

SPRING-FORD AREA SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2013



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Spring-Ford Area School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Spring-Ford Area School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter

As discussed in Note U to the financial statements, for the year ended June 30, 2013, the Spring-Ford Area School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 19, budgetary comparison information on pages 57 and 58 and postemployment benefits other than pension funding progress on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Spring-Ford Area School District's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal and certain state awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, on our consideration of the Spring-Ford Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Spring-Ford Area School District's internal control over financial reporting and compliance.



Oaks, Pennsylvania
December 6, 2013

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

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, 2013. 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 2012-2013, 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 2012-2013 with assets and deferred outflows of resources of \$249,773,426 exceeding liabilities of \$155,886,071 by \$93,887,355--an overall increase from the prior year of \$9,248,469.

- The governmental activities total assets increased by \$1,869,327, which was due to the increase in receivables, inventories and cash.
- The District's business-type activities, which are comprised of the Food Service Fund, showed a decrease of \$17,620 in total assets due to a decrease in lunch sales.
- At the end of the current fiscal year, the unassigned, undesignated fund balance of the General Fund was \$5,861,810 compared to the prior year of \$5,691,234, an increase of \$170,576.
- 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, 2013

USING THE BASIC FINANCIAL STATEMENTS

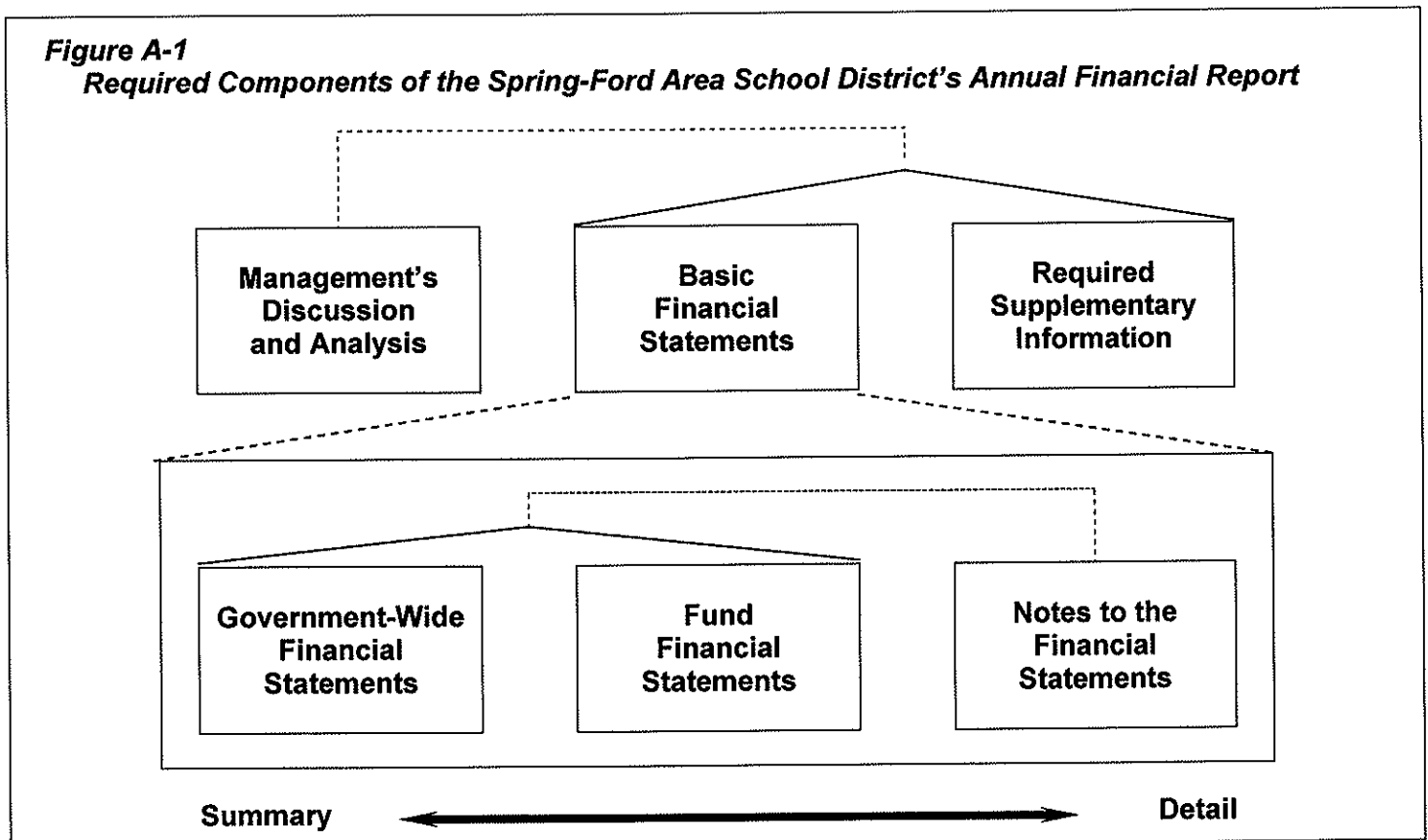
This annual report consists of two distinct series of financial statements: District-wide and fund.

