	<u>35,518,338</u>	<u>3,421,141</u>	<u>67,347,060</u>
FUND BALANCES AT END OF YEAR	<u>\$ 10,324,228</u>	<u>\$ 15,903,964</u>	<u>\$ 18,500,777</u>	<u>\$ 3,487,358</u>	<u>\$ 48,216,327</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, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD

\$ (19,130,733)

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$17,048,629) exceed depreciation (\$3,721,022) in the current period.

13,327,607

Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount by which amortization exceeds capital outlays in the current period.

(152,203)

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. Deferred tax revenues increased by this amount this year.

36,310

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net assets. Also, Governmental Funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.

236,618

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.

7,935,000

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

85,401

SUBTOTAL ADJUSTMENTS FORWARD

\$ 21,468,733

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, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED \$ (19,130,733)

SUBTOTAL ADJUSTMENTS FORWARDED 21,468,733

In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave) and special termination benefits (early retirement)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (93,544)

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. (431,323)

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. (4,259)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,808,874

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2010

	<u>Enterprise Fund</u> <u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 7,869
Investments	2,267
Due from other governments	35,120
Other receivables	189
Inventories	<u>89,820</u>
TOTAL CURRENT ASSETS	<u>135,265</u>
CAPITAL ASSETS	
Furniture and equipment	1,112,875
Accumulated depreciation	<u>(808,135)</u>
TOTAL CAPITAL ASSETS	<u>304,740</u>
TOTAL ASSETS	<u>\$ 440,005</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Due to other funds	\$ 69,075
Accounts payable	175
Deferred revenue	<u>57,836</u>
TOTAL CURRENT LIABILITIES	127,086
NONCURRENT LIABILITIES	
Compensated absences	<u>56,610</u>
TOTAL LIABILITIES	<u>183,696</u>
NET ASSETS	
Invested in capital assets, net of related debt	304,740
Unrestricted	<u>(48,431)</u>
TOTAL NET ASSETS	<u>256,309</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 440,005</u>

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2010

	Enterprise Fund <u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ 2,476,562
Other	<u>540</u>
TOTAL OPERATING REVENUES	<u>2,477,102</u>
OPERATING EXPENSES	
Salaries	1,201,784
Employee benefits	497,653
Purchased property service	16,511
Other purchased service	3,007
Supplies	1,607,149
Depreciation	36,837
Other operating expenses	<u>296</u>
TOTAL OPERATING EXPENSES	<u>3,363,237</u>
OPERATING LOSS	<u>(886,135)</u>
NONOPERATING REVENUES (EXPENSES)	
Earnings on investments	1,665
Loss on sale of capital assets	(1,220)
State sources	151,605
Federal sources	<u>616,880</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>768,930</u>
LOSS BEFORE TRANSFER	(117,205)
TRANSFER IN	<u>32,496</u>
CHANGE IN NET ASSETS	(84,709)
NET ASSETS AT BEGINNING OF YEAR	<u>341,018</u>
NET ASSETS AT END OF YEAR	<u>\$ 256,309</u>

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2010

	Enterprise Fund <u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,480,700
Cash received from other revenues	540
Payments to employees	(1,627,787)
Payments to suppliers	(1,378,954)
Payments to other governments	(68,676)
NET CASH USED BY OPERATING ACTIVITIES	<u>(594,177)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances from other funds	32,496
Federal sources	436,111
State sources	150,337
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>618,944</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition, construction and improvements of capital assets	<u>(32,496)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Maturities on investments	7,934
Earnings on investments	1,665
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>9,599</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,870
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,999</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,869</u>

SPRING-FORD AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2010

Enterprise
Fund
Food
Service Fund

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED
BY OPERATING ACTIVITIES**

Operating loss	\$ (886,135)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	36,837
Donated foods	171,696
Decrease in	
Due from other funds	23
Other receivables	548
Inventories	7,040
Increase in	
Due to other funds	69,075
Accounts payable	175
Deferred revenue	3,590
Compensated absences	<u>2,974</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u>(594,177)</u>

SUPPLEMENTAL DISCLOSURES

Noncash activities	
Donated foods	\$ 171,696

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	<u>Scholarship Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 4,081	\$ 192,434
Investments	<u>102,891</u>	<u>4,151</u>
TOTAL ASSETS	106,972	<u><u>\$ 196,585</u></u>
LIABILITIES		
Accounts payable	<u>-</u>	<u><u>\$ 196,585</u></u>
NET ASSETS		
Held in trust for benefits and other purposes	<u><u>\$ 106,972</u></u>	

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2010

	<u>Scholarship Trust Funds</u>
ADDITIONS	
Contributions	\$ 5,192
Investment earnings	<u>1,835</u>
TOTAL ADDITIONS	7,027
DEDUCTIONS	
Scholarships awarded and fees paid	<u>8,441</u>
CHANGE IN NET ASSETS	(1,414)
NET ASSETS AT BEGINNING OF YEAR	<u>108,386</u>
NET ASSETS AT END OF YEAR	<u>\$ 106,972</u>

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its Proprietary Fund provided they do not conflict with or contradict GASB pronouncements. 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 to pay any school indebtedness which the District is required to pay, or to 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.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, 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. 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 assets 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.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are food service charges. Operating expenses for 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.

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.

Special Revenue Funds - These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District's *Capital Reserve Fund* is accounted for in this fund type as required by Section 29432 of the Municipal Code. The District's *Athletic Fund* is also accounted for in this fund type.

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.

Capital Project Fund - This fund is 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 Fund is presented below.

The *2007 Construction Fund* was established with the Series A of 2007 General Obligation Bonds of \$36,000,000. The purpose of this fund is to plan, design, construct, furnish and equip renovations and additions to the High School, finance certain other capital improvements to school facilities and pay the costs of issuance.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Proprietary Fund

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.

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.

The 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.

The 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

Investments are valued at fair value.

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 assets, 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.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

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

Deferred Revenue

Deferred revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Such is the case in the General Fund, where deferred revenue has been established to offset real estate tax receivables. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the Governmental Funds balance sheet and revenue is recognized.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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 assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

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

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.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Fund Equity

In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist 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 assets are reported as restricted when there are limitations imposed on their 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.

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.

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, 2010, \$16,045,083 of the District's bank balance of \$16,545,183 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$ <u>16,045,083</u>
--	----------------------

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.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Investments

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities Less Than One Year</u>	<u>Maturities One to Five Years</u>
State investment pools	\$ 30,047,172	\$ 30,047,172	\$ -
Certificates of deposit	<u>15,270,356</u>	<u>9,270,356</u>	<u>6,000,000</u>
	45,317,528	<u>\$ 39,317,528</u>	<u>\$ 6,000,000</u>
Outstanding checks drawn on state investment pools	<u>(1,484,991)</u>		
	<u>\$ 43,832,537</u>		

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

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

The District's investment policy does not further limit its investment choices. As of June 30, 2010, the District's investment in the state investment pool was rated AAAM by Standard & Poor's.

Although not registered with the Securities and Exchange Commission and not subject to formal regulatory oversight, the state investment pool is subject to an independent annual audit. The fair value in the external investment pool is equivalent to the value of the pool shares.

Concentration of Credit Risk - The District does not have an investment in any one issue that is in excess of 5% of the District's total investments.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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 \$3,591,476,055. The tax rate for the year was \$2.307 per \$100 of assessed valuation. Current tax collections for the District were approximately 94% 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, 2010, 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.

A summary of receivables by fund is as follows:

	General Fund	Other Governmental Funds	Food Service Fund
Real estate taxes	\$ 2,125,893	\$ -	\$ -
Earned income taxes	35,804	-	-
Per capita taxes	3,654	-	-
Local service taxes	900	-	-
Federal subsidies	350,194	-	29,946
State subsidies	840,414	-	5,174
Other governments	220,169	-	-
Other revenue	40,189	4	189
	<u>\$ 3,617,217</u>	<u>\$ 4</u>	<u>\$ 35,309</u>

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE E INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Project Fund	\$ 2,977
General Fund	Food Service Fund	<u>69,075</u>
		<u>\$ 72,052</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 Other Governmental Funds and the General Fund are interfund borrowings to pay for renovations to facilities or purchase equipment. The amounts between the General Fund and Food Service Fund are for payroll.

