

**SPRING-FORD AREA SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

*Year Ended June 30, 2011*

## **INTRODUCTORY SECTION**

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## **FINANCIAL SECTION**



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## 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, 2011, 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, 2011, and the respective changes in financial position, and, where applicable, cash flows 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 January 13, 2012, 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 21, budgetary comparison information on pages 59 and 60 and postemployment benefits other than pension funding progress on page 61 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 basic financial statements. 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 basic financial statements. The 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 basic 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements as a whole.

*Maillie Falconero + Company, LLP*

Oaks, Pennsylvania  
January 13, 2012

# **SPRING-FORD AREA SCHOOL DISTRICT**

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

*Year Ended June 30, 2011*

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, 2011. 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 2010-2011, 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 2010-2011 with assets of \$254,320,266 exceeding liabilities of \$174,651,855 by \$79,668,411--an overall increase from the prior year of \$7,643,934.

- The governmental activities total assets increased by \$984,320, which was due to the increase in receivables and inventories.
- The District's business-type activities, which are comprised of the Food Service Fund, showed an increase of \$42,758 in total assets due to the lunch price increase.
- At the end of the current fiscal year, the unassigned, undesignated fund balance of the General Fund was \$4,247,996 compared to the prior year of \$1,687,382, an increase of \$2,560,614.
- 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)**  
*Year Ended June 30, 2011*

**USING THE BASIC FINANCIAL STATEMENTS**

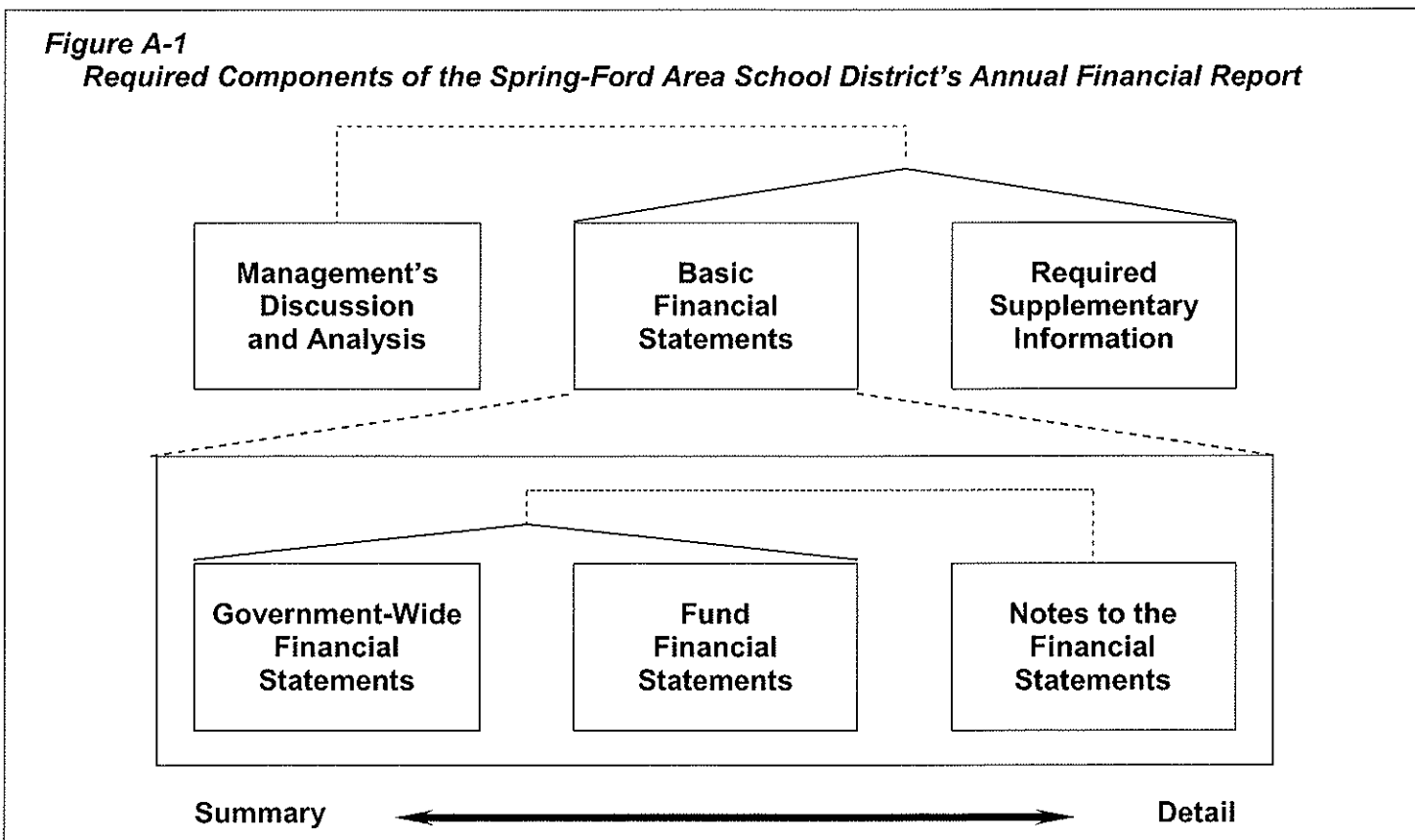
This annual report consists of two distinct series of financial statements: District-wide and fund.

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)**  
*Year Ended June 30, 2011*

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.

<b>Figure A-2</b> <b>Major Features of the Spring-Ford Area School District's Government-Wide and Fund Financial Statements</b>				
	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"> <li>Statement of net assets</li> <li>Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheet</li> <li>Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of net assets</li> <li>Statement of revenues, expenses and changes in net assets</li> <li>Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>Statement of fiduciary net assets</li> <li>Statement of changes in fiduciary net assets</li> </ul>
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)

Year Ended June 30, 2011

### 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 24, 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)

Year Ended June 30, 2011

- **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 33. 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 \$79,668,411 as of June 30, 2011.

**Table A-1**  
**Condensed Statement of Net Assets**  
**June 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current and other assets	\$ 64,830,242	\$ 137,770	\$ 64,968,012
Capital assets	<u>189,076,336</u>	<u>275,918</u>	<u>189,352,254</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 253,906,578</u></b>	<b><u>\$ 413,688</u></b>	<b><u>\$ 254,320,266</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Current and other liabilities	\$ 16,631,690	\$ 58,630	\$ 16,690,320
Long-term liabilities	<u>157,908,813</u>	<u>52,722</u>	<u>157,961,535</u>
<b>TOTAL LIABILITIES</b>	<b><u>174,540,503</u></b>	<b><u>111,352</u></b>	<b><u>174,651,855</u></b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	45,984,007	275,918	46,259,925
Restricted	1,430,553	-	1,430,553
Unrestricted	<u>31,951,515</u>	<u>26,418</u>	<u>31,977,933</u>
<b>TOTAL NET ASSETS</b>	<b><u>79,366,075</u></b>	<b><u>302,336</u></b>	<b><u>79,668,411</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 253,906,578</u></b>	<b><u>\$ 413,688</u></b>	<b><u>\$ 254,320,266</u></b>

**SPRING-FORD AREA SCHOOL DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2011

**Table A-2**  
**Condensed Statement of Net Assets**  
**June 30, 2010**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
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>
<b>TOTAL ASSETS</b>	<b><u>\$ 252,922,258</u></b>	<b><u>\$ 370,930</u></b>	<b><u>\$ 253,293,188</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
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>
<b>TOTAL LIABILITIES</b>	<b><u>181,154,090</u></b>	<b><u>114,621</u></b>	<b><u>181,268,711</u></b>
<b>NET ASSETS</b>			
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>
<b>TOTAL NET ASSETS</b>	<b><u>71,768,168</u></b>	<b><u>256,309</u></b>	<b><u>72,024,477</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 252,922,258</u></b>	<b><u>\$ 370,930</u></b>	<b><u>\$ 253,293,188</u></b>

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 23. 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)**  
*Year Ended June 30, 2011*

**Table A-3**  
**Changes in Net Assets**  
**Year Ended June 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 362,707	\$ 2,631,838	\$ 2,994,545
Operating grants and contributions	14,493,666	783,402	15,277,068
Capital grants and contributions	1,049,610	-	1,049,610
General revenues			
Property taxes	85,146,484	-	85,146,484
Other taxes	9,500,670	-	9,500,670
Grants, subsidies and contributions, unrestricted	9,880,560	-	9,880,560
Investment earnings	390,673	805	391,478
Other	466,626	-	466,626
	<u>121,290,996</u>	<u>3,416,045</u>	<u>124,707,041</u>
<b>TOTAL REVENUES</b>			
<b>EXPENSES</b>			
Instruction	67,297,376	-	67,297,376
Instructional student support	8,743,379	-	8,743,379
Administrative and financial support	7,328,724	-	7,328,724
Operation and maintenance of plant	10,330,767	-	10,330,767
Pupil transportation	7,270,220	-	7,270,220
Student activities	1,761,884	-	1,761,884
Community services	83,419	-	83,419
Interest on long-term debt	7,335,163	-	7,335,163
Depreciation, unallocated	3,542,157	-	3,542,157
Food services	-	3,370,018	3,370,018
	<u>113,693,089</u>	<u>3,370,018</u>	<u>117,063,107</u>
<b>TOTAL EXPENSES</b>			
CHANGE IN NET ASSETS	7,597,907	46,027	7,643,934
NET ASSETS, BEGINNING	<u>71,768,168</u>	<u>256,309</u>	<u>72,024,477</u>
NET ASSETS, ENDING	<u>\$ 79,366,075</u>	<u>\$ 302,336</u>	<u>\$ 79,668,411</u>



**SPRING-FORD AREA SCHOOL DISTRICT**

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2011

**Table A-4**  
**Changes in Net Assets**  
**Year Ended June 30, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>REVENUES</b>			
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>
<b>EXPENSES</b>			
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>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>			
	1,841,370	(117,205)	1,724,165
<b>TRANSFERS</b>			
	<u>(32,496)</u>	<u>32,496</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>			
	1,808,874	(84,709)	1,724,165
<b>NET ASSETS, BEGINNING</b>			
	<u>69,959,294</u>	<u>341,018</u>	<u>70,300,312</u>
<b>NET ASSETS, ENDING</b>			
	<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)

Year Ended June 30, 2011

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, 2011 and 2010**

Functions/Programs	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 67,297,376	\$ 55,916,483	\$ 66,052,573	\$ 55,725,139
Instructional student support	8,743,379	8,100,495	9,004,607	8,378,166
Administrative	7,328,724	7,021,634	7,614,029	7,317,195
Operation and maintenance of plant	10,330,767	10,051,829	11,195,501	10,927,137
Pupil transportation	7,270,220	5,271,773	6,957,868	4,791,097
Student activities	1,761,884	1,516,688	1,670,400	1,463,210
Community services	83,419	80,494	82,814	80,318
Interest on long-term debt	7,335,163	6,285,553	6,968,734	5,020,373
Unallocated depreciation expense	3,542,157	3,542,157	3,546,130	3,546,130
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 113,693,089</b>	<b>97,787,106</b>	<b>\$ 113,092,656</b>	<b>97,248,765</b>
Less unrestricted grants, subsidies		<u>(9,880,560)</u>		<u>(10,007,517)</u>
<b>TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES</b>		<b>\$ 87,906,546</b>		<b>\$ 87,241,248</b>

**SPRING-FORD AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended June 30, 2011

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, 2011 and 2010**

Functions/Programs	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food services	\$ 3,370,018	\$ (45,222)	\$ 3,363,237	\$ 117,650
Less investment earnings		(805)		(1,665)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>		<b>\$ (46,027)</b>		<b>\$ 115,985</b>

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, 2011, the District's Governmental Funds reported a combined total fund balance of \$46,261,032.