The first two statements (District-wide) are government-wide financial statements--the Statement of Net Position 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, 2013

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

Figure A-2 Major Features of the Spring-Ford Area School District's Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except Fiduciary Funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private businesses: food services	Instances in which the District is the trustee or agent to someone else's resources: Scholarship Funds and Student Activity Funds
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, 2013

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year'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 position and how it has changed. Net position, the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, is one way to measure the District's financial health or position.

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

To assess the overall 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 22, 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 Position 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, 2013

- **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 Position on page 31. 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 position was \$93,887,355 as of June 30, 2013.

Table A-1
Condensed Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Current and other assets	\$ 63,451,993	\$ 446,064	\$ 63,898,057
Capital assets	<u>184,466,409</u>	<u>233,461</u>	<u>184,699,870</u>
TOTAL ASSETS	<u>247,918,402</u>	<u>679,525</u>	<u>248,597,927</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding, net of accumulated amortization	<u>1,175,499</u>	<u>-</u>	<u>1,175,499</u>
LIABILITIES			
Current and other liabilities	16,882,025	107,164	16,989,189
Long-term liabilities	<u>138,848,068</u>	<u>48,814</u>	<u>138,896,882</u>
TOTAL LIABILITIES	<u>155,730,093</u>	<u>155,978</u>	<u>155,886,071</u>
NET POSITION			
Net investment in capital assets	51,077,981	233,461	51,311,442
Restricted	1,840,069	-	1,840,069
Unrestricted	<u>40,445,758</u>	<u>290,086</u>	<u>40,735,844</u>
TOTAL NET POSITION	<u>\$ 93,363,808</u>	<u>\$ 523,547</u>	<u>\$ 93,887,355</u>

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

Table A-2
Condensed Statement of Net Position
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Current and other assets	\$ 59,421,555	\$ 450,050	\$ 59,871,605
Capital assets	<u>186,627,520</u>	<u>247,095</u>	<u>186,874,615</u>
TOTAL ASSETS	<u>246,049,075</u>	<u>697,145</u>	<u>246,746,220</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding, net of accumulated amortization	<u>1,409,661</u>	<u>-</u>	<u>1,409,661</u>
LIABILITIES			
Current and other liabilities	17,081,995	69,526	17,151,521
Long-term liabilities	<u>146,316,602</u>	<u>48,872</u>	<u>146,365,474</u>
TOTAL LIABILITIES	<u>163,398,597</u>	<u>118,398</u>	<u>163,516,995</u>
NET POSITION			
Net investment in capital assets, restated	45,420,367	247,095	45,667,462
Restricted	1,424,888	-	1,424,888
Unrestricted, restated	<u>37,214,884</u>	<u>331,652</u>	<u>37,546,536</u>
TOTAL NET POSITION	<u>\$ 84,060,139</u>	<u>\$ 578,747</u>	<u>\$ 84,638,886</u>

Most of the District's net position consists of net investment 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 21. 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, 2013

Table A-3
Statement of Changes in Net Position
Year Ended June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
REVENUES			
Program revenues			
Charges for services	\$ 352,721	\$ 2,129,004	\$ 2,481,725
Operating grants and contributions	12,914,699	736,473	13,651,172
Capital grants and contributions	1,421,012	-	1,421,012
General revenues			
Property taxes	89,593,307	-	89,593,307
Other taxes	10,450,595	-	10,450,595
Grants, subsidies and contributions, unrestricted	10,852,270	-	10,852,270
Investment earnings	184,492	740	185,232
Other	550,355	-	550,355
	<u>126,319,451</u>	<u>2,866,217</u>	<u>129,185,668</u>
TOTAL REVENUES			
EXPENSES			
Instruction	71,647,543	-	71,647,543
Instructional student support	8,819,859	-	8,819,859
Administrative and financial support	9,329,392	-	9,329,392
Operation and maintenance of plant	9,160,149	-	9,160,149
Pupil transportation	6,848,899	-	6,848,899
Student activities	1,781,568	-	1,781,568
Community services	72,883	-	72,883
Interest on long-term debt	5,351,228	-	5,351,228
Depreciation, unallocated	3,989,129	-	3,989,129
Food services	-	2,936,549	2,936,549
	<u>117,000,650</u>	<u>2,936,549</u>	<u>119,937,199</u>
TOTAL EXPENSES			
CHANGE IN NET POSITION BEFORE TRANSFERS	9,318,801	(70,332)	9,248,469
TRANSFERS	<u>(15,132)</u>	<u>15,132</u>	<u>-</u>
CHANGE IN NET POSITION	9,303,669	(55,200)	9,248,469
NET POSITION, BEGINNING, restated	<u>84,060,139</u>	<u>578,747</u>	<u>84,638,886</u>
NET POSITION, ENDING	<u>\$ 93,363,808</u>	<u>\$ 523,547</u>	<u>\$ 93,887,355</u>