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Reserve Fund	General Fund	\$ 698,922
Other Governmental Funds	General Fund	196,727
Food Service Fund	Capital Reserve Fund	<u>32,496</u>
		<u>\$ 928,145</u>

The District typically transfers budgeted dollar amounts from the General Fund to the Special Revenue Funds, Capital Project 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 athletics.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE F CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 10,053,911	\$ -	\$ -	\$ 10,053,911
Construction in progress	1,799,956	16,893,858	-	18,693,814
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>11,853,867</u>	<u>16,893,858</u>	<u>-</u>	<u>28,747,725</u>
Capital assets being depreciated				
Site improvements	8,978,268	-	-	8,978,268
Buildings and building improvements	181,940,853	-	-	181,940,853
Furniture and equipment	8,547,369	154,771	-	8,702,140
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>199,466,490</u>	<u>154,771</u>	<u>-</u>	<u>199,621,261</u>
Accumulated depreciation				
Site improvements	(3,292,846)	(319,564)	-	(3,612,410)
Buildings and building improvements	(28,337,745)	(3,194,192)	-	(31,531,937)
Furniture and equipment	(6,427,299)	(207,266)	-	(6,634,565)
TOTAL ACCUMULATED DEPRECIATION	<u>(38,057,890)</u>	<u>(3,721,022)</u>	<u>-</u>	<u>(41,778,912)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>161,408,600</u>	<u>(3,566,251)</u>	<u>-</u>	<u>157,842,349</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>173,262,467</u>	<u>13,327,607</u>	<u>-</u>	<u>186,590,074</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	1,092,579	32,496	(12,200)	1,112,875
Accumulated depreciation	(782,278)	(36,837)	10,980	(808,135)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>310,301</u>	<u>(4,341)</u>	<u>(1,220)</u>	<u>304,740</u>
CAPITAL ASSETS, net	<u>\$ 173,572,768</u>	<u>\$ 13,323,266</u>	<u>\$ (1,220)</u>	<u>\$ 186,894,814</u>

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION		
Regular programs		\$ 99,879
SUPPORT SERVICES		
Instructional staff services		12,165
Business services		270
Operation and maintenance of plant services		58,751
Student transportation services		3,298
OPERATION OF NON-INSTRUCTIONAL SERVICES		
Student activities		529
DEPRECIATION, unallocated		<u>3,546,130</u>
		<u>\$ 3,721,022</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, 2010, the outstanding balance of general obligation bonds issued was \$160,625,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	\$ 8,220,000	\$ 6,855,520	\$ 15,075,520
2012	8,560,000	6,551,728	15,111,728
2013	8,975,000	6,217,978	15,192,978
2014	9,350,000	5,826,217	15,176,217
2015	9,730,000	5,453,169	15,183,169
2016 to 2020	52,500,000	20,723,348	73,223,348
2021 to 2025	47,160,000	9,102,453	56,262,453
2026 to 2030	9,420,000	2,793,310	12,213,310
2031 to 2033	6,710,000	612,675	7,322,675
	<u>\$ 160,625,000</u>	<u>\$ 64,136,398</u>	<u>\$ 224,761,398</u>

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE H CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES							
General obligation bonds							
Series of 2002	4.00% to 5.38%	4/1/2023	\$ 11,695,000	\$ -	\$ (615,000)	\$ 11,080,000	\$ 645,000
Series of 2003	3.00% to 5.00%	3/1/2023	18,725,000	-	(1,040,000)	17,685,000	1,070,000
Series of 2004	3.10% to 4.75%	3/1/2023	12,430,000	-	(690,000)	11,740,000	710,000
Series of 2005	3.50% to 5.00%	9/1/2022	32,180,000	-	(1,870,000)	30,310,000	1,940,000
Series of 2006	3.50% to 4.25%	2/1/2018	26,860,000	-	(2,810,000)	24,050,000	2,910,000
Series of 2007	3.50% to 4.75%	3/1/2025	30,670,000	-	(5,000)	30,665,000	5,000
Series A of 2007	3.50% to 5.00%	6/1/2033	36,000,000	-	(905,000)	35,095,000	940,000
TOTAL GENERAL OBLIGATION BONDS			<u>168,560,000</u>	<u>-</u>	<u>(7,935,000)</u>	<u>160,625,000</u>	<u>8,220,000</u>
Deferred amounts							
Issuance discount			(353,250)	-	34,745	(318,505)	-
Issuance premium			2,222,276	-	(271,363)	1,950,913	-
TOTAL DEFERRED AMOUNTS			<u>1,869,026</u>	<u>-</u>	<u>(236,618)</u>	<u>1,632,408</u>	<u>-</u>
TOTAL GENERAL OBLIGATION BONDS, net			<u>170,429,026</u>	<u>-</u>	<u>(8,171,618)</u>	<u>162,257,408</u>	<u>8,220,000</u>
Compensated absences							
Vacation pay			839,486	89,996	-	929,482	119,927
Sick pay			842,353	81,776	-	924,129	42,877
Other retirement benefits			26,346	-	(26,346)	-	-
TOTAL COMPENSATED ABSENCES			<u>1,708,185</u>	<u>171,772</u>	<u>(26,346)</u>	<u>1,853,611</u>	<u>162,804</u>
Other postemployment benefits							
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES			<u>172,420,788</u>	<u>857,148</u>	<u>(8,452,017)</u>	<u>164,825,919</u>	<u>8,382,804</u>
BUSINESS-TYPE ACTIVITIES							
Compensated absences, sick pay							
TOTAL LONG-TERM LIABILITIES			<u>\$ 172,474,424</u>	<u>\$ 860,122</u>	<u>\$ (8,452,017)</u>	<u>\$ 164,882,529</u>	<u>\$ 8,382,804</u>

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, 2010, was \$7,138,550. Interest costs incurred were charged to expenditures in the General Fund.

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

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE I **DEFEASED DEBT**

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

As of June 30, 2010, the District has defeased debt outstanding of \$29,525,000.

NOTE J **DEFERRED REVENUE**

General Fund

Real estate taxes collected within 60 days of the close of the fiscal year are recorded as current revenues. The noncurrent portion of real estate taxes receivable is recorded as deferred revenue until such time as it becomes available. Program grants received prior to the incurrence of qualifying expenditures are recorded as deferred revenue.

At June 30, 2010, deferred revenue consisted of delinquent taxes receivable of \$1,710,149.

Also included in deferred revenue is \$892,211, representing funds received to be used for future expenditures.

Food Service Fund

Deferred revenue of \$57,836 in the Food Service Fund represents the carryover of student deposits.

NOTE K **PENSIONS**

Plan Description

Name of Plan: Public School Employees' Retirement System (the "System").

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

Benefits: Retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

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

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, PO Box 125, Harrisburg, PA 17108-0125. This publication is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

Funding Policy

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

Contribution Rates

Member Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001, 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 service rendered on or after January 1, 2002.

Employer Contributions - Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2010, the rate of employer's contribution was 4.78% of covered payroll. The 4.78% rate is composed of a pension contribution rate of 4.00% for pension benefits and .78% for healthcare insurance premium assistance.

The District's contribution to PSERS for the years ended June 30, 2010, 2009 and 2008, was \$2,682,820, \$2,498,010 and \$3,503,030, respectively, equal to the required contribution for each year.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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:

<u>Unused Sick Days</u>	<u>Professional and Administrative</u>	<u>Nurses, Aides, Maintenance and Custodial Workers</u>
0 to 50	\$21 per day	\$16 per day
51 to 100	\$23 per day	\$18 per day
101 to 150	\$26 per day	\$20 per day

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 \$881,252, 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 assets and a long-term liability of \$56,610, 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 assets, as required by GASB Statement No. 16. In addition, a liability of \$42,877, 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 assets.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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, 2010, that will use currently available financial resources is \$119,927, 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 assets. The remaining vacation pay earned at June 30, 2010, of \$809,555, 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 assets.