**General Fund**

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

**Capital Project Funds**

**Capital Reserve Fund** - In order to fund projects without the need of additional borrowing issues, the District has established this fund. In the past, the tax payment settlement from Exelon was transferred to the Capital Reserve. This year, the fund was used for some capital projects; also, \$500,000 was transferred from the General Fund.

**2007 Construction 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. Even with this opening, the high school continues to have a significant amount of money in projects not yet completed. This money is held in a Construction in Progress account, until these projects are placed in service.

**Other Governmental Funds**

The increase was due to interest earned on investments.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2011*

**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 page 59.

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, 2011, the District had \$189,352,254 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 \$2,457,440 or 1.3% from last year.

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

**Table A-7**  
**Governmental and Business-Type Activities**  
**Capital Assets, Net of Depreciation**  
***Years Ended June 30, 2011 and 2010***

	2011	2010
Land	\$ 10,053,911	\$ 10,053,911
Construction in progress	24,665,396	18,693,814
Site improvements, net of accumulated depreciation	5,128,968	5,365,858
Buildings and building improvements, net of accumulated depreciation	147,214,724	150,408,916
Furniture and equipment, net of accumulated depreciation	2,289,255	2,372,315

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.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2011*

**Debt Administration**

**Table A-8**  
**Outstanding Debt**  
**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>GENERAL OBLIGATION BONDS</b>		
Bonds, Series of 2010	\$ 11,595,000	\$ -
Bonds, Series A of 2007	34,155,000	35,095,000
Bonds, Series of 2007	30,660,000	30,665,000
Bonds, Series of 2006	21,140,000	24,050,000
Bonds, Series of 2005	28,370,000	30,310,000
Bonds, Series of 2004	11,030,000	11,740,000
Bonds, Series of 2003	16,615,000	17,685,000
Bonds, Series of 2002	-	11,080,000
	<u>\$ 153,565,000</u>	<u>\$ 160,625,000</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.

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 \$15,973,334. During the year, \$636,000 in principal was paid on the lease, leaving an estimated balance of \$15,337,334.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET 2011-2012 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.

# SPRING-FORD AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2011

The District expects the tax base will continue to experience moderate growth. There are approximately 1,500 housing units in construction or planned in the future and significant anticipated commercial development. The new assessment increases during 2010/2011 from property growth (\$72,035,620) have affected the tax base, thus generating approximately \$3,347,078 in new tax dollars. The last five years of increases in assessment values generated Real Estate Taxes of \$12,083,376, representing a five-year average of \$2,416,675. In addition, the last five years of Earned Income Tax have been generating \$1,255,498, representing a five-year average of \$251,100 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. Even with this opening, the high school continues to have a significant amount of money in projects not yet completed. This money is held in a Construction in Progress account, until these projects are placed in service.

The District has developed many fiscal strategic planning models (included in the 2011/2012 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 (\$3,468,297) and retirement account (\$2,449,268) will be maintained to meet future financing needs. In addition, a self-insurance escrow account (\$1,348,854) was required as a reserve.

The budget for the 2011/2012 year is in the amount of \$123,111,623 and is \$2,352,308 less than the budget for 2010/2011. This represents a 1.87% decrease in budget. The District needed to increase the property tax rate 0.761 of a mill from 23.53 to 24.291 (\$.761 per \$1,000 of assessed value), representing a 3.2% tax increase. The state cap index was 1.40 without allowable exceptions. The difference in percentage between the budget increase and tax increase is due to the increase of the retirement rate from 5.64% to 8.65%, increase in insurance rates and the increase in the debt payments.

The comparison of revenue and expenditure categories is as follows:

**Table A-9  
Budgeted Revenues**

	<u>2010-2011</u>	<u>2009-2010</u>
Local	80.75%	80.74%
State	17.61%	17.61%
Federal/other	1.64%	1.65%

Please note there is no more federal stimulus revenue.

**Table A-10  
Budgeted Expenditures**

	<u>2010-2011</u>	<u>2009-2010</u>
Instruction	55.01%	55.0%
Support services	29.43%	29.5%
Non-instruction/community	1.11%	1.1%
Fund transfers/debt	14.45%	14.4%

**SPRING-FORD AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
*Year Ended June 30, 2011*

**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.

**Collective Bargaining Contract**

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
*Year Ended June 30, 2011*

**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.

**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, 2011

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 20,730,120	\$ 243,323	\$ 20,973,443
Investments	34,763,073	93,211	34,856,284
Investments, restricted (Note T)	1,348,854	-	1,348,854
Taxes receivable, net	2,674,950	-	2,674,950
Internal balances	306,786	(306,786)	-
Due from other governments	1,731,854	27,286	1,759,140
Other receivables, net	261,765	2,285	264,050
Inventories	537,440	78,451	615,891
Prepaid expenses	1,373,357	-	1,373,357
Deferred charges, net of accumulated amortization	1,102,043	-	1,102,043
Capital assets, net of accumulated depreciation			
Land	10,053,911	-	10,053,911
Site improvements	5,128,968	-	5,128,968
Buildings and building improvements	147,214,724	-	147,214,724
Furniture and equipment	2,013,337	275,918	2,289,255
Construction in progress	24,665,396	-	24,665,396
<b>TOTAL ASSETS</b>	<b>\$ 253,906,578</b>	<b>\$ 413,688</b>	<b>\$ 254,320,266</b>

	Governmental Activities	Business-Type Activities	Totals
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Due to other governments	\$ 252,465	\$ -	\$ 252,465
Accounts payable	6,294,632	-	6,294,632
Accrued salaries and benefits	7,269,068	-	7,269,068
Accrued interest	1,892,777	-	1,892,777
Deferred revenue	919,765	58,630	978,395
Other liabilities	2,983	-	2,983
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	8,705,000	-	8,705,000
Compensated absences	84,661	-	84,661
Portion due or payable after one year			
Bonds payable	146,367,423	-	146,367,423
Compensated absences	1,650,457	52,722	1,703,179
Other postemployment benefits	1,101,272	-	1,101,272
<b>TOTAL LIABILITIES</b>	<b>174,540,503</b>	<b>111,352</b>	<b>174,651,855</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	45,984,007	275,918	46,259,925
Restricted for			
Self-funded insurance	1,348,854	-	1,348,854
Special education compensatory	81,699	-	81,699
Unrestricted	31,951,515	26,418	31,977,933
<b>TOTAL NET ASSETS</b>	<b>79,366,075</b>	<b>302,336</b>	<b>79,668,411</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 253,906,578</b>	<b>\$ 413,688</b>	<b>\$ 254,320,266</b>

See accompanying notes to the basic financial statements.

**SPRING-FORD AREA SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

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
<b>GOVERNMENTAL ACTIVITIES</b>							
Instruction							
Regular programs	\$ 44,926,857	\$ 93,031	\$ 2,685,602	\$ -	\$ (42,148,224)	\$ -	\$ (42,148,224)
Special programs	19,567,261	-	8,188,530	-	(11,378,731)	-	(11,378,731)
Vocational education programs	2,632,758	-	-	-	(2,632,758)	-	(2,632,758)
Other instructional programs	50,755	-	320,640	-	269,885	-	269,885
Adult education programs	119,745	93,090	-	-	(26,655)	-	(26,655)
Support services							
Pupil personnel services	3,454,354	-	163,215	-	(3,291,139)	-	(3,291,139)
Instructional staff services	3,512,326	-	283,436	-	(3,228,890)	-	(3,228,890)
Administration services	5,212,620	-	220,206	-	(4,992,414)	-	(4,992,414)
Pupil health services	1,776,699	-	196,233	-	(1,580,466)	-	(1,580,466)
Business services	764,706	-	39,170	-	(725,536)	-	(725,536)
Operation and maintenance of plant services	10,330,767	-	278,938	-	(10,051,829)	-	(10,051,829)
Student transportation services	7,270,220	-	1,998,447	-	(5,271,773)	-	(5,271,773)
Central services	1,250,520	-	47,714	-	(1,202,806)	-	(1,202,806)
Other services	100,878	-	-	-	(100,878)	-	(100,878)
Operation of non-instructional services							
Student activities	1,761,884	176,586	68,610	-	(1,516,688)	-	(1,516,688)
Community services	83,419	-	2,925	-	(80,494)	-	(80,494)
Interest on long-term debt	7,335,163	-	-	1,049,610	(6,285,553)	-	(6,285,553)
Depreciation, unallocated	3,542,157	-	-	-	(3,542,157)	-	(3,542,157)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>113,693,089</b>	<b>362,707</b>	<b>14,493,666</b>	<b>1,049,610</b>	<b>(97,787,106)</b>	<b>-</b>	<b>(97,787,106)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Food service	3,370,018	2,631,838	783,402	-	-	45,222	45,222
<b>TOTAL DISTRICT ACTIVITIES</b>	<b>\$ 117,063,107</b>	<b>\$ 2,994,545</b>	<b>\$ 15,277,068</b>	<b>\$ 1,049,610</b>	<b>(97,787,106)</b>	<b>45,222</b>	<b>(97,741,884)</b>
<b>GENERAL REVENUES</b>							
Taxes							
Property taxes, levied for general purposes					85,146,484	-	85,146,484
Public utility taxes					122,089	-	122,089
Payment in lieu of taxes					1,718,102	-	1,718,102
Earned income taxes					7,236,901	-	7,236,901
Per capita and occupation taxes					423,578	-	423,578
Grants and contributions not restricted to specific programs					9,880,560	-	9,880,560
Investment earnings					390,673	805	391,478
Miscellaneous					466,626	-	466,626
<b>TOTAL GENERAL REVENUES</b>					<b>105,385,013</b>	<b>805</b>	<b>105,385,818</b>
<b>CHANGE IN NET ASSETS</b>					<b>7,597,907</b>	<b>46,027</b>	<b>7,643,934</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>					<b>71,768,168</b>	<b>256,309</b>	<b>72,024,477</b>
<b>NET ASSETS AT END OF YEAR</b>					<b>\$ 79,366,075</b>	<b>\$ 302,336</b>	<b>\$ 79,668,411</b>

See accompanying notes to the basic financial statements.