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

Table A-4
Statement of Changes in Net Position
Year Ended June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
REVENUES			
Program revenues			
Charges for services	\$ 320,167	\$ 2,490,225	\$ 2,810,392
Operating grants and contributions	12,069,042	714,271	12,783,313
Capital grants and contributions	1,140,807	-	1,140,807
General revenues			
Property taxes	85,061,595	-	85,061,595
Other taxes	9,651,947	-	9,651,947
Grants, subsidies and contributions, unrestricted	10,852,940	-	10,852,940
Investment earnings	278,344	844	279,188
Other	459,656	-	459,656
	<u>119,834,498</u>	<u>3,205,340</u>	<u>123,039,838</u>
TOTAL REVENUES			
EXPENSES			
Instruction	68,839,190	-	68,839,190
Instructional student support	8,236,715	-	8,236,715
Administrative and financial support	7,583,130	-	7,583,130
Operation and maintenance of plant	9,985,424	-	9,985,424
Pupil transportation	6,653,824	-	6,653,824
Student activities	1,855,986	-	1,855,986
Community services	79,585	-	79,585
Interest on long-term debt	6,661,076	-	6,661,076
Depreciation, unallocated	3,968,568	-	3,968,568
Food services	-	2,928,929	2,928,929
	<u>113,863,498</u>	<u>2,928,929</u>	<u>116,792,427</u>
TOTAL EXPENSES			
CHANGE IN NET POSITION	5,971,000	276,411	6,247,411
NET POSITION, BEGINNING, restated	<u>78,089,139</u>	<u>302,336</u>	<u>78,391,475</u>
NET POSITION, ENDING	<u>\$ 84,060,139</u>	<u>\$ 578,747</u>	<u>\$ 84,638,886</u>

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

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, 2013 and 2012

Functions/Programs	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 71,647,543	\$ 62,333,261	\$ 68,839,190	\$ 60,172,511
Instructional student support	8,819,859	7,936,467	8,236,715	7,566,852
Administrative	9,329,392	8,811,941	7,583,130	7,214,116
Operation and maintenance of plant	9,160,149	8,836,511	9,985,424	9,721,424
Pupil transportation	6,848,899	5,036,157	6,653,824	4,630,222
Student activities	1,781,568	1,369,311	1,855,986	1,463,350
Community services	72,883	69,225	79,585	76,170
Interest on long-term debt	5,351,228	3,930,216	6,661,076	5,520,269
Unallocated depreciation expense	3,989,129	3,989,129	3,968,568	3,968,568
TOTAL GOVERNMENTAL ACTIVITIES	\$ 117,000,650	102,312,218	\$ 113,863,498	100,333,482
Less unrestricted grants, subsidies		<u>(10,852,270)</u>		<u>(10,852,940)</u>
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES		\$ 91,459,948		\$ 89,480,542

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, 2013 and 2012

Functions/Programs	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food services	\$ 2,936,549	\$ 71,072	\$ 2,928,929	\$ (275,567)
Less investment earnings		<u>(740)</u>		<u>(844)</u>
TOTAL BUSINESS-TYPE ACTIVITIES		\$ 70,332		\$ (276,411)

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

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

THE DISTRICT FUNDS

At June 30, 2013, the District's Governmental Funds reported a combined total fund balance of \$45,004,813.

General Fund

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

Capital Project Funds

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

District Wide Capital Projects Fund - In November 2012, the District currently refunded \$14,355,000 of the General Obligation Bonds Series of 2006 with the issuance of the General Obligation Bonds Series A of 2012.

Debt Service Fund

The increase was due to \$1,400,000 transferred from the General Fund and interest earned on investments.

General Fund Budget

During the fiscal year, the Board of School Directors (the "Board") authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is provided on page 57.

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.

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had \$184,699,870 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$2,174,745 or 1.2% 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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Land	\$ 10,053,911	\$ 10,053,911
Construction in progress	-	105,490
Site improvements, net of accumulated depreciation	5,378,637	4,848,386
Buildings and building improvements, net of accumulated depreciation	165,344,615	168,454,841
Furniture and equipment, net of accumulated depreciation	3,922,707	3,411,987

Construction in progress shows a decrease due to the renovations and additions at the High School being completed in 2011. More detailed information about our capital assets is in the financial statements.

Debt Administration

Table A-8
Outstanding Debt
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
GENERAL OBLIGATION BONDS		
Bonds, Series A of 2012	\$ 14,355,000	\$ -
Bonds, Series of 2012	24,195,000	24,820,000
Bonds, Series of 2010	9,945,000	10,780,000
Bonds, Series A of 2007	27,645,000	28,540,000
Bonds, Series of 2007	30,495,000	30,620,000
Bonds, Series of 2006	-	18,130,000
Bonds, Series of 2005	24,230,000	26,345,000
	<u>\$ 130,865,000</u>	<u>\$ 139,235,000</u>

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

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 \$14,689,869. During the year, \$601,517 in principal was paid on the lease, leaving an estimated balance of \$14,088,352.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET 2013-2014 AND RATES

In October 2012, Moody's assigned an Aa2 for the underlying rating on the District's \$171.3 million in Government Obligation Bonds. Moody's cited that the Aa2 underlying rating reflects the District's continued growth in the District's affluent and residential tax base as well as a multi-year trend of improving finances. The strength of the District's tax base is evident in wealth indicators that are well above state and national averages. Reserve growth was driven largely by conservative budgeting and increased property tax revenues due to tax base growth. Moody's acknowledged the District's financial flexibility gained from a Capital Reserve Fund; establishment of a debt service account to meet future debt payment associated with additional debt plans; and appropriated funds to meet substantially increasing retirement costs. Moody's acknowledged the District's prudent budgeting and strategic planning and expects the District's financial performance to remain strong.