Other Employee Benefits

Post-Retirement Benefits - Any full-time professional, administrative, or secretarial employee retiring after September 1, 1991, with 15 or more years of service with the District and at least 25 years of credited service with the Pennsylvania Employees' Retirement System, shall be entitled to continue their medical insurance coverage until age 65. The District will contribute \$40 per month for teachers and secretaries and \$100 per month for administrators toward the premium for single employee coverage for a period, which shall be the lesser of seven years or when the employee attains age 65. A potential liability of \$3,864 for teachers and secretaries to \$9,660 for administrators could be incurred for each employee. Premium payments shall be made directly to the insurance carrier, and such payment shall be contingent upon prior receipt from the former employee of such additional premiums as may be required to maintain these coverages which the retiree has elected. The District records an expenditure for these benefits on a pay-as-you-go basis.

Early Retirement Incentive Plan - Effective during the 2002-2003 school year only, the Board established an incentive for early retirement of bargaining unit employees represented by the Spring-Ford Area Education Association. Pursuant to the plan, any professional employee meeting the eligibility requirements described in the plan shall choose between the following options:

Option No. 1

- a. Upon fulfilling the criteria for eligibility stated in this Early Retirement Incentive Plan, the retiring individual shall be entitled to receive an additional District contribution toward the individual and spousal cost of hospitalization/major medical/surgical benefits and the prescription program described in the then Collective Bargaining Agreement between the District and the Spring-Ford Area Education Association, so long as the law so permits. Such contribution shall be paid by the District for the shorter of any one of the following time periods: (1) a total of six school years following the effective date of retirement; (2) reinstatement or rehiring of the retiring individual as a regular full-time professional employee or regular part-time professional employee of the District; or (3) death of the retiring individual.

SPRING-FORD AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

- b. In the event the retiring individual predeceases the retiring individual's spouse, the surviving spouse shall be entitled to continue the health insurance coverage pursuant to the Comprehensive Omnibus Budget Reconciliation Act at their own expense, subject to any administrative charge permitted under the law to be imposed by the District.

For the purpose of this Early Retirement Incentive Plan, the health insurance benefits constitute the hospitalization/major medical/surgical/prescription plan under the Personal Choice 10 Program. Dental benefits, vision and life insurance are not included in this program.

- c. The District shall contribute annually, the lesser of: (1) the Board's contribution toward the Personal Choice 10 Program described in paragraph a. above, less the amount of contribution made by the PSERS toward the purchase of such coverage, as it may be amended and less the Board's contribution toward healthcare premiums set forth in Article VIII.C. of the Collective Bargaining Agreement in force during the term of this Plan or (2) the cost of maintaining age 65 special wraparound coverage for those Bargaining Unit Employees who become eligible for Medicare during the six-year time period following the effective date of retirement for the retiring individual, less the amount of contribution made by the PSERS toward the purchase of such coverage, as it may be amended, and less the Board's contribution toward healthcare premiums set forth in Article VII.C. of the Collective Bargaining Agreement in force during the term of this Plan.

Option No. 2 - A lump sum payment of \$40,050, less ordinary and legally required withholdings for taxes.

Supplemental Bonus Payment - Regardless of the option selected, individuals who retire pursuant to this plan will be eligible for an annual \$2,500 bonus payment, less ordinary and legally required withholdings, so long as they substitute teach with the District for a period of at least 20 days per school year following the date of the individual's retirement. This \$2,500 bonus payment may be paid to the eligible individual for a period not to exceed three successive school years. The bonus payment is to be paid on June 30 of the school year in which the individual substituted, in accordance with the provisions of this Plan.

In accordance with the above-mentioned options, 20 employees elected Option No. 1 and four employees elected Option No. 2. As of June 30, 2010, the total liability has been fully paid.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

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 following table shows 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:

Normal cost	\$	398,115
Amortization of unfunded actuarial accrued liability		273,994
Interest		17,915
ANNUAL REQUIRED CONTRIBUTION (ARC)		<u>690,024</u>
Interest on net OPEB obligation		12,761
Adjustment to ARC		(17,409)
ANNUAL OPEB EXPENSE		<u>685,376</u>
Net OPEB contributions during the year		<u>(254,053)</u>
INCREASE IN NET OPEB OBLIGATION		431,323
Net OPEB obligation at beginning of year		<u>283,577</u>
NET OPEB OBLIGATION AT END OF YEAR	\$	<u><u>714,900</u></u>

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 690,024	59.0%	\$ 283,577
2009	685,376	37.1%	714,900

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

2008 was the year of implementation of GASB Statement No. 45. The District has elected to implement GASB Statement No. 45 prospectively. Therefore, only one prior year is available for comparative data. In future years, three-year trend information will be presented.

Funded Status and Funding Progress

According to the actuarial report dated July 1, 2008, the actuarial accrued liability for benefits was \$4,463,060, 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 \$47,286,173, and the ratio of the UAAL to the covered payroll was 9.44%.

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 64, 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, 2008 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 8.5% initially, reduced by decrements of .5% to an ultimate rate of 5.0% after seven years. 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 June 30, 2010, was 29 years.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE N COMMITMENTS AND CONTINGENCIES

The District has various commitments under long-term construction contracts of approximately \$4,744,150 as of June 30, 2010.

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, 2010, were \$860,911.

Future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	
2011	\$ 507,943
2012	298,638
2013	<u>201,694</u>
	<u>\$ 1,008,275</u>

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 2009-2010 year. Settlement amounts have not exceeded insurance coverage for the current year or the three 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, 2010, there was no unfunded liability.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE Q FUND BALANCE RESERVES/DESIGNATIONS

Reserved Fund Balance

The fund balance reserves in the General Fund represent prepaid expenditures of \$1,762,150 and \$3,598,397 for 2010-2011 appropriations.

Designated Fund Balance

Management has designated \$1,346,696 of the June 30, 2010 General Fund balance for self-insured costs and \$1,929,603 for future retirement costs.

NOTE R RESTRICTED NET ASSETS

At year-end, the District has \$3,452,654 restricted in governmental activities for retirement of long-term debt and \$15,938,668 for other purposes.

NOTE S 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 number of students attending the Center from each district. The District's share of the Center's operating costs for 2009-2010 was \$1,265,197.

On dissolution of the Center, the net assets 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 assets 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 sub-lease 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.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Future minimum sub-lease payments are as follows:

<u>Year Ending June 30,</u>	
2011	\$ 1,354,106
2012	1,355,446
2013	1,353,949
2014	1,354,150
2015	1,353,615
2016 to 2020	6,770,987
2021 to 2025	6,770,825
2026 to 2029	<u>5,416,548</u>
	<u>\$ 25,729,626</u>

Sub-lease expenditures for the year ended June 30, 2010, were \$1,372,855.

NOTE T 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.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE U SUBSEQUENT EVENTS

Self-Insurance

In July 2010, the District elected to sponsor a self-insured employee welfare benefit plan for health care coverage for the 2010-2011 school year. 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 \$1,346,696. 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.

General Obligation Bond, Series of 2010

The District refunded General Obligation Bonds, Series of 2002, with principal remaining of \$11,080,000, by issuing General Obligation Bonds, Series of 2010, of \$11,770,000. Due to the lower interest rates on financing the remaining principal, the District will have a savings of \$605,462. The savings of the refunding will be transferred to the Capital Reserve Account. Interest rates range from 1.5% to 3.375%, and the bonds mature April 1, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

SPRING-FORD AREA SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 94,320,954	\$ 94,320,954	\$ 92,174,272	\$ (2,146,682)
State sources	21,045,421	21,045,421	20,853,233	(192,188)
Federal sources	2,062,204	2,062,204	2,987,466	925,262
TOTAL REVENUES	<u>117,428,579</u>	<u>117,428,579</u>	<u>116,014,971</u>	<u>(1,413,608)</u>
EXPENDITURES				
Instruction				
Regular programs	44,920,154	44,820,045	44,075,622	744,423
Special programs	19,575,866	19,149,640	18,464,605	685,035
Vocational education programs	2,701,005	2,638,052	2,638,052	-
Other instructional programs	64,803	83,923	55,476	28,447
Adult education programs	177,304	189,393	171,174	18,219
Support services				
Pupil personnel services	3,426,948	3,579,950	3,335,087	244,863
Instructional staff services	4,056,469	4,121,600	3,796,962	324,638
Administration services	5,642,047	5,681,424	5,414,005	267,419
Pupil health services	1,790,495	1,915,221	1,810,582	104,639
Business services	784,805	806,101	758,914	47,187
Operation and maintenance of plant services	12,256,547	11,542,643	10,996,846	545,797
Student transportation services	7,259,496	7,008,738	6,953,741	54,997
Central and other services	1,210,001	1,384,233	1,296,359	87,874
Other support services	109,000	94,965	94,965	-
Operation of non-instructional services				
Student activities	1,471,297	1,550,316	1,426,708	123,608
Community services	70,485	110,808	82,382	28,426
Facilities acquisition, construction and improvement services	-	798	798	-
Debt service	14,664,494	15,073,550	15,073,550	-
Refund of prior year revenues	25,000	191,661	1,832,554	(1,640,893)
TOTAL EXPENDITURES	<u>120,206,216</u>	<u>119,943,061</u>	<u>118,278,382</u>	<u>1,664,679</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES FORWARD	<u>\$ (2,777,637)</u>	<u>\$ (2,514,482)</u>	<u>\$ (2,263,411)</u>	<u>\$ 251,071</u>