**SPRING-FORD AREA SCHOOL DISTRICT**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2011

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,453,617	\$ 3,808,206	\$ 3,468,297	\$ 20,730,120
Investments	14,468,350	20,294,723	-	34,763,073
Investments, restricted (Note T)	1,348,854	-	-	1,348,854
Taxes receivable	2,241,627	-	-	2,241,627
Due from other funds	306,786	500,000	-	806,786
Due from other governments	1,731,854	-	-	1,731,854
Other receivables	261,765	-	-	261,765
Prepaid items	1,373,357	-	-	1,373,357
	<u>35,186,210</u>	<u>24,602,929</u>	<u>3,468,297</u>	<u>63,257,436</u>
<b>TOTAL ASSETS</b>	<b>\$ 35,186,210</b>	<b>\$ 24,602,929</b>	<b>\$ 3,468,297</b>	<b>\$ 63,257,436</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,167,526	\$ 127,106	\$ -	\$ 6,294,632
Due to other funds	500,000	-	-	500,000
Due to other governments	252,465	-	-	252,465
Deferred revenue	2,592,595	-	-	2,592,595
Accrued salaries and benefits	7,269,068	-	-	7,269,068
Other liabilities	2,983	-	-	2,983
Current portion of compensated absences	84,661	-	-	84,661
	<u>16,869,298</u>	<u>127,106</u>	<u>-</u>	<u>16,996,404</u>
<b>TOTAL LIABILITIES</b>	<b>16,869,298</b>	<b>127,106</b>	<b>-</b>	<b>16,996,404</b>
<b>FUND BALANCES</b>				
Nonspendable, prepaid expenses	1,373,357	-	-	1,373,357
Restricted for				
Capital projects	-	11,980,094	-	11,980,094
Self-funded insurance	1,348,854	-	-	1,348,854
Special education compensatory	81,699	-	-	81,699
Committed to				
Capital projects	-	12,495,729	-	12,495,729
Retirement rate stabilization	2,449,268	-	-	2,449,268
Assigned to				
Subsequent year's budget, payroll and benefits	4,598,397	-	-	4,598,397
Future tax assessment appeals	3,500,000	-	-	3,500,000
Self-funded insurance	717,341	-	-	717,341
Debt service	-	-	3,468,297	3,468,297
Unassigned	4,247,996	-	-	4,247,996
	<u>18,316,912</u>	<u>24,475,823</u>	<u>3,468,297</u>	<u>46,261,032</u>
<b>TOTAL FUND BALANCES</b>	<b>18,316,912</b>	<b>24,475,823</b>	<b>3,468,297</b>	<b>46,261,032</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 35,186,210</b>	<b>\$ 24,602,929</b>	<b>\$ 3,468,297</b>	<b>\$ 63,257,436</b>

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, 2011*

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 46,261,032
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	10,053,911
Site improvements	5,128,968
Buildings and building improvements	147,214,724
Furniture and equipment	2,013,337
Construction in progress	24,665,396
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Deferred charges	1,941,603
Accumulated amortization	(839,560)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(1,892,777)
Bonds payable	(155,072,423)
Compensated absences	(1,650,457)
Other postemployment benefits	(1,101,272)
<p>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.</p>	
	537,440
<p>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.</p>	
	433,323
<p>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.</p>	
	<u>1,672,830</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 79,366,075</u>

*See accompanying notes to the basic financial statements.*

**SPRING-FORD AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
*Year Ended June 30, 2011*

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources	\$ 98,045,858	\$ 194,161	\$ 15,643	\$ 98,255,662
State sources	20,098,505	-	-	20,098,505
Federal sources	2,847,997	-	-	2,847,997
<b>TOTAL REVENUES</b>	<u>120,992,360</u>	<u>194,161</u>	<u>15,643</u>	<u>121,202,164</u>
<b>EXPENDITURES</b>				
Instruction	66,990,354	285,164	-	67,275,518
Support services	33,257,253	501,743	-	33,758,996
Operation of non-instructional services	1,837,767	-	-	1,837,767
Facilities acquisition, construction and improvement services	-	5,812,684	-	5,812,684
Debt service	10,442,929	4,023,488	131,746	14,598,163
Refund of prior year revenues	6,077	-	-	6,077
<b>TOTAL EXPENDITURES</b>	<u>112,534,380</u>	<u>10,623,079</u>	<u>131,746</u>	<u>123,289,205</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>8,457,980</u>	<u>(10,428,918)</u>	<u>(116,103)</u>	<u>(2,087,041)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from refunding bonds	-	-	11,770,000	11,770,000
Payment to refunded bond escrow agent	-	-	(11,811,772)	(11,811,772)
Bond premium	-	-	173,518	173,518
Transfers in	-	500,000	-	500,000
Transfers out	(500,000)	-	-	(500,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(500,000)</u>	<u>500,000</u>	<u>131,746</u>	<u>131,746</u>
<b>NET CHANGE IN FUND BALANCES</b>	7,957,980	(9,928,918)	15,643	(1,955,295)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>10,358,932</u>	<u>34,404,741</u>	<u>3,452,654</u>	<u>48,216,327</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 18,316,912</u>	<u>\$ 24,475,823</u>	<u>\$ 3,468,297</u>	<u>\$ 46,261,032</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, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD

\$ (1,955,295)

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 (\$6,169,811) exceed depreciation (\$3,683,549) in the current period.

2,486,262

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.

(17,447)

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.

94,909

Borrowing of long-term debt is a revenue in the Governmental Funds but increases long-term liabilities in the statement of net assets.

(11,770,000)

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.

56,154

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

18,830,000

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

32,547

SUBTOTAL ADJUSTMENTS FORWARD

\$ 9,712,425

**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, 2011*

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ (1,955,295)
 SUBTOTAL ADJUSTMENTS FORWARDED	 9,712,425
 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).	          40,350
 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.	          (386,372)
 Governmental Funds use the purchase method of inventory, where all items purchased are charged to expenditures. However, the statement of activities is reflected on the consumption method of recording inventory type items; therefore, the adjustment reflects the inventory difference.	          <u>186,799</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>7,597,907</u></u>

*See accompanying notes to the basic financial statements.*

# SPRING-FORD AREA SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

### PROPRIETARY FUND

June 30, 2011

	Enterprise Fund
	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 243,323
Investments	93,211
Due from other governments	27,286
Other receivables	2,285
Inventories	<u>78,451</u>
TOTAL CURRENT ASSETS	<u>444,556</u>
CAPITAL ASSETS	
Furniture and equipment	1,112,875
Accumulated depreciation	<u>(836,957)</u>
TOTAL CAPITAL ASSETS	<u>275,918</u>
TOTAL ASSETS	<u>\$ 720,474</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Due to other funds	\$ 306,786
Deferred revenue	<u>58,630</u>
TOTAL CURRENT LIABILITIES	365,416
NONCURRENT LIABILITIES	
Compensated absences	<u>52,722</u>
TOTAL LIABILITIES	<u>418,138</u>
NET ASSETS	
Invested in capital assets, net of related debt	275,918
Unrestricted	<u>26,418</u>
TOTAL NET ASSETS	<u>302,336</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 720,474</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, 2011*

	Enterprise Fund <u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ 2,629,235
Other	<u>2,603</u>
TOTAL OPERATING REVENUES	<u>2,631,838</u>
OPERATING EXPENSES	
Salaries	1,176,963
Employee benefits	541,551
Purchased property service	23,076
Other purchased service	2,771
Supplies	1,596,241
Depreciation	28,822
Other operating expenses	<u>594</u>
TOTAL OPERATING EXPENSES	<u>3,370,018</u>
OPERATING LOSS	<u>(738,180)</u>
NONOPERATING REVENUES	
Earnings on investments	805
State sources	154,684
Federal sources	<u>628,718</u>
TOTAL NONOPERATING REVENUES	<u>784,207</u>
CHANGE IN NET ASSETS	46,027
NET ASSETS AT BEGINNING OF YEAR	<u>256,309</u>
NET ASSETS AT END OF YEAR	<u>\$ 302,336</u>

*See accompanying notes to the basic financial statements.*

**SPRING-FORD AREA SCHOOL DISTRICT**

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUND

*Year Ended June 30, 2011*

	<u>Enterprise Fund Food Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,627,933
Cash received from other revenues	2,603
Payments to employees	(1,655,086)
Payments to suppliers	(1,211,192)
Payments to other governments	<u>(67,316)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><b>(303,058)</b></u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal sources	472,577
State sources	<u>156,074</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING         ACTIVITIES</b>	<u><b>628,651</b></u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Maturities on investments	(90,944)
Earnings on investments	<u>805</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u><b>(90,139)</b></u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>235,454</b>
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u><b>7,869</b></u>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u><b>\$ 243,323</b></u></u>

**SPRING-FORD AREA SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2011

Enterprise  
Fund  
Food  
Service Fund

RECONCILIATION OF OPERATING LOSS TO NET CASH USED  
BY OPERATING ACTIVITIES

Operating loss	\$ (738,180)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	28,822
Donated foods	162,585
(Increase) decrease in	
Other receivables	(2,096)
Inventories	11,369
Increase (decrease) in	
Due to other funds	237,711
Accounts payable	(175)
Deferred revenue	794
Compensated absences	<u>(3,888)</u>

NET CASH USED BY OPERATING ACTIVITIES \$ (303,058)

SUPPLEMENTAL DISCLOSURES

Noncash activities	
Donated foods	\$ 162,585

See accompanying notes to the basic financial statements.

**SPRING-FORD AREA SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2011

	<u>Scholarship Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 2,247	\$ 192,639
Investments	<u>100,320</u>	<u>-</u>
TOTAL ASSETS	102,567	<u>\$ 192,639</u>
LIABILITIES		
Accounts payable	<u>-</u>	<u>\$ 192,639</u>
NET ASSETS		
Held in trust for benefits and other purposes	<u>\$ 102,567</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, 2011*

	<u>Scholarship Trust Funds</u>
ADDITIONS	
Contributions	\$ 1,780
Investment earnings	<u>963</u>
TOTAL ADDITIONS	2,743
DEDUCTIONS	
Scholarships awarded and fees paid	<u>7,148</u>
CHANGE IN NET ASSETS	(4,405)
NET ASSETS AT BEGINNING OF YEAR	<u>106,972</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 102,567</u></u>

*See accompanying notes to the basic financial statements.*

**SPRING-FORD AREA SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011

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

**Administration**

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2011*

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.