The District expects the tax base will continue to experience moderate growth. There are approximately 1,500 housing units in construction or planned in the future and significant anticipated commercial development. The new assessment increases during 2012/2013 from property growth (\$64,795,130) have affected the tax base, thus generating approximately \$1,604,911 in new tax dollars. The last five years of increases in assessment values generated Real Estate Taxes of \$3,977,228, representing a five-year average of \$795,445. In addition, the last five years of Earned Income Tax have been generating \$1,533,025, representing a five-year average of \$306,605 of additional revenue.

The District has developed many fiscal strategic planning models (included in the 2013/2014 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 (\$6,893,778) and retirement account (\$4,000,000) will be maintained to meet future financing needs. In addition, a self-insurance escrow account (\$1,351,682) was required as a reserve.

The budget for the 2013/2014 year is in the amount of \$131,525,858 and is \$5,207,374 more than the budget for 2012/2013. This represents a 4.12% increase in budget. The District needed to increase the property tax rate 0.485 of a mill from 24.769 to 25.254 (\$.485 per \$1,000 of assessed value), representing a 1.96% tax increase. The state cap index was 1.70 without allowable exceptions. The difference in percentage between the budget increase and tax increase is due to the increase of the retirement rate from 12.36% to 16.93%, increase in insurance rates and the increase in the debt payments.

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

The comparison of revenue and expenditure categories is as follows:

Table A-9
Budgeted Revenues

	<u>2012-2013</u>	<u>2011-2012</u>
Local	81.08%	82.37%
State	18.01%	16.57%
Federal/other	0.91%	1.06%

Please note there is no more federal stimulus revenue.

Table A-10
Budgeted Expenditures

	<u>2012-2013</u>	<u>2011-2012</u>
Instruction	57.70%	57.01%
Support services	28.59%	29.04%
Non-instruction/community	1.69%	1.36%
Fund transfers/debt	12.02%	12.59%

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 expires on June 30, 2013.

SPRING-FORD AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

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.

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 has saved approximately \$4,300,000 over the last three years, since 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 Bonds Series of 2006

The District refunded General Obligation Bonds, Series of 2006, with principal remaining of \$18,130,000, by issuing General Obligation Bonds, Series A of 2012, in the amount of \$14,355,000. Due to the lower interest rates on financing the remaining principal, the District will have a savings in the amount of \$1,131,831.

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, or (610) 705-6204.

SPRING-FORD AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 35,242,915	\$ 112,009	\$ 35,354,924
Investments	19,990,380	459,246	20,449,626
Investments, restricted (Note S)	1,351,682	-	1,351,682
Taxes receivable, net	2,712,177	-	2,712,177
Internal balances	243,384	(243,384)	-
Due from other governments	1,655,453	28,467	1,683,920
Other receivables, net	371,394	18,828	390,222
Inventories	606,991	70,898	677,889
Prepaid expenses	1,277,617	-	1,277,617
Capital assets, net of accumulated depreciation			
Land	10,053,911	-	10,053,911
Site improvements	5,378,637	-	5,378,637
Buildings and building improvements	165,344,615	-	165,344,615
Furniture and equipment	3,689,246	233,461	3,922,707
TOTAL ASSETS	<u>247,918,402</u>	<u>679,525</u>	<u>248,597,927</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding, net of accumulated amortization	<u>1,175,499</u>	-	<u>1,175,499</u>
LIABILITIES			
Due to other governments	461,907	-	461,907
Accounts payable	4,246,919	4,605	4,251,524
Accrued salaries and benefits	8,515,303	-	8,515,303
Accrued interest	1,489,927	-	1,489,927
Unearned revenue	2,113,122	102,559	2,215,681
Other liabilities	54,847	-	54,847
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	8,505,000	-	8,505,000
Compensated absences	168,974	-	168,974
Portion due or payable after one year			
Bonds payable	126,476,782	-	126,476,782
Compensated absences	1,669,517	48,814	1,718,331
Other postemployment benefits	2,027,795	-	2,027,795
TOTAL LIABILITIES	<u>155,730,093</u>	<u>155,978</u>	<u>155,886,071</u>
NET POSITION			
Net investment in capital assets	51,077,981	233,461	51,311,442
Restricted for			
Capital projects	417,855	-	417,855
Self-funded insurance	1,351,682	-	1,351,682
Special education compensatory	70,532	-	70,532
Unrestricted	<u>40,445,758</u>	<u>290,086</u>	<u>40,735,844</u>
TOTAL NET POSITION	<u>\$ 93,363,808</u>	<u>\$ 523,547</u>	<u>\$ 93,887,355</u>

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 47,533,322	\$ 39,585	\$ 3,107,565	\$ -
Special programs	21,461,474	-	5,914,034	-
Vocational education programs	2,492,034	-	-	-
Other instructional programs	160,713	-	253,098	-
Support services				
Pupil personnel services	3,957,760	-	256,340	-
Instructional staff services	3,006,814	-	389,653	-
Administration services	6,126,460	-	349,458	-
Pupil health services	1,855,285	-	237,399	-
Business services	837,734	-	65,915	-
Operation and maintenance of plant services	9,160,149	-	323,638	-
Student transportation services	6,848,899	-	1,812,742	-
Central services	2,262,610	-	102,078	-
Other services	102,588	-	-	-
Operation of non-instructional services				
Student activities	1,781,568	313,136	99,121	-
Community services	72,883	-	3,658	-
Interest on long-term debt	5,351,228	-	-	1,421,012
Depreciation, unallocated	3,989,129	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	117,000,650	352,721	12,914,699	1,421,012
BUSINESS-TYPE ACTIVITIES				
Food service	2,936,549	2,129,004	736,473	-
TOTAL DISTRICT ACTIVITIES	\$ 119,937,199	\$ 2,481,725	\$ 13,651,172	\$ 1,421,012