SPRING-FORD AREA SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
DEFICIENCY OF REVENUES OVER EXPENDITURES FORWARDED	\$ (2,777,637)	\$ (2,514,482)	\$ (2,263,411)	\$ 251,071
OTHER FINANCING USES				
Transfers out	(232,494)	(895,649)	(895,649)	-
Budgetary reserve	(400,000)	-	-	-
TOTAL OTHER FINANCING USES	(632,494)	(895,649)	(895,649)	-
NET CHANGE IN FUND BALANCE	(3,410,131)	(3,410,131)	(3,159,060)	251,071
FUND BALANCE AT BEGINNING OF YEAR	13,483,288	13,483,288	13,483,288	-
FUND BALANCE AT END OF YEAR	\$ 10,073,157	\$ 10,073,157	\$ 10,324,228	\$ 251,071

See accompanying notes to the budgetary comparison schedule.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

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 2009-2010 budget transfers.

NOTE B EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2010, expenditures exceeded appropriations in the following General Fund function level:

Refund of prior year revenues	\$ <u>1,640,893</u>
-------------------------------	---------------------

These excess expenditures were funded by reimbursable revenue and available fund balance in the General Fund.

SPRING-FORD AREA SCHOOL DISTRICT
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
Year Ended June 30, 2010

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability (AAL)</u>	<u>(c) Unfunded AAL (UAAL) (b)-(a)</u>	<u>(d) Funded Ratio (a)/(b)</u>	<u>(e) Covered Payroll</u>	<u>(f) UAAL as a Percentage of Covered Payroll (c)/(e)</u>
7/1/2008	\$ <u>-</u>	\$ <u>4,463,060</u>	\$ <u>4,463,060</u>	<u>0%</u>	\$ <u>47,286,173</u>	<u>9.44%</u>

SUPPLEMENTARY INFORMATION SECTION

SPRING-FORD AREA SCHOOL DISTRICT

COMBINING BALANCE SHEET

OTHER GOVERNMENTAL FUNDS

June 30, 2010

	<u>Athletic Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 8	\$ 3,452,654	\$ 3,452,662
Investments	34,692	-	34,692
Other receivables	<u>4</u>	<u>-</u>	<u>4</u>
TOTAL ASSETS	<u>\$ 34,704</u>	<u>\$ 3,452,654</u>	<u>\$ 3,487,358</u>
FUND BALANCES			
Reserved for			
Debt Service Funds	\$ -	\$ 3,452,654	\$ 3,452,654
Special Revenue Funds	<u>34,704</u>	<u>-</u>	<u>34,704</u>
TOTAL FUND BALANCES	<u>\$ 34,704</u>	<u>\$ 3,452,654</u>	<u>\$ 3,487,358</u>

SPRING-FORD AREA SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES

OTHER GOVERNMENTAL FUNDS

Year Ended June 30, 2010

	<u>Athletic Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
REVENUES			
Local sources	\$ 60,430	\$ 41,926	\$ 102,356
State sources	<u>137</u>	<u>-</u>	<u>137</u>
TOTAL REVENUES	60,567	41,926	102,493
EXPENDITURES			
Operation of non-instructional services	<u>233,003</u>	<u>-</u>	<u>233,003</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(172,436)	41,926	(130,510)
OTHER FINANCING SOURCES			
Transfers in	<u>196,727</u>	<u>-</u>	<u>196,727</u>
NET CHANGE IN FUND BALANCES	24,291	41,926	66,217
FUND BALANCES AT BEGINNING OF YEAR	<u>10,413</u>	<u>3,410,728</u>	<u>3,421,141</u>
FUND BALANCES AT END OF YEAR	<u>\$ 34,704</u>	<u>\$ 3,452,654</u>	<u>\$ 3,487,358</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF TAX COLLECTORS' RECEIPTS
GENERAL FUND
Year Ended June 30, 2010

	Limerick Township	Royersford Borough	Spring City Borough	Upper Providence Township	Totals
CURRENT REAL ESTATE TAXES					
Assessed value	\$ 1,351,374,677	\$ 168,109,990	\$ 116,054,570	\$ 1,955,936,818	\$ 3,591,476,055
Millage rate	0.02307	0.02307	0.02307	0.02307	0.02307
TOTAL TAX PER TAX DUPLICATE	31,176,214	3,878,297	2,677,379	45,123,462	82,855,352
Less homestead exclusion	(938,340)	(169,906)	(131,553)	(1,086,204)	(2,326,003)
Plus penalties	53,287	9,357	10,264	87,302	160,210
TOTAL TAXES TO BE COLLECTED	30,291,161	3,717,748	2,556,090	44,124,560	80,689,559
Less					
Discounts	532,301	60,864	4,068	785,992	1,383,225
Refunds and adjustments	86,879	3,727	7,829	52,082	150,517
Returned to County	788,213	89,372	191,705	594,328	1,663,618
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 28,883,768</u>	<u>\$ 3,563,785</u>	<u>\$ 2,352,488</u>	<u>\$ 42,692,158</u>	<u>\$ 77,492,199</u>
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 372,902</u>	<u>\$ 108,616</u>	<u>\$ 225</u>	<u>\$ 825,060</u>	<u>\$ 1,306,803</u>
CURRENT PER CAPITA TAXES					
Number of persons assessed	12,649	3,133	2,292	13,824	31,898
Tax rate	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
TAXABLE VALUATION	126,490	31,330	22,920	138,240	318,980
Plus					
Additions	440	610	130	880	2,060
Penalties	1,026	142	124	550	1,842
TOTAL TAXES TO BE COLLECTED	127,956	32,082	23,174	139,670	322,882
Less					
Discounts	1,734	330	286	2,340	4,690
Exonerations	390	970	310	1,020	2,690
Reductions	5,951	2,940	1,764	5,020	15,675
Outstanding	13,310	7,520	5,760	21,700	48,290
NET CURRENT PER CAPITA TAXES COLLECTED	<u>\$ 106,571</u>	<u>\$ 20,322</u>	<u>\$ 15,054</u>	<u>\$ 109,590</u>	<u>\$ 251,537</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
Year Ended June 30, 2010

REVENUES

Local sources

Current real estate taxes	\$ 75,094,578
Interim real estate taxes	1,306,803
Public utility taxes	116,414
Payment in lieu of taxes	1,719,165
Current per capita taxes	
Act 511	125,774
Act 679	125,763
Occupational privilege tax	118,156
Earned income tax	7,319,463
Real estate transfer tax	1,321,036
Delinquent real estate taxes	1,817,798
Delinquent per capita taxes	23,555
Interest	476,727
Other student activity income	83,756
Revenue from local governmental units	75,234
Federal revenue from intermediary sources	1,462,259
Rentals	331,270
Contributions	1,852
Donations, RIF	2,906
Tuition from patrons	316,774
Transportation service provided by other LEA	12,316
Miscellaneous	47,938
Refunds of prior year expenditures	274,735
TOTAL FORWARD	<u>92,174,272</u>

State sources

Basic education	7,681,784
Charter schools	309,342
Tuition for orphans	149,028
Specialized education	2,460,153
Transportation	2,148,472
Rental and sinking fund payments	1,948,361
Health services	145,862
Property tax allocation	2,325,733
Other state revenues	278,838
Social Security	2,070,053
Retirement	1,310,607
Classroom of the future	25,000
TOTAL FORWARD	<u>\$ 20,853,233</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
Year Ended June 30, 2010