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011

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.

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.



**SPRING-FORD AREA SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
*June 30, 2011*

Fiduciary Funds are reported using the economic resources measurement focus.

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

**Fund Accounting**

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

***Governmental Funds***

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

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

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

The *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.

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

***Proprietary 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.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2011*

***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.

**Inventories and Prepaid Items**

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

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011

**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.

**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.

**SPRING-FORD AREA SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011

**Compensated Absences**

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

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

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

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

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

**Net 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.

**Fund Balance and GASB Statement No. 54**

Beginning with the year ended June 30, 2011, the District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- ***Restricted*** - Amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.

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- **Committed** - Amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end.
- **Assigned** - Amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- **Unassigned** - Amounts not contained in other classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 24). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

**Use of Estimates**

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

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, 2011, \$22,002,424 of the District's bank balance of \$22,252,424 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>22,002,424</u>
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**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**  
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**Investments**

As of June 30, 2011, 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	\$ 30,685,889	\$ 30,685,889	\$ -
Certificates of deposit	<u>6,129,556</u>	<u>54,556</u>	<u>6,075,000</u>
	36,815,445	<u>\$ 30,740,445</u>	<u>\$ 6,075,000</u>
Outstanding checks drawn on state investment pools	<u>(509,987)</u>		
	<u>\$ 36,305,458</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, 2011, 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 following investments represent greater than 5% of the School District's total investments:

Certificate of deposit with National Penn Bank	<u>\$ 6,075,000</u>
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**SPRING-FORD AREA SCHOOL DISTRICT**  
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**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 \$3,663,511,675. The tax rate for the year was \$2.353 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, 2011, 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:

	<u>General Fund</u>	<u>Food Service Fund</u>
Real estate taxes	\$ 2,140,625	\$ -
Earned income taxes	90,071	-
Per capita taxes	9,818	-
Local service taxes	1,113	-
Federal subsidies	657,340	23,502
State subsidies	868,704	3,784
Other governments	205,810	-
Other revenue	<u>261,765</u>	<u>2,285</u>
	<u>\$ 4,235,246</u>	<u>\$ 29,571</u>

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**NOTE E INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2011, is as follows:

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 306,786
Capital Project Funds	General Fund	<u>500,000</u>
		<u>\$ 806,786</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 Capital Project Funds and the General Fund are interfund borrowings to pay for renovations to facilities or purchase equipment. The amounts between the General Fund and the Food Service Fund are for payroll.

**Interfund Transfers**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Project Funds	General Fund	<u>\$ 500,000</u>

The District typically transfers budgeted dollar amounts from the General Fund to the Capital Project Funds and the Debt Service Fund to assist in providing for various repairs, maintenance, or purchase of buildings and equipment, payment of debt service costs and operation of student activities. The Board also approves a transfer of excess fund balance above the subsequent year's budget from the General Fund to the Capital Project Funds.



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**NOTE F CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 10,053,911	\$ -	\$ -	\$ 10,053,911
Construction in progress	18,693,814	6,049,466	(77,884)	24,665,396
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<u>28,747,725</u>	<u>6,049,466</u>	<u>(77,884)</u>	<u>34,719,307</u>
Capital assets being depreciated				
Site improvements	8,978,268	77,884	-	9,056,152
Buildings and building improvements	181,940,853	-	-	181,940,853
Furniture and equipment	8,702,140	120,345	-	8,822,485
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>199,621,261</u>	<u>198,229</u>	<u>-</u>	<u>199,819,490</u>
Accumulated depreciation				
Site improvements	(3,612,410)	(314,774)	-	(3,927,184)
Buildings and building improvements	(31,531,937)	(3,194,192)	-	(34,726,129)
Furniture and equipment	(6,634,565)	(174,583)	-	(6,809,148)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>(41,778,912)</u>	<u>(3,683,549)</u>	<u>-</u>	<u>(45,462,461)</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<u>157,842,349</u>	<u>(3,485,320)</u>	<u>-</u>	<u>154,357,029</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<u>186,590,074</u>	<u>2,564,146</u>	<u>(77,884)</u>	<u>189,076,336</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Furniture and equipment	1,112,875	-	-	1,112,875
Accumulated depreciation	(808,135)	(28,822)	-	(836,957)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<u>304,740</u>	<u>(28,822)</u>	<u>-</u>	<u>275,918</u>
<b>CAPITAL ASSETS, net</b>	<u>\$ 186,894,814</u>	<u>\$ 2,535,324</u>	<u>\$ (77,884)</u>	<u>\$ 189,352,254</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
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Depreciation expense was charged to governmental functions as follows:

INSTRUCTION		
Regular programs		\$ 65,756
SUPPORT SERVICES		
Instructional staff services		12,052
Business services		539
Operation and maintenance of plant services		59,218
Student transportation services		3,298
OPERATION OF NON-INSTRUCTIONAL SERVICES		
Student activities		529
DEPRECIATION, unallocated		<u>3,542,157</u>
		<u>\$ 3,683,549</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, 2011, the outstanding balance of general obligation bonds issued was \$153,565,000.

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

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2012	\$ 8,705,000	\$ 6,409,118	\$ 15,114,118
2013	9,115,000	6,077,717	15,192,717
2014	9,485,000	5,689,402	15,174,402
2015	9,865,000	5,321,366	15,186,366
2016	10,260,000	4,919,389	15,179,389
2017 to 2021	53,925,000	18,014,627	71,939,627
2022 to 2026	37,810,000	6,994,568	44,804,568
2027 to 2031	9,830,000	2,380,310	12,210,310
2032 to 2033	4,570,000	310,725	4,880,725
	<u>\$ 153,565,000</u>	<u>\$ 56,117,222</u>	<u>\$ 209,682,222</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
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**NOTE H CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2011, 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>
<b>GOVERNMENTAL ACTIVITIES</b>							
General obligation bonds							
Series of 2002	2.00% to 5.38%	4/1/2023	\$ 11,080,000	\$ -	\$ (11,080,000)	\$ -	\$ -
Series of 2003	1.05% to 5.00%	3/1/2023	17,685,000	-	(1,070,000)	16,615,000	1,105,000
Series of 2004	2.00% to 4.75%	3/1/2023	11,740,000	-	(710,000)	11,030,000	730,000
Series of 2005	2.40% to 5.00%	9/1/2022	30,310,000	-	(1,940,000)	28,370,000	2,025,000
Series of 2006	3.50% to 4.25%	2/1/2018	24,050,000	-	(2,910,000)	21,140,000	3,010,000
Series of 2007	3.50% to 4.75%	3/1/2025	30,665,000	-	(5,000)	30,660,000	40,000
Series A of 2007	3.50% to 5.00%	6/1/2033	35,095,000	-	(940,000)	34,155,000	980,000
Series of 2010	1.50% to 4.00%	4/1/2023	-	11,770,000	(175,000)	11,595,000	815,000
<b>TOTAL GENERAL OBLIGATION BONDS</b>			<u>160,625,000</u>	<u>11,770,000</u>	<u>(18,830,000)</u>	<u>153,565,000</u>	<u>8,705,000</u>
Deferred amounts							
Issuance discount			(318,505)	-	65,008	(253,497)	-
Issuance premium			1,950,913	173,518	(350,865)	1,773,566	-
Deferred loss on refunding			-	(13,303)	657	(12,646)	-
<b>TOTAL DEFERRED AMOUNTS</b>			<u>1,632,408</u>	<u>160,215</u>	<u>(285,200)</u>	<u>1,507,423</u>	<u>-</u>
<b>TOTAL GENERAL OBLIGATION BONDS, net</b>			<u>162,257,408</u>	<u>11,930,215</u>	<u>(19,115,200)</u>	<u>155,072,423</u>	<u>8,705,000</u>
Compensated absences							
Vacation pay			929,482	-	(103,158)	826,324	26,038
Sick pay			924,129	-	(15,335)	908,794	58,623
Other retirement benefits			-	-	-	-	-
<b>TOTAL COMPENSATED ABSENCES</b>			<u>1,853,611</u>	<u>-</u>	<u>(118,493)</u>	<u>1,735,118</u>	<u>84,661</u>
Other postemployment benefits			714,900	662,304	(275,932)	1,101,272	-
<b>TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES</b>			<u>164,825,919</u>	<u>12,592,519</u>	<u>(19,509,625)</u>	<u>157,908,813</u>	<u>8,789,661</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Compensated absences, sick pay			56,610	-	(3,888)	52,722	-
<b>TOTAL LONG-TERM LIABILITIES</b>			<u>\$ 164,882,529</u>	<u>\$ 12,592,519</u>	<u>\$ (19,513,513)</u>	<u>\$ 157,961,535</u>	<u>\$ 8,789,661</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, 2011, was \$6,720,059. Interest costs incurred were charged to expenditures in the General Fund.

**SPRING-FORD AREA SCHOOL DISTRICT**  
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Vested employee benefits will be liquidated by Governmental and Proprietary Funds.

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

In November 2010, the School District authorized the issuance of General Obligation Bonds, Series of 2010, for the purpose of providing funds to advance refund the General Obligation Bonds, Series of 2002, and to pay the costs of issuing and insuring the bonds. The new issue will reduce debt service payments for the School District by \$3,656 with an economic gain of \$608,570.

**NOTE I      DEFEASED DEBT**

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

As of June 30, 2011, the District has defeased debt outstanding of \$38,125,000.

**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, 2011, deferred revenue consisted of delinquent taxes receivable of \$1,672,830.

Also included in deferred revenue is \$919,765, representing funds received to be used for future expenditures.

**Food Service Fund**

Deferred revenue of \$58,630 in the Food Service Fund represents the carryover of student deposits.

**SPRING-FORD AREA SCHOOL DISTRICT**  
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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).

**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](http://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.

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**Employer Contributions** - Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2011, the rate of employer's contribution was 5.64% of covered payroll. The 5.64% rate is composed of a pension contribution rate of 5.00% for pension benefits and .64% for healthcare insurance premium assistance.

The District's contribution to PSERS for the years ended June 30, 2011, 2010 and 2009, was \$3,280,492, \$2,682,820 and \$2,498,010, respectively, equal to the required contribution for each year.