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Public utility taxes

Payment in lieu of taxes

Earned income taxes

Per capita and occupation taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ (44,386,172)	\$ -	\$ (44,386,172)
(15,547,440)	-	(15,547,440)
(2,492,034)	-	(2,492,034)
92,385	-	92,385
(3,701,420)	-	(3,701,420)
(2,617,161)	-	(2,617,161)
(5,777,002)	-	(5,777,002)
(1,617,886)	-	(1,617,886)
(771,819)	-	(771,819)
(8,836,511)	-	(8,836,511)
(5,036,157)	-	(5,036,157)
(2,160,532)	-	(2,160,532)
(102,588)	-	(102,588)
(1,369,311)	-	(1,369,311)
(69,225)	-	(69,225)
(3,930,216)	-	(3,930,216)
(3,989,129)	-	(3,989,129)
<u>(102,312,218)</u>	<u>-</u>	<u>(102,312,218)</u>
<u>-</u>	<u>(71,072)</u>	<u>(71,072)</u>
<u>(102,312,218)</u>	<u>(71,072)</u>	<u>(102,383,290)</u>
89,593,307	-	89,593,307
129,186	-	129,186
1,496,843	-	1,496,843
8,405,379	-	8,405,379
419,187	-	419,187
10,852,270	-	10,852,270
184,492	740	185,232
550,355	-	550,355
(15,132)	15,132	-
<u>111,615,887</u>	<u>15,872</u>	<u>111,631,759</u>
9,303,669	(55,200)	9,248,469
<u>84,060,139</u>	<u>578,747</u>	<u>84,638,886</u>
<u>\$ 93,363,808</u>	<u>\$ 523,547</u>	<u>\$ 93,887,355</u>

SPRING-FORD AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2013

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 19,711,903	\$ 10,037,234	\$ 5,493,778	\$ 35,242,915
Investments	17,002,229	2,988,151	-	19,990,380
Investments, restricted (Note S)	1,351,682	-	-	1,351,682
Taxes receivable	2,712,177	-	-	2,712,177
Due from other funds	243,384	-	1,400,000	1,643,384
Due from other governments	1,655,453	-	-	1,655,453
Other receivables	371,394	-	-	371,394
Prepaid items	1,277,617	-	-	1,277,617
TOTAL ASSETS	\$ 44,325,839	\$ 13,025,385	\$ 6,893,778	\$ 64,245,002
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 4,231,352	\$ 15,567	\$ -	\$ 4,246,919
Due to other funds	1,400,000	-	-	1,400,000
Due to other governments	461,907	-	-	461,907
Unearned revenue	2,113,122	-	-	2,113,122
Accrued salaries and benefits	8,515,303	-	-	8,515,303
Other liabilities	54,847	-	-	54,847
Current portion of compensated absences	168,974	-	-	168,974
TOTAL LIABILITIES	16,945,505	15,567	-	16,961,072
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue, property taxes	2,279,117	-	-	2,279,117
FUND BALANCES				
Nonspendable, prepaid expenses	1,277,617	-	-	1,277,617
Restricted for				
Capital projects	-	417,855	-	417,855
Self-funded insurance	1,351,682	-	-	1,351,682
Special education compensatory	70,532	-	-	70,532
Committed to				
Capital projects	-	12,591,963	-	12,591,963
Future retirement rate increase	4,000,000	-	-	4,000,000
Assigned to				
Subsequent year's budget, payroll and benefits	4,467,050	-	-	4,467,050
Future tax assessment appeals	3,745,964	-	-	3,745,964
Self-funded insurance	4,326,562	-	-	4,326,562
Debt service	-	-	6,893,778	6,893,778
Unassigned	5,861,810	-	-	5,861,810
TOTAL FUND BALANCES	25,101,217	13,009,818	6,893,778	45,004,813
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 44,325,839	\$ 13,025,385	\$ 6,893,778	\$ 64,245,002

See accompanying notes to the basic financial statements.

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

June 30, 2013

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 45,004,813
<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	5,378,637
Buildings and building improvements	165,344,615
Furniture and equipment	3,689,246
<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	1,412,709
Accumulated amortization	(237,210)
<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	(1,489,927)
Bonds payable	(134,981,782)
Compensated absences	(1,669,517)
Other postemployment benefits	(2,027,795)
<p>Governmental Funds follow the purchase method of inventory; therefore, no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory.</p>	
	606,991
<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>2,279,117</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>93,363,808</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, 2013