REVENUES

Local sources		
TOTAL FORWARDED		\$ <u>92,174,272</u>
State sources		
TOTAL FORWARDED		20,853,233
Federal sources		
Title I		227,451
Title II		139,686
Drug-free schools		19,741
Medical assistance		800,000
ARRA IDEA Part B		768,095
ARRA Fiscal Stabilization Funding		<u>1,032,493</u>
TOTAL FEDERAL SOURCES		<u>2,987,466</u>
TOTAL FORWARD		<u>116,014,971</u>

EXPENDITURES

Instruction		
Regular programs		44,075,622
Special programs		498,789
Life skills support		250,369
Sensory support		1,026,058
Emotional support		3,722,792
Academic support		10,700,572
Physical support		67
Multi-handicapped support		406,934
Early intervention support		142,055
Other support		1,716,969
Other vocational education programs		2,638,052
Summer school		13,570
Homebound instruction		29,117
Alternative regular education programs		12,789
Other adult education programs		<u>171,174</u>
TOTAL FORWARD		<u>65,404,929</u>
Support services		
Guidance services		2,281,449
Attendance services		50,641
Psychological services		794,998
Social work services		99,795
Student accounting services		108,204
Technology support services		44,163
School library services		<u>1,977,428</u>
SUBTOTAL FORWARD		<u>\$ 5,356,678</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
Year Ended June 30, 2010

EXPENDITURES	
Instruction	
TOTAL FORWARDED	\$ 65,404,929
Support services	
SUBTOTAL FORWARDED	5,356,678
Instruction and curriculum development services	221,670
Special education administration services	605,218
Instructional staff professional development services	948,483
Board services	89,457
Tax assessment and collection services	293,366
Legal services	142,128
Office of the Superintendent services	635,214
Community relations services	37,259
Office of the Principal services	4,209,577
Other administration services	7,004
Support services, pupil health	1,716,906
Nonpublic health services	15,118
Other health services	78,558
Support services, business	758,914
Operation and maintenance of plant services	10,774,400
Security services	222,446
Student transportation services	5,010,195
Nonpublic transportation	1,943,546
Planning, research, development and evaluation services	810,962
Information services	19,484
Staff services	465,913
Other support services	94,965
TOTAL SUPPORT SERVICES	<u>34,457,461</u>
Operation of non-instructional services	
Student activities	1,325,644
School sponsored student activities	85,596
School sponsored athletics	15,468
Community services	80,917
Welfare activities	1,465
TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES	<u>1,509,090</u>
Facilities acquisition, construction and improvement services	
Construction services	798
Debt service	<u>15,073,550</u>
Refund of prior year revenues	<u>1,832,554</u>
TOTAL FORWARD	<u>\$ 118,278,382</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
Year Ended June 30, 2010

REVENUES		
	TOTAL FORWARDED	\$ 116,014,971
EXPENDITURES		
	TOTAL FORWARDED	<u>118,278,382</u>
	DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,263,411)
OTHER FINANCING USES		
	Transfers out	<u>(895,649)</u>
	NET CHANGE IN FUND BALANCE	(3,159,060)
FUND BALANCE AT BEGINNING OF YEAR		<u>13,483,288</u>
	FUND BALANCE AT END OF YEAR	<u>\$ 10,324,228</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
CAPITAL RESERVE FUND
Year Ended June 30, 2010

REVENUES	
Local sources	
Interest	\$ 361,368
Contributions	2,500
Refunds and other miscellaneous revenues	<u>45,070</u>
TOTAL REVENUES	<u>408,938</u>
EXPENDITURES	
Instruction	
Equipment	31,268
Support services	
Lawn care services	3,270
Utilities	534
Repairs and maintenance	525
General supplies	970
Equipment	1,793
Facilities acquisition, construction and improvement services	
Professional services	9,866
Construction	<u>47,467</u>
TOTAL EXPENDITURES	<u>95,693</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>313,245</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	698,922
Transfers out	<u>(32,496)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>666,426</u>
NET CHANGE IN FUND BALANCE	979,671
FUND BALANCE AT BEGINNING OF YEAR	<u>14,924,293</u>
FUND BALANCE AT END OF YEAR	<u>\$ 15,903,964</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
CAPITAL PROJECT FUND
Year Ended June 30, 2010

	2007 Construction Fund
	<u> </u>
REVENUES	
Local sources	
Interest	\$ <u>203,868</u>
EXPENDITURES	
Instruction	
Equipment	136,729
Support services	
Salaries	36,351
Fringe benefits	17,179
Professional services	3,463
Utilities	910
Repairs and maintenance	834
Rental of equipment	12,951
General supplies	71,733
Gasoline	476
Equipment	10,741
Facilities acquisition, construction and improvement services	
Professional services	152,377
Rental of equipment	1,036
Construction	16,716,951
General supplies	16,496
Land and improvements	35,926
Site improvements	7,276
TOTAL EXPENDITURES	<u>17,221,429</u>
NET CHANGE IN FUND BALANCE	(17,017,561)
FUND BALANCE AT BEGINNING OF YEAR	<u>35,518,338</u>
FUND BALANCE AT END OF YEAR	<u>\$ 18,500,777</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
ATHLETIC FUND
Year Ended June 30, 2010

REVENUES

Local sources	
Admissions	\$ 60,233
Interest	112
Refunds and other miscellaneous revenues	85
State subsidies	<u>137</u>

TOTAL REVENUES	<u>60,567</u>
----------------	---------------

EXPENDITURES

Operation of non-instructional services	
Salaries	2,249
Employee benefits	272
Professional fees	47,881
Repairs and maintenance	30,698
Rental of equipment	700
Contracted carriers	65,758
Travel	4,572
General supplies	36,986
Books and periodicals	2,110
Equipment	28,320
Dues and fees	12,863
Miscellaneous	594
	<u>233,003</u>

TOTAL EXPENDITURES	<u>233,003</u>
--------------------	----------------

DEFICIENCY OF REVENUES OVER EXPENDITURES	(172,436)
--	-----------

OTHER FINANCING SOURCES

Transfers in	<u>196,727</u>
--------------	----------------

NET CHANGE IN FUND BALANCE	24,291
----------------------------	--------

FUND BALANCE AT BEGINNING OF YEAR	<u>10,413</u>
-----------------------------------	---------------

FUND BALANCE AT END OF YEAR	<u><u>\$ 34,704</u></u>
-----------------------------	-------------------------

SPRING-FORD AREA SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENSES AND

CHANGES IN NET ASSETS

FOOD SERVICE FUND

Year Ended June 30, 2010

REVENUES

Sale of food	\$ 2,476,562
Federal subsidies	445,185
State subsidies	78,988
Interest	1,665
Donated foods	171,695
State reimbursements	
Social Security	45,181
Retirement	27,436
Refunds and other miscellaneous revenues	540

TOTAL REVENUES

3,247,252

COST OF GOODS SOLD

Beginning inventory	96,860
Food and milk	1,269,424
Donated foods	164,075
Processing costs	8,522
Supplies	158,088
	<u>1,696,969</u>
Ending inventory	(89,820)

TOTAL COST OF GOODS SOLD

1,607,149

GROSS PROFIT

1,640,103

EXPENSES

Salaries	1,201,784
Employee benefits	497,653
Disposal services	16,511
Communication	2,684
Travel	323
Dues and fees	296
Depreciation	36,837
	<u>1,756,088</u>

TOTAL EXPENSES

1,756,088

CHANGE IN NET ASSETS BEFORE TRANSFER AND LOSS ON SALE OF CAPITAL ASSETS

(115,985)

TRANSFER IN

32,496

LOSS ON SALE OF CAPITAL ASSETS

(1,220)

CHANGE IN NET ASSETS

(84,709)

NET ASSETS AT BEGINNING OF YEAR

341,018

NET ASSETS AT END OF YEAR

\$ 256,309

SPRING-FORD AREA SCHOOL DISTRICT
 COMBINING SCHEDULES OF FIDUCIARY NET ASSETS
 AND CHANGES IN FIDUCIARY NET ASSETS
 SCHOLARSHIP TRUST FUNDS
June 30, 2010