**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 \$850,171, 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 \$52,722, 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 \$58,623, 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**  
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**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, 2011, that will use currently available financial resources is \$26,038, 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, 2011, of \$800,286, 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.

**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	\$ 373,314
Amortization of unfunded actuarial accrued liability	283,909
Interest	16,799
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>674,022</u>
Interest on net OPEB obligation	32,171
Adjustment to ARC	(43,889)
ANNUAL OPEB EXPENSE	<u>662,304</u>
Net OPEB contributions during the year	(275,932)
INCREASE IN NET OPEB OBLIGATION	<u>386,372</u>
Net OPEB obligation at beginning of year	<u>714,900</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 1,101,272</u></u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
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<u>Year Ended June 30,</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
2010	662,304	41.7%	1,101,272

**Funded Status and Funding Progress**

According to the actuarial report dated July 1, 2010, the actuarial accrued liability for benefits was \$4,624,572 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 \$55,492,660, and the ratio of the UAAL to the covered payroll was 8.33%.

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 61, 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, 2010 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 7.5% initially, reduced by decrements of .5% to an ultimate rate of 5.5% in 2014. Rates gradually decrease from 5.3% in 2015 to 4.2% in 2099 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was 28 years.



**SPRING-FORD AREA SCHOOL DISTRICT**  
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**NOTE N COMMITMENTS AND CONTINGENCIES**

There are a number of tax assessment appeals in the Court of Common Pleas of Montgomery County from the decisions of the Board of Assessment Appeals. Legal counsel for the School District cannot give an opinion on the outcome of these appeals nor can they reasonably estimate the financial impact. A settlement was reached for one of the taxpayer assessment appeals, and the matter has been considered resolved. The resolution includes a repayment of taxes to the taxpayer in the amount of \$6,500,000, with \$3,000,000 to be paid in cash during the 2011-2012 fiscal year and the remainder over a three-year period by tax credit with no interest. The \$3,000,000 has been accrued and is included in the accounts payable at year-end. The \$3,500,000 of tax credits have been assigned under the fund balance.

As of June 30, 2011, several suits and claims were in progress dealing with various subject matters. In these actions, indicated amounts are either not material or management is of the opinion that insurance coverage is adequate to cover the applicable claim. Management believes no adverse financial decisions of a material amount against the District would result from these legal proceedings.

**NOTE O OPERATING LEASES**

The District has entered into various lease obligations primarily for rental of computer equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2011, were \$781,627.

Future minimum lease payments for these leases are as follows:

Year Ending June 30,	
2012	\$ 477,870
2013	477,870
2014	<u>276,176</u>
	<u>\$ 1,231,916</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 2010-2011 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**SPRING-FORD AREA SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011

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, 2011, there was no unfunded liability.

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

**NOTE Q FUND BALANCE**

Beginning with the year ended June 30, 2011, the District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are prepaid expenses.
- ***Restricted Fund Balance*** includes fund balance amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation. Fund balance types of this category include amounts for capital projects, self-insured costs and special education costs.
- ***Committed Fund Balance*** includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the Board of School Directors and do not lapse at year-end. Fund balance of this type is the retirement rate stabilization. Since the District is required to contribute to the retirement plan, the retirement rate stabilization fund has been set up by the Board of School Directors to provide for any fluctuations to the rate increases.
- ***Assigned Fund Balance*** includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the District Manager and/or District Finance Director. Fund balance of this type includes amounts for subsequent year's budget, contractual or legal settlement commitments, self-insured costs and debt service.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2011*

- **Unassigned Fund Balance** includes the residual classifications for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. It is the policy of the District to retain a minimum 5% to 8% of the subsequent year operating budget in the unassigned category.

Beginning fund balances for the District's Governmental Funds have been restated to reflect the above classifications.

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the government for specific purposes but does not meet the criteria to be classified as restricted or committed.

**NOTE R      JOINT VENTURE**

The District is a participating member of the Western Montgomery Career and Technical Center (the "Center"). The Center is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the Center's annual operating budget. Each participating district pays a pro-rata share of the Center's operating costs based on the previous five years average daily members at the Center from each district. The District's share of the Center's operating costs for 2010-2011 was \$1,377,409.

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. The payments for each year are based on a proration of the previous market value (40%) and the previous five-year average of average daily members (60%).

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2011*

Future estimated minimum sub-lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2012	\$ 1,355,446
2013	1,353,949
2014	1,354,150
2015	1,353,615
2016	1,353,838
2017 to 2021	6,770,416
2022 to 2026	6,771,006
2027 to 2029	<u>4,063,099</u>
	<u>\$ 24,375,519</u>

Sub-lease expenditures for the year ended June 30, 2011, were \$1,372,855.

**NOTE S JOINTLY GOVERNED ORGANIZATION**

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

**NOTE T 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. These funds (including earned interest) are reported as restricted investments on the statement of net assets. The reserve will be used to pay claims, retention charges and broker commissions incurred prior to but paid after the date of determination. The reserve is intended to secure only the District's obligations to the claims administrator and has no effect, application, or operation regarding the District's direct obligation to the benefit program. The claims administrator may, in its discretion, require a greater or lesser reserve amount from the District to secure the District's obligations under the agreement. If the claims administrator requires a lesser amount, the District will receive a refund or credit.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2011*

**NOTE U      DONATED FOODS**

The Food Service Fund contains inventories which consist of both food commodities donated by the federal government and other food and supply inventories. Donated foods represent \$26,637 of the Proprietary Funds' inventory balance at June 30, 2011. These inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and are expensed as used.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SPRING-FORD AREA SCHOOL DISTRICT**  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 97,706,867	\$ 97,706,867	\$ 98,045,858	\$ 338,991
State sources	22,098,819	22,098,819	20,098,505	(2,000,314)
Federal sources	2,059,848	2,059,848	2,847,997	788,149
<b>TOTAL REVENUES</b>	<u>121,865,534</u>	<u>121,865,534</u>	<u>120,992,360</u>	<u>(873,174)</u>
<b>EXPENDITURES</b>				
Instruction				
Regular programs	47,748,846	47,966,273	44,684,670	3,281,603
Special programs	19,782,441	22,324,992	19,502,537	2,822,455
Vocational education programs	2,705,559	2,705,559	2,632,758	72,801
Other instructional programs	27,493	71,081	50,644	20,437
Adult education programs	129,636	212,381	119,745	92,636
Support services				
Pupil personnel services	3,628,662	4,036,151	3,439,351	596,800
Instructional staff services	3,891,487	4,484,260	3,487,886	996,374
Administration services	5,574,819	6,312,367	5,191,462	1,120,905
Pupil health services	1,880,149	2,032,779	1,772,182	260,597
Business services	814,501	956,764	761,078	195,686
Operation and maintenance of plant services	12,376,818	12,255,752	9,999,966	2,255,786
Student transportation services	7,375,266	7,587,602	7,266,389	321,213
Central and other services	1,273,491	1,567,225	1,238,061	329,164
Other support services	104,000	107,985	100,878	7,107
Operation of non-instructional services				
Student activities	1,631,343	2,070,340	1,754,670	315,670
Community services	70,697	133,252	83,097	50,155
Debt service	15,075,394	10,442,929	10,442,929	-
Refund of prior year revenues	25,000	25,000	6,077	18,923
<b>TOTAL EXPENDITURES</b>	<u>124,115,602</u>	<u>125,292,692</u>	<u>112,534,380</u>	<u>12,758,312</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(2,250,068)</u>	<u>(3,427,158)</u>	<u>8,457,980</u>	<u>11,885,138</u>
<b>OTHER FINANCING USES</b>				
Transfers out	(1,248,623)	(71,533)	(500,000)	(428,467)
Budgetary reserve	(400,000)	(400,000)	-	400,000
<b>TOTAL OTHER FINANCING USES</b>	<u>(1,648,623)</u>	<u>(471,533)</u>	<u>(500,000)</u>	<u>(28,467)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(3,898,691)</u>	<u>(3,898,691)</u>	<u>7,957,980</u>	<u>11,856,671</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>10,358,932</u>	<u>10,358,932</u>	<u>10,358,932</u>	<u>-</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 6,460,241</u>	<u>\$ 6,460,241</u>	<u>\$ 18,316,912</u>	<u>\$ 11,856,671</u>

See accompanying notes to the budgetary comparison schedule.

**SPRING-FORD AREA SCHOOL DISTRICT**  
NOTES TO THE BUDGETARY COMPARISON SCHEDULE  
*Year Ended June 30, 2011*

**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 2010-2011 budget transfers.



**SPRING-FORD AREA SCHOOL DISTRICT**  
**POSTEMPLOYMENT BENEFITS OTHER THAN**  
**PENSION FUNDING PROGRESS**  
*Year Ended June 30, 2011*

**SCHEDULE OF FUNDING PROGRESS**

Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2010	\$ -	\$ 4,624,572	\$ 4,624,572	0%	\$ 55,492,660	8.33%
2008	-	4,463,060	4,463,060	0%	47,286,173	9.44%

## **SUPPLEMENTARY INFORMATION SECTION**

**SPRING-FORD AREA SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS

June 30, 2011

	<u>Debt Service Funds</u>		<u>Total Other</u>
	<u>Debt</u>	<u>2010</u>	<u>Governmental</u>
	<u>Service Fund</u>	<u>G.O.B. Fund</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ <u>3,468,297</u>	\$ <u>-</u>	\$ <u>3,468,297</u>
FUND BALANCES			
Assigned to debt service	\$ <u>3,468,297</u>	\$ <u>-</u>	\$ <u>3,468,297</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
*Year Ended June 30, 2011*

	<u>Debt Service Funds</u>		<u>Total Other Governmental Funds</u>
	<u>Debt Service Fund</u>	<u>2010 G.O.B. Fund</u>	
REVENUES			
Local sources	\$ <u>15,643</u>	\$ <u>-</u>	\$ <u>15,643</u>
EXPENDITURES			
Debt service	<u>-</u>	<u>131,746</u>	<u>131,746</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,643	(131,746)	(116,103)
OTHER FINANCING SOURCES (USES)			
Proceeds from refunding bonds	-	11,770,000	11,770,000
Payment to refunded bond escrow agent	-	(11,811,772)	(11,811,772)
Bond premium	<u>-</u>	<u>173,518</u>	<u>173,518</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>131,746</u>	<u>131,746</u>
NET CHANGE IN FUND BALANCES	15,643	-	15,643
FUND BALANCES AT BEGINNING OF YEAR	<u>3,452,654</u>	<u>-</u>	<u>3,452,654</u>
FUND BALANCES AT END OF YEAR	<u>\$ 3,468,297</u>	<u>\$ -</u>	<u>\$ 3,468,297</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF TAX COLLECTORS' RECEIPTS**  
**GENERAL FUND**  
*Year Ended June 30, 2011*