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 102,857,298	\$ 45,911	\$ 13,680	\$ 102,916,889
State sources	22,346,598	-	-	22,346,598
Federal sources	1,148,134	-	-	1,148,134
	<u>126,352,030</u>	<u>45,911</u>	<u>13,680</u>	<u>126,411,621</u>
TOTAL REVENUES				
EXPENDITURES				
Instruction	71,249,006	99,134	-	71,348,140
Support services	34,184,652	509,542	-	34,694,194
Operation of non-instructional services	1,927,933	32,509	-	1,960,442
Facilities acquisition, construction and improvement services	-	936,244	-	936,244
Debt service	13,371,257	15,145,693	-	28,516,950
Refund of prior year revenues	1,616	-	-	1,616
	<u>120,734,464</u>	<u>16,723,122</u>	<u>-</u>	<u>137,457,586</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>5,617,566</u>	<u>(16,677,211)</u>	<u>13,680</u>	<u>(11,045,965)</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	14,355,000	-	14,355,000
Premium on refunding bonds issued	-	790,693	-	790,693
Transfers in	-	-	1,400,000	1,400,000
Transfers out	(1,410,877)	(4,255)	-	(1,415,132)
	<u>(1,410,877)</u>	<u>15,141,438</u>	<u>1,400,000</u>	<u>15,130,561</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES				
	4,206,689	(1,535,773)	1,413,680	4,084,596
FUND BALANCES AT BEGINNING OF YEAR				
	<u>20,894,528</u>	<u>14,545,591</u>	<u>5,480,098</u>	<u>40,920,217</u>
FUND BALANCES AT END OF YEAR				
	<u>\$ 25,101,217</u>	<u>\$ 13,009,818</u>	<u>\$ 6,893,778</u>	<u>\$ 45,004,813</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, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD

\$ 4,084,596

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$4,399,719) exceeds capital outlays (\$2,238,608) in the current period.

(2,161,111)

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

(90,554)

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

(14,355,000)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net position. 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.

(465,456)

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

22,725,000

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

115,485

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

(77,595)

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.

(572,235)

SUBTOTAL ADJUSTMENTS FORWARD

\$ 5,118,534

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, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
FORWARDED \$ 4,084,596

SUBTOTAL ADJUSTMENTS FORWARDED 5,118,534

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.

100,539

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 9,303,669

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT**STATEMENT OF NET POSITION****PROPRIETARY FUND***June 30, 2013*

	<u>Enterprise Fund Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 112,009
Investments	459,246
Due from other governments	28,467
Other receivables	18,828
Inventories	<u>70,898</u>
TOTAL CURRENT ASSETS	<u>689,448</u>
CAPITAL ASSETS	
Furniture and equipment	1,128,007
Accumulated depreciation	<u>(894,546)</u>
TOTAL CAPITAL ASSETS	<u>233,461</u>
TOTAL ASSETS	<u><u>\$ 922,909</u></u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Due to other funds	\$ 243,384
Accounts payable	4,605
Unearned revenue	<u>102,559</u>
TOTAL CURRENT LIABILITIES	350,548
NONCURRENT LIABILITIES	
Compensated absences	<u>48,814</u>
TOTAL LIABILITIES	<u>399,362</u>
NET POSITION	
Net investment in capital assets	233,461
Unrestricted	<u>290,086</u>
TOTAL NET POSITION	<u><u>523,547</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 922,909</u></u>

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2013

	Enterprise Fund <u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ 2,128,862
Other	<u>142</u>
TOTAL OPERATING REVENUES	<u>2,129,004</u>
OPERATING EXPENSES	
Salaries	1,074,356
Employee benefits	603,433
Purchased property service	73,513
Other purchased service	3,093
Supplies	1,140,545
Depreciation	28,766
Other operating expenses	<u>12,843</u>
TOTAL OPERATING EXPENSES	<u>2,936,549</u>
OPERATING LOSS	<u>(807,545)</u>
NONOPERATING REVENUES	
Earnings on investments	740
State sources	155,893
Federal sources	<u>580,580</u>
TOTAL NONOPERATING REVENUES	<u>737,213</u>
LOSS BEFORE TRANSFER	(70,332)
TRANSFER IN	<u>15,132</u>
CHANGE IN NET POSITION	(55,200)
NET POSITION AT BEGINNING OF YEAR	<u>578,747</u>
NET POSITION AT END OF YEAR	<u>\$ 523,547</u>

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2013

	<u>Enterprise Fund</u>
	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,143,756
Cash received from other revenues	142
Payments to employees	(1,618,550)
Payments to suppliers	(1,058,384)
Payments to other governments	(59,986)
NET CASH USED BY OPERATING ACTIVITIES	<u>(593,022)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances from other funds	15,132
Federal sources	514,540
State sources	163,839
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>693,511</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition, construction and improvements of capital assets	<u>(15,132)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(273,430)
Earnings on investments	740
NET CASH USED BY INVESTING ACTIVITIES	<u>(272,690)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(187,333)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>299,342</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 112,009</u>

SPRING-FORD AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2013

	Enterprise Fund <u>Food Service Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (807,545)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	28,766
Donated foods	110,749
Increase in	
Other receivables	(18,828)
Inventories	(7,872)
Increase (decrease) in	
Due to other governments	(689)
Due to other funds	64,128
Accounts payable	4,605
Unearned revenue	33,722
Compensated absences	<u>(58)</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u>(593,022)</u>
 SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated foods	\$ 117,732

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	<u>Scholarship Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 2,831	\$ 206,939
Investments	<u>88,549</u>	<u>-</u>
TOTAL ASSETS	91,380	<u><u>\$ 206,939</u></u>
LIABILITIES		
Accounts payable	<u>1,514</u>	<u><u>\$ 206,939</u></u>
NET POSITION		
Held in trust for benefits and other purposes	<u><u>\$ 89,866</u></u>	

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2013

	<u>Scholarship Trust Funds</u>
ADDITIONS	
Investment earnings	\$ 254
DEDUCTIONS	
Scholarships awarded and fees paid	<u>5,490</u>
CHANGE IN NET POSITION	(5,236)
NET POSITION AT BEGINNING OF YEAR	<u>95,102</u>
NET POSITION AT END OF YEAR	<u>\$ 89,866</u>

See accompanying notes to the basic financial statements.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

School District

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

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

Board of School Directors

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

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

Administration

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

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the District. In addition, component units can be organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading. This report presents the activities of the Spring-Ford Area School District. The District is not a component unit of another reporting entity nor does it have any component units.