	W. S. 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 ASSETS						
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	<u>7,998</u>	<u>31,111</u>	<u>4,643</u>	<u>976</u>	<u>5,242</u>	<u>4,856</u>
TOTAL ASSETS	<u>\$ 7,998</u>	<u>\$ 31,111</u>	<u>\$ 4,643</u>	<u>\$ 976</u>	<u>\$ 5,242</u>	<u>\$ 4,856</u>
NET ASSETS	<u>\$ 7,998</u>	<u>\$ 31,111</u>	<u>\$ 4,643</u>	<u>\$ 976</u>	<u>\$ 5,242</u>	<u>\$ 4,856</u>
SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS						
ADDITIONS						
Local contributions	\$ -	\$ -	\$ -	\$ 1,589	\$ -	\$ -
Investment earnings	<u>104</u>	<u>57</u>	<u>12</u>	<u>3</u>	<u>150</u>	<u>82</u>
TOTAL ADDITIONS	104	57	12	1,592	150	82
DEDUCTIONS						
Scholarships awarded and fees paid	<u>100</u>	<u>56</u>	<u>50</u>	<u>1,500</u>	<u>200</u>	<u>200</u>
CHANGE IN NET ASSETS	4	1	(38)	92	(50)	(118)
NET ASSETS AT BEGINNING OF YEAR	<u>7,994</u>	<u>31,110</u>	<u>4,681</u>	<u>884</u>	<u>5,292</u>	<u>4,974</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,998</u>	<u>\$ 31,111</u>	<u>\$ 4,643</u>	<u>\$ 976</u>	<u>\$ 5,242</u>	<u>\$ 4,856</u>

<u>Thomas J. Henry Scholarship Fund</u>	<u>Richard Hoistington Memorial Music Fund</u>	<u>Richard Hoover Scholarship Fund</u>	<u>Lynn McNelly Witte Scholarship Fund</u>	<u>Doris Ann Edwards Nursing Fund</u>	<u>Limerick Lions- Franklin Roth Scholarship Fund</u>	<u>Nancy Jann Scholarship Fund</u>	<u>Marjorie Russell Fund</u>	<u>Sandy Sankey Scholarship Fund</u>	<u>Total Scholarship Trust Funds</u>
\$ -	\$ -	\$ 1,705	\$ -	\$ -	\$ -	\$ -	\$ 2,276	\$ 100	\$ 4,081
<u>1,568</u>	<u>1,604</u>	<u>-</u>	<u>-</u>	<u>6,514</u>	<u>12,121</u>	<u>620</u>	<u>4,526</u>	<u>21,112</u>	<u>102,891</u>
\$ <u>1,568</u>	\$ <u>1,604</u>	\$ <u>1,705</u>	\$ <u>-</u>	\$ <u>6,514</u>	\$ <u>12,121</u>	\$ <u>620</u>	\$ <u>6,802</u>	\$ <u>21,212</u>	\$ <u>106,972</u>
\$ <u>1,568</u>	\$ <u>1,604</u>	\$ <u>1,705</u>	\$ <u>-</u>	\$ <u>6,514</u>	\$ <u>12,121</u>	\$ <u>620</u>	\$ <u>6,802</u>	\$ <u>21,212</u>	\$ <u>106,972</u>
\$ -	\$ -	\$ 474	\$ 954	\$ -	\$ -	\$ -	\$ 2,175	\$ -	\$ 5,192
<u>44</u>	<u>4</u>	<u>1</u>	<u>1</u>	<u>22</u>	<u>485</u>	<u>10</u>	<u>168</u>	<u>692</u>	<u>1,835</u>
44	4	475	955	22	485	10	2,343	692	7,027
<u>50</u>	<u>100</u>	<u>250</u>	<u>2,050</u>	<u>2,000</u>	<u>485</u>	<u>-</u>	<u>1,000</u>	<u>400</u>	<u>8,441</u>
(6)	(96)	225	(1,095)	(1,978)	-	10	1,343	292	(1,414)
<u>1,574</u>	<u>1,700</u>	<u>1,480</u>	<u>1,095</u>	<u>8,492</u>	<u>12,121</u>	<u>610</u>	<u>5,459</u>	<u>20,920</u>	<u>108,386</u>
\$ <u>1,568</u>	\$ <u>1,604</u>	\$ <u>1,705</u>	\$ <u>-</u>	\$ <u>6,514</u>	\$ <u>12,121</u>	\$ <u>620</u>	\$ <u>6,802</u>	\$ <u>21,212</u>	\$ <u>106,972</u>

SPRING-FORD AREA SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL AGENCY FUNDS

June 30, 2010

	<u>Activity Funds</u>	<u>Premium Escrow Fund</u>	<u>Total All Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 192,134	\$ 300	\$ 192,434
Investments	<u>4,151</u>	<u>-</u>	<u>4,151</u>
TOTAL ASSETS	<u><u>\$ 196,285</u></u>	<u><u>\$ 300</u></u>	<u><u>\$ 196,585</u></u>
LIABILITIES			
Accounts payable	<u><u>\$ 196,285</u></u>	<u><u>\$ 300</u></u>	<u><u>\$ 196,585</u></u>

SPRING-FORD AREA SCHOOL DISTRICT
COMBINING SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES
ALL AGENCY FUNDS
Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 184,756	\$ 447,871	\$ 440,493	\$ 192,134
Investments	<u>4,144</u>	<u>7</u>	<u>-</u>	<u>4,151</u>
TOTAL ASSETS	<u>\$ 188,900</u>	<u>\$ 447,878</u>	<u>\$ 440,493</u>	<u>\$ 196,285</u>
LIABILITIES				
Accounts payable	<u>\$ 188,900</u>	<u>\$ 447,878</u>	<u>\$ 440,493</u>	<u>\$ 196,285</u>
PREMIUM ESCROW FUND				
ASSETS				
Cash and cash equivalents	<u>\$ 1,010</u>	<u>\$ 504,113</u>	<u>\$ 504,823</u>	<u>\$ 300</u>
LIABILITIES				
Accounts payable	<u>\$ 1,010</u>	<u>\$ 504,113</u>	<u>\$ 504,823</u>	<u>\$ 300</u>
ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 185,766	\$ 951,984	\$ 945,316	\$ 192,434
Investments	<u>4,144</u>	<u>7</u>	<u>-</u>	<u>4,151</u>
TOTAL ASSETS	<u>\$ 189,910</u>	<u>\$ 951,991</u>	<u>\$ 945,316</u>	<u>\$ 196,585</u>
LIABILITIES				
Accounts payable	<u>\$ 189,910</u>	<u>\$ 951,991</u>	<u>\$ 945,316</u>	<u>\$ 196,585</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF ADDITIONS AND DELETIONS
ALL ACTIVITY FUNDS
Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
SENIOR HIGH SCHOOL				
Anchor Club	\$ 265	\$ 110	\$ 80	\$ 295
Art Enrichment	157	449	-	606
Class of 2009	2,248	25	1,327	946
Class of 2010	5,277	20,057	25,334	-
Class of 2011	14,333	58,904	61,527	11,710
Class of 2012	4,699	18,957	11,716	11,940
Class of 2013	-	14,452	9,415	5,037
Class of 2014	-	2,814	-	2,814
Commencement	(25)	13,375	11,375	1,975
Computer Club	27	-	-	27
Culture Awareness Club	603	624	125	1,102
Family and Consumer Science Club	322	3,617	3,529	410
FBLA	176	3,255	3,346	85
French Club	1,022	300	447	875
German Club	233	1,180	780	633
Honor Society	11	385	385	11
In/Out Club	200	60,827	61,027	-
Key Club	247	1,022	877	392
Library Club	271	-	-	271
Math Club	2,019	-	-	2,019
Minorities Coming Together	608	2,968	3,099	477
Pep Club	2,316	690	1,222	1,784
Ramoirs	130	-	-	130
Rampage	156	1,040	855	341
Rotary/Interact	5,213	1,027	2,680	3,560
SADD	333	6,128	5,925	536
Science Club	141	112	187	66
SNAP	-	500	-	500
Spanish Club	357	1,856	1,867	346
Student Council	18,814	13,358	17,206	14,966
Theater	16,687	15,776	18,606	13,857
WSFTV	9,451	513	2,906	7,058
Yearbook	12,710	30,346	32,767	10,289
TOTAL FORWARD	\$ 99,001	\$ 274,667	\$ 278,610	\$ 95,058