	<u>Limerick Township</u>	<u>Royersford Borough</u>	<u>Spring City Borough</u>	<u>Upper Providence Township</u>	<u>Totals</u>
<b>CURRENT REAL ESTATE TAXES</b>					
Assessed value	\$ 1,361,726,897	\$ 180,897,830	\$ 116,112,960	\$ 2,004,773,988	\$ 3,663,511,675
Millage rate	0.02353	0.02353	0.02353	0.02353	0.02353
<b>TOTAL TAX PER TAX DUPLICATE</b>	<u>32,041,434</u>	<u>4,256,526</u>	<u>2,732,138</u>	<u>47,172,332</u>	<u>86,202,430</u>
Less homestead exclusion	(936,970)	(174,261)	(130,891)	(1,094,993)	(2,337,115)
Plus penalties	105,625	9,952	15,918	108,006	239,501
<b>TOTAL TAXES TO BE COLLECTED</b>	<u>31,210,089</u>	<u>4,092,217</u>	<u>2,617,165</u>	<u>46,185,345</u>	<u>84,104,816</u>
Less					
Discounts	541,969	69,640	39,621	785,883	1,437,113
Refunds and adjustments	7,246	-	(21,447)	35,814	21,613
Returned to County	768,954	91,107	121,039	633,190	1,614,290
<b>NET CURRENT REAL ESTATE TAXES COLLECTED</b>	<u>\$ 29,891,920</u>	<u>\$ 3,931,470</u>	<u>\$ 2,477,952</u>	<u>\$ 44,730,458</u>	<u>\$ 81,031,800</u>
<b>CURRENT INTERIM REAL ESTATE TAXES COLLECTED</b>	<u>\$ 329,774</u>	<u>\$ 98,498</u>	<u>\$ 6,207</u>	<u>\$ 964,207</u>	<u>\$ 1,398,686</u>
<b>CURRENT PER CAPITA TAXES</b>					
Number of persons assessed	13,041	3,155	2,298	14,105	32,599
Tax rate	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
<b>TAXABLE VALUATION</b>	<u>130,410</u>	<u>31,550</u>	<u>22,980</u>	<u>141,050</u>	<u>325,990</u>
Plus					
Additions	420	1,850	360	-	2,630
Penalties	1,160	174	125	550	2,009
<b>TOTAL TAXES TO BE COLLECTED</b>	<u>131,990</u>	<u>33,574</u>	<u>23,465</u>	<u>141,600</u>	<u>330,629</u>
Less					
Discounts	1,707	332	232	1,811	4,082
Exonerations	540	1,260	360	1,300	3,460
Reductions	8,240	2,290	1,720	1,940	14,190
Outstanding	12,910	8,850	6,510	28,290	56,560
<b>NET CURRENT PER CAPITA TAXES COLLECTED</b>	<u>\$ 108,593</u>	<u>\$ 20,842</u>	<u>\$ 14,643</u>	<u>\$ 108,259</u>	<u>\$ 252,337</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
*Year Ended June 30, 2011*

**REVENUES**

Local sources

Current real estate taxes	\$ 80,681,416
Interim real estate taxes	1,398,686
Public utility taxes	122,089
Payment in lieu of taxes	1,718,102
Current per capita taxes	
Act 511	125,643
Act 679	125,643
Occupational privilege tax	129,941
Earned income tax	7,236,901
Real estate transfer tax	1,077,289
Delinquent real estate taxes	1,894,184
Delinquent per capita taxes	42,351
Interest	183,230
Admissions	80,057
Other student activity income	96,529
Revenue from local governmental units	31,446
Federal revenue from intermediary sources	2,445,810
Rentals	309,783
Contributions	4,733
Tuition from patrons	186,121
Transportation service provided by other LEA	78
Miscellaneous	49,032
Refunds of prior year expenditures	106,794
TOTAL FORWARD	<u>98,045,858</u>

State sources

Basic education	7,543,459
Charter schools	328,696
Tuition for orphans	210,859
Specialized education	2,425,554
Transportation	1,992,582
Rental and sinking fund payments	1,049,610
Health services	147,614
Property tax allocation	2,337,101
Other state revenues	292,009
Social Security	2,135,266
Retirement	1,610,755
Classroom of the future	25,000
TOTAL FORWARD	<u>20,098,505</u>

Federal sources

Title I	228,905
Title II	149,718
Medical assistance	806,432
ARRA Fiscal Stabilization and Education Jobs Fund	1,662,942
TOTAL FEDERAL SOURCES	<u>2,847,997</u>

TOTAL FORWARD \$ 120,992,360

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
*Year Ended June 30, 2011*

**EXPENDITURES**

Instruction

Regular programs	\$ 44,684,670
Special programs	313,897
Life skills support	386,507
Sensory support	1,029,503
Emotional support	4,695,451
Academic support	10,519,893
Multi-handicapped support	402,206
Early intervention support	336,680
Other support	1,818,400
Other vocational education programs	2,632,758
Summer school	7,079
Homebound instruction	14,858
Alternative regular education programs	28,707
Other adult education programs	119,745
<b>TOTAL FORWARD</b>	<u>66,990,354</u>

Support services

Guidance services	2,318,553
Attendance services	44,927
Psychological services	859,699
Social work services	105,561
Student accounting services	110,611
Technology support services	10,632
School library services	1,980,069
Instruction and curriculum development services	208,336
Special education administration services	633,812
Instructional staff professional development services	655,037
Board services	104,957
Tax assessment and collection services	236,992
Legal services	150,769
Office of the Superintendent services	634,179
Community relations services	37,643
Office of the Principal services	4,012,968
Other administration services	13,954
Support services, pupil health	1,703,540
Medical services	7,686
Nonpublic health services	30,155
Other health services	30,801
Support services, business	761,078
Operation and maintenance of plant services	9,791,232
Security services	208,734
Student transportation services	5,217,025
Nonpublic transportation	2,049,364
Planning, research, development and evaluation services	803,547
Information services	8,128
<b>SUBTOTAL FORWARD</b>	<u>\$ 32,729,989</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
*Year Ended June 30, 2011*

REVENUES		
	TOTAL FORWARDED	\$ <u>120,992,360</u>
EXPENDITURES		
Instruction		
	TOTAL FORWARDED	<u>66,990,354</u>
Support services		
	SUBTOTAL FORWARDED	32,729,989
Staff services		426,386
Other support services		100,878
	TOTAL SUPPORT SERVICES	<u>33,257,253</u>
Operation of non-instructional services		
Student activities		1,372,797
School sponsored student activities		58,655
School sponsored athletics		323,218
Community services		81,270
Welfare activities		1,827
	TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES	<u>1,837,767</u>
Debt service		<u>10,442,929</u>
Refund of prior year revenues		6,077
	TOTAL EXPENDITURES	<u>112,534,380</u>
	EXCESS OF REVENUES OVER EXPENDITURES	8,457,980
OTHER FINANCING USES		
Transfers out		<u>(500,000)</u>
	NET CHANGE IN FUND BALANCE	7,957,980
FUND BALANCE AT BEGINNING OF YEAR		<u>10,358,932</u>
	FUND BALANCE AT END OF YEAR	\$ <u><u>18,316,912</u></u>



**SPRING-FORD AREA SCHOOL DISTRICT**

## COMBINING BALANCE SHEET

## CAPITAL PROJECT FUNDS

June 30, 2011

	<u>Capital Reserve Fund</u>	<u>2007 Construction Fund</u>	<u>Total Capital Project Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,808,206	\$ -	\$ 3,808,206
Investments	8,187,523	12,107,200	20,294,723
Due from other funds	<u>500,000</u>	<u>-</u>	<u>500,000</u>
TOTAL ASSETS	<u>\$ 12,495,729</u>	<u>\$ 12,107,200</u>	<u>\$ 24,602,929</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ <u>-</u>	\$ <u>127,106</u>	\$ <u>127,106</u>
<b>FUND BALANCES</b>			
Restricted for capital projects	-	11,980,094	11,980,094
Committed to capital projects	<u>12,495,729</u>	<u>-</u>	<u>12,495,729</u>
TOTAL FUND BALANCES	<u>12,495,729</u>	<u>11,980,094</u>	<u>24,475,823</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,495,729</u>	<u>\$ 12,107,200</u>	<u>\$ 24,602,929</u>

**SPRING-FORD AREA SCHOOL DISTRICT**

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND

## CHANGES IN FUND BALANCES

## CAPITAL PROJECT FUNDS

Year Ended June 30, 2011

	<u>Capital Reserve Fund</u>	<u>2007 Construction Fund</u>	<u>Total Capital Project Funds</u>
REVENUES			
Local sources	\$ 116,271	\$ 77,890	\$ 194,161
EXPENDITURES			
Instruction	-	285,164	285,164
Support services	-	501,743	501,743
Facilities acquisition, construction and improvement services	1,018	5,811,666	5,812,684
Debt service	4,023,488	-	4,023,488
TOTAL EXPENDITURES	<u>4,024,506</u>	<u>6,598,573</u>	<u>10,623,079</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(3,908,235)	(6,520,683)	(10,428,918)
OTHER FINANCING SOURCES			
Transfers in	<u>500,000</u>	<u>-</u>	<u>500,000</u>
NET CHANGE IN FUND BALANCES	(3,408,235)	(6,520,683)	(9,928,918)
FUND BALANCES AT BEGINNING OF YEAR	<u>15,903,964</u>	<u>18,500,777</u>	<u>34,404,741</u>
FUND BALANCES AT END OF YEAR	<u>\$ 12,495,729</u>	<u>\$ 11,980,094</u>	<u>\$ 24,475,823</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**CAPITAL RESERVE FUND**  
*Year Ended June 30, 2011*

REVENUES

Local sources	\$ 115,396
Interest	875
Contributions	<u>875</u>
TOTAL REVENUES	<u>116,271</u>

EXPENDITURES

Facilities acquisition, construction and improvement services	1,018
Professional services	<u>4,023,488</u>
Debt service	<u>4,024,506</u>
TOTAL EXPENDITURES	<u>4,024,506</u>

DEFICIENCY OF REVENUES OVER EXPENDITURES (3,908,235)

OTHER FINANCING SOURCES

Transfers in	<u>500,000</u>
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NET CHANGE IN FUND BALANCE (3,408,235)

FUND BALANCE AT BEGINNING OF YEAR 15,903,964

FUND BALANCE AT END OF YEAR \$ 12,495,729

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**2007 CONSTRUCTION FUND**  
*Year Ended June 30, 2011*