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

Basis of Presentation and Accounting

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

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

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

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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 position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The Proprietary 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 of the Enterprise Fund include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Fiduciary Funds are reported using the economic resources measurement focus.

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

Fund Accounting

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

Governmental Funds

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

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

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

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

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

Proprietary Fund

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

Fiduciary Funds

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

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

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 position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

Allowance for Doubtful Accounts

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

Inventories and Prepaid Items

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

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

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Capital Assets

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

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

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

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

Long-Term Obligations

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

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

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.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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

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

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

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

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Deferred Outflows/Inflows of Resources

For the year ended June 30, 2013, the District adopted new accounting guidance, implementing GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows on the statement on net position consist of deferred charges on debt refundings, net of accumulated amortization. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance and GASB Statement No. 54

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

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are prepaid expenses.
- ***Restricted*** - Amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation. Fund balance types in this category include amounts for capital projects, self-insured costs and special education costs.
- ***Committed*** - Amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end. Fund balance of this type is for the future retirement rate increase. Since the District is required to contribute to the retirement plan, the retirement rate commitment has been set up by the Board of School Directors to provide for any fluctuations to the rate increases.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

- **Assigned** - Amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the District Manager and/or District Finance Director. Fund balance of this type includes amounts for subsequent year's budget, contractual or legal settlement commitments, self-insured costs and debt service.
- **Unassigned** - Amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. It is the policy of the District to retain a minimum 5% to 8% of the subsequent year operating budget in the unassigned category.

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the government for specific purposes but does not meet the criteria to be classified as restricted or committed. The details of the fund balances are included in the Governmental Funds balance sheet (page 22). 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, 2013, \$36,543,362 of the District's bank balance of \$36,793,362 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>36,543,362</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
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Investments

As of June 30, 2013, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities Less Than One Year</u>
State investment pools	\$ 22,246,586	\$ 22,246,586
Certificates of deposit	<u>48,118</u>	<u>48,118</u>
	22,294,704	\$ <u>22,294,704</u>
Outstanding checks drawn on state investment pools	<u>(404,847)</u>	
	<u>\$ 21,889,857</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, 2013, the District's investment in the state investment pools 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 - As of June 30, 2013, the District's investments in certificates of deposits did not exceed 5% of the District's total investments.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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 \$3,638,960,932. The tax rate for the year was \$2.477 per \$100 of assessed valuation. Current tax collections for the District were approximately 95% of the total levy.

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

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

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

NOTE D RECEIVABLES

Receivables at June 30, 2013, 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	\$ 2,355,746	\$ -
Earned income taxes	209,249	-
Per capita taxes	961	-
Local service taxes	2,417	-
Transfer taxes	143,804	-
Federal subsidies	11,489	25,732
State subsidies	1,608,753	2,735
Other governments	35,211	-
Other revenue	<u>371,394</u>	<u>18,828</u>
	<u>\$ 4,739,024</u>	<u>\$ 47,295</u>

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE E INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 243,384
Debt Service Fund	General Fund	<u>1,400,000</u>
		<u>\$ 1,643,384</u>

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

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Debt Service Fund	General Fund	\$ 1,400,000
Food Service Fund	General Fund	10,877
Food Service Fund	Capital Project Funds	<u>4,255</u>
		<u>\$ 1,415,132</u>

The District typically transfers budgeted dollar amounts from the General Fund to the Capital Project Funds, Food Service Fund and the Debt Service Fund to assist in providing for various repairs, maintenance, or purchase of buildings and equipment, payment of debt service costs and operation of student activities. The transfer from the Capital Project Funds to the Food Service Fund was to assist in providing equipment to the Food Service Fund.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE F CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 10,053,911	\$ -	\$ -	\$ 10,053,911
Construction in progress	105,490	-	(105,490)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>10,159,401</u>	<u>-</u>	<u>(105,490)</u>	<u>10,053,911</u>
Capital assets being depreciated				
Site improvements	9,108,835	876,463	-	9,985,298
Buildings and building improvements	206,818,847	536,601	-	207,355,448
Furniture and equipment	10,171,728	931,034	-	11,102,762
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>226,099,410</u>	<u>2,344,098</u>	<u>-</u>	<u>228,443,508</u>
Accumulated depreciation				
Site improvements	(4,260,449)	(346,212)	-	(4,606,661)
Buildings and building improvements	(38,364,006)	(3,646,827)	-	(42,010,833)
Furniture and equipment	(7,006,836)	(406,680)	-	(7,413,516)
TOTAL ACCUMULATED DEPRECIATION	<u>(49,631,291)</u>	<u>(4,399,719)</u>	<u>-</u>	<u>(54,031,010)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>176,468,119</u>	<u>(2,055,621)</u>	<u>-</u>	<u>174,412,498</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>186,627,520</u>	<u>(2,055,621)</u>	<u>(105,490)</u>	<u>184,466,409</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	1,112,875	15,132	-	1,128,007
Accumulated depreciation	(865,780)	(28,766)	-	(894,546)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>247,095</u>	<u>(13,634)</u>	<u>-</u>	<u>233,461</u>
CAPITAL ASSETS, net	<u>\$ 186,874,615</u>	<u>\$ (2,069,255)</u>	<u>\$ (105,490)</u>	<u>\$ 184,699,870</u>