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF ADDITIONS AND DELETIONS
ALL ACTIVITY FUNDS
Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
SENIOR HIGH SCHOOL				
TOTAL FORWARDED	\$ 99,001	\$ 274,667	\$ 278,610	\$ 95,058
8TH GRADE				
Drama Club	2,253	822	825	2,250
Family and Consumer Science Club	191	3,011	3,011	191
In/Out Club	4,872	64,962	64,914	4,920
Junior Honor Society	-	63	62	1
Newspaper	1,342	28	-	1,370
Radio Club	459	-	-	459
Student Fund	28,475	18,885	8,962	38,398
Student Government	662	-	-	662
World Language Club	-	2,254	1,978	276
Yearbook	2,458	10,446	6,955	5,949
TOTAL 8TH GRADE	<u>40,712</u>	<u>100,471</u>	<u>86,707</u>	<u>54,476</u>
7TH GRADE				
Arboretum Club	358	-	250	108
Builders Club	35	626	629	32
Courtyard	-	252	250	2
Drama Club	31	-	-	31
Family and Consumer Science Club	176	3,714	3,756	134
In/Out Club	296	26,327	26,413	210
Language	59	-	-	59
Newspaper	187	-	-	187
School Store	2,647	4,685	5,099	2,233
SFTV	79	-	-	79
Student Fund	34,684	26,954	24,160	37,478
Student Government	1,847	306	384	1,769
Yearbook	4,642	9,869	14,235	276
TOTAL 7TH GRADE	<u>45,041</u>	<u>72,733</u>	<u>75,176</u>	<u>42,598</u>
ELEMENTARY SCHOOLS	<u>4,146</u>	<u>7</u>	<u>-</u>	<u>4,153</u>
TOTAL ALL ACTIVITY FUNDS	<u>\$ 188,900</u>	<u>\$ 447,878</u>	<u>\$ 440,493</u>	<u>\$ 196,285</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF GENERAL OBLIGATION BONDS
Year Ended June 30, 2010

SERIES OF 2002

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010 to 2011	\$ 645,000	4.00%	\$ 529,731	\$ 1,174,731
2011 to 2012	670,000	4.00%	503,931	1,173,931
2012 to 2013	695,000	4.10%	477,132	1,172,132
2013 to 2014	725,000	4.25%	448,636	1,173,636
2014 to 2015	755,000	4.40%	417,824	1,172,824
2015 to 2016	790,000	5.38%	384,604	1,174,604
2016 to 2017	830,000	5.38%	342,142	1,172,142
2017 to 2018	875,000	4.75%	297,528	1,172,528
2018 to 2019	925,000	4.80%	250,497	1,175,497
2019 to 2020	970,000	5.00%	206,560	1,176,560
2020 to 2021	1,015,000	5.00%	160,000	1,175,000
2021 to 2022	1,065,000	5.00%	109,250	1,174,250
2022 to 2023	<u>1,120,000</u>	5.00%	<u>56,000</u>	<u>1,176,000</u>
	<u>\$ 11,080,000</u>		<u>\$ 4,183,835</u>	<u>\$ 15,263,835</u>

SERIES OF 2003

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010 to 2011	\$ 1,070,000	3.00%	\$ 710,258	\$ 1,780,258
2011 to 2012	1,105,000	4.00%	678,157	1,783,157
2012 to 2013	1,150,000	5.00%	633,958	1,783,958
2013 to 2014	1,200,000	3.50%	576,457	1,776,457
2014 to 2015	1,250,000	3.60%	534,457	1,784,457
2015 to 2016	1,290,000	3.80%	489,458	1,779,458
2016 to 2017	1,345,000	4.00%	440,437	1,785,437
2017 to 2018	1,395,000	4.00%	386,638	1,781,638
2018 to 2019	1,450,000	4.10%	330,837	1,780,837
2019 to 2020	1,510,000	4.13%	271,388	1,781,388
2020 to 2021	1,570,000	4.25%	209,100	1,779,100
2021 to 2022	1,640,000	4.25%	142,375	1,782,375
2022 to 2023	<u>1,710,000</u>	4.25%	<u>72,675</u>	<u>1,782,675</u>
	<u>\$ 17,685,000</u>		<u>\$ 5,476,195</u>	<u>\$ 23,161,195</u>

SPRING-FORD AREA SCHOOL DISTRICT**SCHEDULE OF GENERAL OBLIGATION BONDS***Year Ended June 30, 2010***SERIES OF 2004**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010 to 2011	\$ 710,000	3.10%	\$ 502,968	\$ 1,212,968
2011 to 2012	730,000	3.30%	480,958	1,210,958
2012 to 2013	755,000	3.50%	456,868	1,211,868
2013 to 2014	780,000	3.60%	430,442	1,210,442
2014 to 2015	810,000	4.50%	402,362	1,212,362
2015 to 2016	845,000	4.50%	365,912	1,210,912
2016 to 2017	885,000	4.50%	327,887	1,212,887
2017 to 2018	925,000	4.50%	288,062	1,213,062
2018 to 2019	965,000	4.50%	246,437	1,211,437
2019 to 2020	1,010,000	4.75%	203,012	1,213,012
2020 to 2021	1,055,000	4.75%	155,037	1,210,037
2021 to 2022	1,110,000	4.75%	104,925	1,214,925
2022 to 2023	<u>1,160,000</u>	4.50%	<u>52,200</u>	<u>1,212,200</u>
	<u>\$ 11,740,000</u>		<u>\$ 4,017,070</u>	<u>\$ 15,757,070</u>

SERIES OF 2005

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010 to 2011	\$ 1,940,000	4.25%	\$ 1,364,062	\$ 3,304,062
2011 to 2012	2,025,000	4.25%	1,279,806	3,304,806
2012 to 2013	2,115,000	5.00%	1,183,900	3,298,900
2013 to 2014	2,230,000	5.00%	1,075,275	3,305,275
2014 to 2015	2,330,000	4.25%	970,013	3,300,013
2015 to 2016	2,440,000	5.00%	859,500	3,299,500
2016 to 2017	2,550,000	3.50%	753,875	3,303,875
2017 to 2018	3,415,000	5.00%	623,875	4,038,875
2018 to 2019	2,035,000	5.00%	487,625	2,522,625
2019 to 2020	2,140,000	5.00%	383,250	2,523,250
2020 to 2021	2,250,000	5.00%	273,500	2,523,500
2021 to 2022	2,365,000	5.00%	158,125	2,523,125
2022 to 2023	<u>2,475,000</u>	4.00%	<u>49,500</u>	<u>2,524,500</u>
	<u>\$ 30,310,000</u>		<u>\$ 9,462,306</u>	<u>\$ 39,772,306</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF GENERAL OBLIGATION BONDS
Year Ended June 30, 2010

SERIES OF 2006

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010 to 2011	\$ 2,910,000	3.50%	\$ 924,513	\$ 3,834,513
2011 to 2012	3,010,000	3.55%	822,663	3,832,663
2012 to 2013	3,120,000	4.00%	715,807	3,835,807
2013 to 2014	3,235,000	3.70%	591,007	3,826,007
2014 to 2015	3,360,000	3.75%	471,313	3,831,313
2015 to 2016	3,485,000	4.25%	345,313	3,830,313
2016 to 2017	3,635,000	4.00%	197,200	3,832,200
2017 to 2018	1,295,000	4.00%	51,800	1,346,800
	<u>\$ 24,050,000</u>		<u>\$ 4,119,616</u>	<u>\$ 28,169,616</u>

SERIES OF 2007

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010 to 2011	\$ 5,000	3.50%	\$ 1,324,039	\$ 1,329,039
2011 to 2012	40,000	4.00%	1,323,864	1,363,864
2012 to 2013	125,000	4.25%	1,322,264	1,447,264
2013 to 2014	125,000	4.00%	1,316,951	1,441,951
2014 to 2015	130,000	3.55%	1,311,951	1,441,951
2015 to 2016	135,000	3.63%	1,307,336	1,442,336
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>\$ 30,665,000</u>		<u>\$ 15,809,949</u>	<u>\$ 46,474,949</u>