REVENUES

Local sources	
Interest	\$ 76,404
Refunds and other miscellaneous revenues	<u>1,486</u>

TOTAL REVENUES	<u>77,890</u>
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EXPENDITURES

Instruction	
General supplies	5,674
Equipment	279,490
Support services	
Salaries	41,615
Fringe benefits	18,147
Professional services	22,826
Disposal services	712
Repairs and maintenance	60,269
Rental of equipment	852
General supplies	30,601
Equipment	326,721
Facilities acquisition, construction and improvement services	
Professional services	137,269
Rental of equipment	406
Construction	5,369,072
General supplies	9,360
Land and improvements	18,176
Site improvements	277,268
Building improvements	
Dues and fees	<u>115</u>

TOTAL EXPENDITURES	<u>6,598,573</u>
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NET CHANGE IN FUND BALANCE	(6,520,683)
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FUND BALANCE AT BEGINNING OF YEAR	<u>18,500,777</u>
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FUND BALANCE AT END OF YEAR	<u>\$ 11,980,094</u>
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**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**ATHLETIC ACTIVITIES**  
*Year Ended June 30, 2011*

REVENUES

Local sources	
Admissions	\$ 80,058
Interest	35
State subsidies	<u>251</u>
 TOTAL REVENUES	 <u>80,344</u>

EXPENDITURES

Operation of non-instructional services	
Salaries	3,845
Employee benefits	502
Professional fees	49,878
Repairs and maintenance	44,241
Contracted carriers	79,813
Travel	6,578
General supplies	34,563
Books and periodicals	708
Equipment	69,826
Dues and fees	<u>15,497</u>
 TOTAL EXPENDITURES	 <u>305,451</u>
 DEFICIENCY OF REVENUES OVER EXPENDITURES	 <u>\$ (225,107)</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOOD SERVICE FUND**  
*Year Ended June 30, 2011*

<b>REVENUES</b>		
Sale of food		\$ 2,629,235
Federal subsidies		466,133
State subsidies		78,916
Interest		805
Donated foods		162,585
State reimbursements		
Social Security		44,177
Retirement		31,591
Refunds and other miscellaneous revenues		2,603
		<u>                    </u>
<b>TOTAL REVENUES</b>		<u>3,416,045</u>
<b>COST OF GOODS SOLD</b>		
Beginning inventory		89,820
Food and milk		1,268,050
Donated foods		152,681
Processing costs		5,348
Supplies		158,793
		<u>                    </u>
		1,674,692
Ending inventory		(78,451)
		<u>                    </u>
<b>TOTAL COST OF GOODS SOLD</b>		<u>1,596,241</u>
<b>GROSS PROFIT</b>		<u>1,819,804</u>
<b>EXPENSES</b>		
Salaries		1,176,963
Employee benefits		541,551
Disposal services		20,044
Repairs and maintenance		3,032
Communication		2,706
Travel		65
Dues and fees		594
Depreciation		28,822
		<u>                    </u>
<b>TOTAL EXPENSES</b>		<u>1,773,777</u>
<b>CHANGE IN NET ASSETS</b>		46,027
<b>NET ASSETS AT BEGINNING OF YEAR</b>		<u>256,309</u>
<b>NET ASSETS AT END OF YEAR</b>		<u>\$ 302,336</u>

**SPRING-FORD AREA SCHOOL DISTRICT**

## COMBINING SCHEDULES OF FIDUCIARY NET ASSETS

## AND CHANGES IN FIDUCIARY NET ASSETS

## SCHOLARSHIP TRUST FUNDS

June 30, 2011

	W. S. Griffith Memorial Scholarship Fund	Edwind R. Thomas Trust Fund	Alvin P. Harley Memorial Scholarship Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>SCHEDULE OF FIDUCIARY NET ASSETS</b>			
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	<u>7,845</u>	<u>31,111</u>	<u>4,596</u>
TOTAL ASSETS	<u>\$ 7,845</u>	<u>\$ 31,111</u>	<u>\$ 4,596</u>
NET ASSETS	<u>\$ 7,845</u>	<u>\$ 31,111</u>	<u>\$ 4,596</u>
<b>SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS</b>			
ADDITIONS			
Local contributions	\$ -	\$ -	\$ -
Investment earnings	<u>47</u>	<u>14</u>	<u>3</u>
TOTAL ADDITIONS	47	14	3
DEDUCTIONS			
Scholarships awarded and fees paid	<u>200</u>	<u>14</u>	<u>50</u>
CHANGE IN NET ASSETS	(153)	-	(47)
NET ASSETS AT BEGINNING OF YEAR	<u>7,998</u>	<u>31,111</u>	<u>4,643</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,845</u>	<u>\$ 31,111</u>	<u>\$ 4,596</u>

<u>Deserving Students Scholarship Fund</u>	<u>Barbara Karwoski Scholarship Fund</u>	<u>David Freed Memorial Scholarship Fund</u>	<u>Thomas J. Henry Scholarship Fund</u>	<u>Richard Hoistington Memorial Music Fund</u>	<u>Richard Hoover 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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,063	\$ -	\$ -	\$ -	\$ 84	\$ 100	\$ 2,247
<u>949</u>	<u>5,123</u>	<u>4,697</u>	<u>1,528</u>	<u>1,505</u>	<u>-</u>	<u>4,518</u>	<u>12,121</u>	<u>625</u>	<u>4,773</u>	<u>20,929</u>	<u>100,320</u>
<u>\$ 949</u>	<u>\$ 5,123</u>	<u>\$ 4,697</u>	<u>\$ 1,528</u>	<u>\$ 1,505</u>	<u>\$ 2,063</u>	<u>\$ 4,518</u>	<u>\$ 12,121</u>	<u>\$ 625</u>	<u>\$ 4,857</u>	<u>\$ 21,029</u>	<u>\$ 102,567</u>
<u>\$ 949</u>	<u>\$ 5,123</u>	<u>\$ 4,697</u>	<u>\$ 1,528</u>	<u>\$ 1,505</u>	<u>\$ 2,063</u>	<u>\$ 4,518</u>	<u>\$ 12,121</u>	<u>\$ 625</u>	<u>\$ 4,857</u>	<u>\$ 21,029</u>	<u>\$ 102,567</u>
\$ 1,173	\$ -	\$ -	\$ -	\$ -	\$ 607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,780
<u>-</u>	<u>81</u>	<u>41</u>	<u>10</u>	<u>1</u>	<u>1</u>	<u>4</u>	<u>485</u>	<u>5</u>	<u>55</u>	<u>216</u>	<u>963</u>
1,173	81	41	10	1	608	4	485	5	55	216	2,743
<u>1,200</u>	<u>200</u>	<u>200</u>	<u>50</u>	<u>100</u>	<u>250</u>	<u>2,000</u>	<u>485</u>	<u>-</u>	<u>2,000</u>	<u>399</u>	<u>7,148</u>
(27)	(119)	(159)	(40)	(99)	358	(1,996)	-	5	(1,945)	(183)	(4,405)
<u>976</u>	<u>5,242</u>	<u>4,856</u>	<u>1,568</u>	<u>1,604</u>	<u>1,705</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>\$ 949</u>	<u>\$ 5,123</u>	<u>\$ 4,697</u>	<u>\$ 1,528</u>	<u>\$ 1,505</u>	<u>\$ 2,063</u>	<u>\$ 4,518</u>	<u>\$ 12,121</u>	<u>\$ 625</u>	<u>\$ 4,857</u>	<u>\$ 21,029</u>	<u>\$ 102,567</u>



**SPRING-FORD AREA SCHOOL DISTRICT**

COMBINING BALANCE SHEET

AGENCY FUNDS

June 30, 2011

	<u>Activity Funds</u>	<u>Premium Escrow Fund</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ <u>192,339</u>	\$ <u>300</u>	\$ <u>192,639</u>
<b>LIABILITIES</b>			
Accounts payable	\$ <u>192,339</u>	\$ <u>300</u>	\$ <u>192,639</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF CHANGES IN ASSETS**  
**AND LIABILITIES**  
**AGENCY FUNDS**  
*Year Ended June 30, 2011*

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>ACTIVITY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 192,132	\$ 378,208	\$ 378,001	\$ 192,339
Investments	<u>4,153</u>	<u>2</u>	<u>4,155</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 196,285</u>	<u>\$ 378,210</u>	<u>\$ 382,156</u>	<u>\$ 192,339</u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 196,285</u>	<u>\$ 378,210</u>	<u>\$ 382,156</u>	<u>\$ 192,339</u>
<b>PREMIUM ESCROW FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 300</u>	<u>\$ 593,558</u>	<u>\$ 593,558</u>	<u>\$ 300</u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 300</u>	<u>\$ 593,558</u>	<u>\$ 593,558</u>	<u>\$ 300</u>
<b>AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 192,432	\$ 971,766	\$ 971,559	\$ 192,639
Investments	<u>4,153</u>	<u>2</u>	<u>4,155</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 196,585</u>	<u>\$ 971,768</u>	<u>\$ 975,714</u>	<u>\$ 192,639</u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 196,585</u>	<u>\$ 971,768</u>	<u>\$ 975,714</u>	<u>\$ 192,639</u>

**SPRING-FORD AREA SCHOOL DISTRICT**

SCHEDULE OF ADDITIONS AND DELETIONS

ACTIVITY FUNDS

Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b>SENIOR HIGH SCHOOL</b>				
Anchor Club	\$ 295	\$ 195	\$ 180	\$ 310
Art Enrichment	606	799	149	1,256
Class of 2009	946	-	946	-
Class of 2011	11,710	12,304	17,764	6,250
Class of 2012	11,940	67,409	67,339	12,010
Class of 2013	5,037	11,560	4,021	12,576
Class of 2014	2,814	9,344	6,840	5,318
Commencement	1,975	13,795	13,355	2,415
Computer Club	27	91	118	-
Culture Awareness Club	1,102	485	739	848
Family and Consumer Science Club	410	4,942	4,763	589
FBLA	85	359	350	94
French Club	875	248	193	930
German Club	633	1,269	1,307	595
Honor Society	11	540	455	96
In/Out Club	-	39,844	39,839	5
Key Club	392	-	388	4
Library Club	271	521	469	323
Math Club	2,019	400	623	1,796
Minorities Coming Together	477	208	160	525
Pep Club	1,784	372	1,326	830
Ramoirs	130	-	-	130
Rampage	341	1,428	1,554	215
Rotary/Interact	3,560	3,549	5,537	1,572
SADD	536	8,856	8,136	1,256
Science Club	66	60	-	126
SNAP	500	3,227	3,015	712
Spanish Club	346	2,638	2,819	165
Student Council	14,966	11,139	9,573	16,532
Theater	13,857	15,947	17,339	12,465
WSFTV	7,058	3,851	4,105	6,804
Yearbook	10,289	33,368	37,193	6,464
<b>TOTAL FORWARD</b>	<b>\$ 95,058</b>	<b>\$ 248,748</b>	<b>\$ 250,595</b>	<b>\$ 93,211</b>