SPRING-FORD AREA SCHOOL DISTRICT**SCHEDULE OF GENERAL OBLIGATION BONDS***Year Ended June 30, 2010***SERIES A OF 2007**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010 to 2011	\$ 940,000	4.00%	\$ 1,499,949	\$ 2,439,949
2011 to 2012	980,000	3.50%	1,462,349	2,442,349
2012 to 2013	1,015,000	4.00%	1,428,049	2,443,049
2013 to 2014	1,055,000	4.00%	1,387,449	2,442,449
2014 to 2015	1,095,000	4.00%	1,345,249	2,440,249
2015 to 2016	1,140,000	4.50%	1,301,449	2,441,449
2016 to 2017	1,190,000	5.00%	1,250,148	2,440,148
2017 to 2018	1,250,000	4.00%	1,190,649	2,440,649
2018 to 2019	1,300,000	4.00%	1,140,648	2,440,648
2019 to 2020	1,355,000	4.00%	1,088,649	2,443,649
2020 to 2021	1,410,000	4.05%	1,034,448	2,444,448
2021 to 2022	1,465,000	4.13%	977,344	2,442,344
2022 to 2023	1,525,000	4.20%	916,912	2,441,912
2023 to 2024	1,590,000	4.25%	852,863	2,442,863
2024 to 2025	1,655,000	4.25%	785,287	2,440,287
2025 to 2026	1,730,000	4.30%	714,950	2,444,950
2026 to 2027	1,800,000	4.30%	640,560	2,440,560
2027 to 2028	1,880,000	4.40%	563,160	2,443,160
2028 to 2029	1,960,000	4.40%	480,440	2,440,440
2029 to 2030	2,050,000	4.50%	394,200	2,444,200
2030 to 2031	2,140,000	4.50%	301,950	2,441,950
2031 to 2032	2,235,000	4.50%	205,650	2,440,650
2032 to 2033	2,335,000	4.50%	105,075	2,440,075
	<u>\$ 35,095,000</u>		<u>\$ 21,067,427</u>	<u>\$ 56,162,427</u>



MAILLIE, FALCONIERO & COMPANY, LLP

Certified Public Accountants and Business Counselors

www.maillie.com

PO Box 680
Oaks, PA 19456-0680
610-935-1420
Fax: 610-935-1632

PO Box 3068
West Chester, PA 19380-3068
610-696-4353
Fax: 610-430-8811

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 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, 2010, which collectively comprise the Spring-Ford Area School District's basic financial statements and have issued our report thereon dated November 3, 2010. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Spring-Ford Area School District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Spring-Ford Area School District's internal control over financial reporting.

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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Spring-Ford Area School District's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of School Directors, the Commonwealth of Pennsylvania and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maillo Falcone + Company, LLP

Oaks, Pennsylvania
November 3, 2010



MAILLIE, FALCONIERO & COMPANY, LLP

Certified Public Accountants and Business Counselors

www.maillie.com

PO Box 680
Oaks, PA 19456-0680
610-935-1420
Fax: 610-935-1632

PO Box 3068
West Chester, PA 19380-3068
610-696-4353
Fax: 610-430-8811

Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

COMPLIANCE

We have audited the Spring-Ford Area School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Spring-Ford Area School District's management. Our responsibility is to express an opinion on the Spring-Ford Area School District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the Spring-Ford Area School District's compliance with those requirements.

In our opinion, the Spring-Ford Area School District complied, in all material respects, with the 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, 2010.

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

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 requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Spring-Ford Area School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of School Directors, the Commonwealth of Pennsylvania and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maillo Falcone + Company, LLP

Oaks, Pennsylvania
November 3, 2010

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

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Federal Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2009</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2010</u>
U.S. DEPARTMENT OF EDUCATION										
Passed through the Pennsylvania Department of Education										
Title I Improving Basic Programs	I	84.010	013-100414	July 1, 2009 to September 30, 2010	\$ 222,051	\$ 207,095	\$ -	\$ 222,051	\$ 222,051	\$ 14,956
Title I Improving Basic Programs	I	84.010	013-090414	July 1, 2008 to September 30, 2009	226,375	30,461	30,461	-	-	-
Title I Academic Achievement	I	84.010	077-100414	July 1, 2009 to September 30, 2010	5,400	1,080	-	5,400	5,400	4,320
Title II Improving Teacher Quality	I	84.367	020-100414	July 1, 2009 to September 30, 2010	132,529	114,858	-	117,529	117,529	2,671
Title II Improving Teacher Quality	I	84.367	020-090414	July 1, 2008 to September 30, 2009	132,846	26,569	4,412	22,157	22,157	-
Drug Free Schools	I	84.186	100-100414	July 1, 2009 to September 30, 2010	19,741	14,741	-	19,741	19,741	5,000
Dual Enrollment, State	S	N/A	090-100348	July 1, 2009 to September 30, 2010	6,470	1,168	-	6,470	6,470	5,302
ARRA - State Fiscal Stabilization Fund	I	84.394	126-100414	July 1, 2009 to September 30, 2010	1,032,493	860,411	-	1,032,493	1,032,493	172,082
Passed through the Montgomery County Intermediate Unit										
Individual Disability Education Act	I	84.027	N/A	July 1, 2009 to September 30, 2010	1,451,105	1,305,993	-	1,451,105	1,451,105	145,112
ARRA - Individual Disability Education Act	I	84.391	N/A	July 1, 2009 to September 30, 2010	1,749,277	762,329	-	768,095	768,095	5,766
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
Passed through the Pennsylvania Department of Public Welfare										
Medical Assistance Reimbursement	I	93.778		July 1, 2008 to September 30, 2009	5,219	<u>5,219</u>	<u>-</u>	<u>5,219</u>	<u>5,219</u>	<u>-</u>
SUBTOTAL FORWARD						<u>\$ 3,329,924</u>	<u>\$ 34,873</u>	<u>\$ 3,650,260</u>	<u>\$ 3,650,260</u>	<u>\$ 355,209</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Federal Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2009</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2010</u>
SUBTOTAL FORWARDED						\$ 3,329,924	\$ 34,873	\$ 3,650,260	\$ 3,650,260	\$ 355,209
U.S. DEPARTMENT OF AGRICULTURE										
Passed through the Pennsylvania Department of Education										
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2009 to September 30, 2010	N/A	415,238	-	445,184	445,184	29,946
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2008 to September 30, 2009	N/A	20,873	20,873	-	-	-
National School Lunch Program, State	S	N/A	N/A	July 1, 2009 to September 30, 2010	N/A	73,814	-	78,988	78,988	5,174
National School Lunch Program, State	S	N/A	N/A	July 1, 2008 to September 30, 2009	N/A	3,906	3,906	-	-	-
Passed through the Pennsylvania Department of Agriculture										
U.S.D.A. donated foods	I	10.555	N/A	July 1, 2009 to June 30, 2010	N/A	<u>164,075 (A)</u>	<u>(44,163) (B)</u>	<u>171,696</u>	<u>171,696 (C)</u>	<u>(36,542) (D)</u>
TOTAL AWARDS						4,007,830	15,489	4,346,128	4,346,128	353,787
LESS STATE SHARE						<u>(78,888)</u>	<u>(3,906)</u>	<u>(85,458)</u>	<u>(85,458)</u>	<u>(10,476)</u>
TOTAL FEDERAL AWARDS						<u>\$ 3,928,942</u>	<u>\$ 11,583</u>	<u>\$ 4,260,670</u>	<u>\$ 4,260,670</u>	<u>\$ 343,311</u>

Footnotes:

- (A) Total amount of donated foods received from Department of Agriculture.
- (B) Beginning inventory at July 1, 2009.
- (C) Total amount of donated foods used.
- (D) Ending inventory at June 30, 2010.

Source Codes:

- I = Indirect funding
- S = State share

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

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

NOTE A BASIS OF ACCOUNTING

All expenditures included in the schedule of expenditures of federal and state awards are presented on the basis that expenditures are reported to the respective federal and state grantor agencies. Accordingly, certain expenditures are recorded when paid and certain other expenditures are recorded when the federal obligation is determined.

NOTE B FEDERAL EXPENDITURES

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

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Spring-Ford Area School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Spring-Ford Area School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major awards programs for the Spring-Ford Area School District expresses an unqualified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

Program	CFDA
Special Education Cluster (IDEA)	84.027, 84.391
State Fiscal Stabilization Fund	84.394

8. The threshold used for distinguishing Types A and B programs was \$300,000.
9. Spring-Ford Area School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.