**SPRING-FORD AREA SCHOOL DISTRICT**

SCHEDULE OF ADDITIONS AND DELETIONS

ACTIVITY FUNDS

Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
SENIOR HIGH SCHOOL				
TOTAL FORWARDED	\$ 95,058	\$ 248,748	\$ 250,595	\$ 93,211
8TH GRADE				
Drama Club	2,250	1,056	815	2,491
Family and Consumer Science Club	191	3,504	3,496	199
In/Out Club	4,920	56,981	59,939	1,962
Junior Honor Society	1	-	-	1
Newspaper	1,370	61	-	1,431
Radio Club	459	-	-	459
Student Fund	38,398	9,803	4,731	43,470
Student Government	662	398	-	1,060
World Language Club	276	1,340	1,457	159
Yearbook	5,949	10,598	13,058	3,489
TOTAL 8TH GRADE	<u>54,476</u>	<u>83,741</u>	<u>83,496</u>	<u>54,721</u>
7TH GRADE				
Arboretum Club	108	-	74	34
Builders Club	32	288	299	21
Courtyard	2	750	716	36
Drama Club	31	-	-	31
Family and Consumer Science Club	134	3,685	3,645	174
In/Out Club	210	4,037	4,246	1
Language	59	-	23	36
Newspaper	187	-	-	187
School Store	2,233	3,627	4,443	1,417
SFTV	79	-	20	59
Student Fund	37,478	22,029	23,323	36,184
Student Government	1,769	1,278	911	2,136
Yearbook	276	10,025	6,210	4,091
TOTAL 7TH GRADE	<u>42,598</u>	<u>45,719</u>	<u>43,910</u>	<u>44,407</u>
ELEMENTARY SCHOOLS	<u>4,153</u>	<u>2</u>	<u>4,155</u>	<u>-</u>
TOTAL ALL ACTIVITY FUNDS	<u>\$ 196,285</u>	<u>\$ 378,210</u>	<u>\$ 382,156</u>	<u>\$ 192,339</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL OBLIGATION BONDS**  
*Year Ended June 30, 2011*

**SERIES OF 2003**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>\$ 16,615,000</u>		<u>\$ 4,765,937</u>	<u>\$ 21,380,937</u>

**SERIES OF 2004**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>\$ 11,030,000</u>		<u>\$ 3,514,102</u>	<u>\$ 14,544,102</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL OBLIGATION BONDS**  
*Year Ended June 30, 2011*

**SERIES OF 2005**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>\$ 28,370,000</u>		<u>\$ 8,098,244</u>	<u>\$ 36,468,244</u>

**SERIES OF 2006**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	<u>1,295,000</u>	4.00%	<u>51,800</u>	<u>1,346,800</u>
	<u>\$ 21,140,000</u>		<u>\$ 3,195,103</u>	<u>\$ 24,335,103</u>

**SPRING-FORD AREA SCHOOL DISTRICT****SCHEDULE OF GENERAL OBLIGATION BONDS***Year Ended June 30, 2011***SERIES OF 2007**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	<u>4,605,000</u>	<u>4.75%</u>	<u>218,738</u>	<u>4,823,738</u>
	<u>\$ 30,660,000</u>		<u>\$ 14,485,910</u>	<u>\$ 45,145,910</u>

**SERIES A OF 2007**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	<u>2,335,000</u>	<u>4.50%</u>	<u>105,075</u>	<u>2,440,075</u>
	<u>\$ 34,155,000</u>		<u>\$ 19,567,478</u>	<u>\$ 53,722,478</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL OBLIGATION BONDS**  
*Year Ended June 30, 2011*

**SERIES OF 2010**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011 to 2012	\$ 815,000	3.00%	\$ 361,321	\$ 1,176,321
2012 to 2013	835,000	3.00%	336,871	1,171,871
2013 to 2014	860,000	3.00%	311,821	1,171,821
2014 to 2015	890,000	4.00%	286,021	1,176,021
2015 to 2016	925,000	3.54%	250,421	1,175,421
2016 to 2017	955,000	2.30%	217,671	1,172,671
2017 to 2018	975,000	2.65%	195,706	1,170,706
2018 to 2019	1,005,000	3.00%	169,868	1,174,868
2019 to 2020	1,035,000	3.00%	139,718	1,174,718
2020 to 2021	1,065,000	3.25%	108,668	1,173,668
2021 to 2022	1,100,000	3.25%	74,056	1,174,056
2022 to 2023	1,135,000	3.38%	38,306	1,173,306
	<u>\$ 11,595,000</u>		<u>\$ 2,490,448</u>	<u>\$ 14,085,448</u>





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## **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, 2011, which collectively comprise the Spring-Ford Area School District's basic financial statements and have issued our report thereon dated January 13, 2012. 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.

*Mailler Falconier & Company, LLP*

Oaks, Pennsylvania  
January 13, 2012



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## **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, 2011. 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, 2011.

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.

*Maellie Falconer + Company, LLP*

Oaks, Pennsylvania  
January 13, 2012

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
*Year Ended June 30, 2011*

<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, 2010</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2011</u>	<u>Amount Refunded</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>											
<b>Passed through the Pennsylvania Department of Education</b>											
Title I Improving Basic Programs	I	84.010	013-110414	July 1, 2010 to September 30, 2011	\$ 228,905	\$ 185,393	\$ -	\$ 228,905	\$ 228,905	\$ 43,512	\$ -
Title I Improving Basic Programs	I	84.010	013-100414	July 1, 2009 to September 30, 2010	222,051	14,956	14,956	-	-	-	-
Title I Academic Achievement	I	84.010	077-100414	July 1, 2010 to September 30, 2011	5,400	4,320	4,320	-	-	-	-
Title II Improving Teacher Quality	I	84.367	020-110414	July 1, 2010 to September 30, 2011	134,718	135,312	-	134,718	134,718	-	594
Title II Improving Teacher Quality	I	84.367	020-100414	July 1, 2009 to September 30, 2010	132,529	17,671	2,671	15,000	15,000	-	-
Drug Free Schools	I	84.186	100-100581	July 1, 2009 to September 30, 2010	19,741	2,499	5,000	-	-	2,501	-
Dual Enrollment, State	S	N/A	090-110414	July 1, 2010 to September 30, 2011	8,318	2,047	-	8,318	8,318	6,271	-
Dual Enrollment, State	S	N/A	090-100414	July 1, 2009 to September 30, 2010	6,470	5,302	5,302	-	-	-	-
ARRA - State Fiscal Stabilization Fund	I	84.394	126-110414	July 1, 2010 to September 30, 2011	1,044,666	870,555	-	1,044,666	1,044,666	174,111	-
ARRA - State Fiscal Stabilization Fund	I	84.394	126-100414	July 1, 2009 to September 30, 2010	1,032,493	172,082	172,082	-	-	-	-
Education Jobs Fund	I	84.410	140-119522	July 1, 2010 to September 30, 2011	618,276	618,276	-	618,276	618,276	-	-
<b>Passed through West Ed</b>											
Doing What Works	I	84.ED-04-CO-0060/0003	ED-04-CO-0060/0003	January 19, 2011 to August 19, 2011	31,679	19,007	-	22,012	22,012	3,005	-
<b>Passed through the Montgomery County Intermediate Unit</b>											
Title III - Language Instruction	I	84.365	N/A	July 1, 2008 to September 30, 2011	42,781	22,750	-	35,675	35,675	12,925	-
Individual Disability Education Act	I	84.027	N/A	July 1, 2010 to September 30, 2011	1,492,760	1,314,642	-	1,492,760	1,492,760	178,118	-
Individual Disability Education Act	I	84.027	N/A	July 1, 2009 to September 30, 2010	1,451,105	145,112	145,112	-	-	-	-
ARRA - Individual Disability Education Act	I	84.391	N/A	July 1, 2009 to September 30, 2010	1,749,277	657,961	5,766	895,363	895,363	243,168	-
<b>TOTAL FORWARD</b>						<b>\$ 4,187,885</b>	<b>\$ 355,209</b>	<b>\$ 4,495,693</b>	<b>\$ 4,495,693</b>	<b>\$ 663,611</b>	<b>\$ 594</b>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
*Year Ended June 30, 2011*

<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, 2010</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2011</u>	<u>Amount Refunded</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>											
TOTAL FORWARDED						\$ 4,187,885	\$ 355,209	\$ 4,495,693	\$ 4,495,693	\$ 663,611	\$ 594
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>											
Passed through the Pennsylvania Department of Public Welfare											
Medical Assistance Reimbursement	I	93.778	N/A	July 1, 2009 to September 30, 2010	\$ 6,432	6,432	-	6,432	6,432	-	-
<b>U.S. DEPARTMENT OF AGRICULTURE</b>											
Passed through the Pennsylvania Department of Education											
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2010 to September 30, 2011	N/A	442,631	-	466,133	466,133	23,502	-
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2009 to September 30, 2010	N/A	29,946	29,946	-	-	-	-
National School Lunch Program, State	S	N/A	N/A	July 1, 2010 to September 30, 2011	N/A	75,132	-	78,915	78,915	3,783	-
National School Lunch Program, State	S	N/A	N/A	July 1, 2009 to September 30, 2010	N/A	5,174	5,174	-	-	-	-
Passed through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	July 1, 2010 to June 30, 2011	N/A	152,680 (A)	(36,542) (B)	162,585	162,585 (C)	(26,637)	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						705,563	(1,422)	707,633	707,633	648	-
TOTAL FEDERAL AND STATE AWARDS						4,899,880	353,787	5,209,758	5,209,758	664,259	594
LESS STATE SHARE						(87,655)	(10,476)	(87,233)	(87,233)	(10,054)	-
TOTAL FEDERAL AWARDS						\$ 4,812,225	\$ 343,311	\$ 5,122,525	\$ 5,122,525	\$ 654,205	\$ 594

**Footnotes:**

- (A) Total amount of donated foods received from Department of Agriculture.
- (B) Beginning inventory at July 1, 2010.
- (C) Total amount of donated foods used.
- (D) Ending inventory at June 30, 2011.

**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, 2011*

**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, 2011*

**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 award 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 award 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)	
Special Education - Grants to States (IDEA, Part B)	84.027
Special Education - Grants to States (IDEA, Part B), Recovery Act	84.391
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund)	84.394
Education Jobs Fund	84.410

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.