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION		
Regular programs		\$ 267,589
SUPPORT SERVICES		
Instructional staff services		6,354
Business services		539
Operation and maintenance of plant services		117,000
Student transportation services		3,187
OPERATION OF NON-INSTRUCTIONAL SERVICES		
Student activities		15,921
DEPRECIATION, unallocated		<u>3,989,129</u>
		<u>\$ 4,399,719</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, 2013, the outstanding balance of general obligation bonds issued was \$130,865,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 8,505,000	\$ 5,212,289	\$ 13,717,289
2015	9,995,000	4,878,601	14,873,601
2016	10,270,000	4,585,123	14,855,123
2017	10,635,000	4,232,255	14,867,255
2018	10,890,000	3,847,510	14,737,510
2019 to 2023	55,055,000	12,738,371	67,793,371
2024 to 2028	16,395,000	3,676,333	20,071,333
2029 to 2033	9,120,000	1,264,855	10,384,855
	<u>\$ 130,865,000</u>	<u>\$ 40,435,337</u>	<u>\$ 171,300,337</u>

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE H CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>
GOVERNMENTAL ACTIVITIES		
General obligation bonds		
Series of 2005	2.40% to 5.00%	9/1/2022
Series of 2006	3.50% to 4.25%	2/1/2018
Series of 2007	3.50% to 4.75%	3/1/2025
Series A of 2007	3.50% to 5.00%	6/1/2033
Series of 2010	1.50% to 4.00%	4/1/2023
Series of 2012	1.00% to 5.00%	3/1/2023
Series A of 2012	1.00% to 3.00%	2/1/2018
TOTAL GENERAL OBLIGATION BONDS		
Deferred amounts		
Issuance discount		
Issuance premium		
TOTAL DEFERRED AMOUNTS		
TOTAL GENERAL OBLIGATION BONDS, net		
Compensated absences		
Vacation pay		
Sick pay		
TOTAL COMPENSATED ABSENCES		
Other postemployment benefits		
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES		
BUSINESS-TYPE ACTIVITIES		
Compensated absences, sick pay		
TOTAL LONG-TERM LIABILITIES		

Funds to repay the outstanding bonds will be provided from future taxes or other general revenues in the General Fund. Total interest expense paid during the year ended June 30, 2013, was \$5,310,330. Interest costs incurred were charged to expenditures in the General Fund.

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

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

In March 2013, the District authorized the issuance of General Obligation Bonds, Series A of 2012, for the purpose of providing funds to currently refund the General Obligation Bonds, Series of 2006, and to pay the costs of issuing and insuring the bonds. The new issue will reduce debt service payments for the District by \$1,131,832.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 26,345,000	\$ -	\$ (2,115,000)	\$ 24,230,000	\$ 2,230,000
18,130,000	-	(18,130,000)	-	-
30,620,000	-	(125,000)	30,495,000	125,000
28,540,000	-	(895,000)	27,645,000	930,000
10,780,000	-	(835,000)	9,945,000	860,000
24,820,000	-	(625,000)	24,195,000	2,110,000
-	14,355,000	-	14,355,000	2,250,000
<u>139,235,000</u>	<u>14,355,000</u>	<u>(22,725,000)</u>	<u>130,865,000</u>	<u>8,505,000</u>
(115,694)	-	9,649	(106,045)	-
4,001,182	790,693	(569,048)	4,222,827	-
<u>3,885,488</u>	<u>790,693</u>	<u>(559,399)</u>	<u>4,116,782</u>	<u>-</u>
<u>143,120,488</u>	<u>15,145,693</u>	<u>(23,284,399)</u>	<u>134,981,782</u>	<u>8,505,000</u>
788,458	64,513	-	852,971	121,760
952,096	33,424	-	985,520	47,214
<u>1,740,554</u>	<u>97,937</u>	<u>-</u>	<u>1,838,491</u>	<u>168,974</u>
<u>1,455,560</u>	<u>738,848</u>	<u>(166,613)</u>	<u>2,027,795</u>	<u>-</u>
146,316,602	15,982,478	(23,451,012)	138,848,068	8,673,974
48,872	-	(58)	48,814	-
<u>\$ 146,365,474</u>	<u>\$ 15,982,478</u>	<u>\$ (23,451,070)</u>	<u>\$ 138,896,882</u>	<u>\$ 8,673,974</u>

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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, 2013, the District has defeased debt outstanding of \$46,865,000.

NOTE J UNEARNED REVENUE

General Fund

Program grants received prior to the incurrence of qualifying expenditures are recorded as unearned revenue. Unearned revenue is \$2,113,122, representing funds received to be used for future expenditures.

Food Service Fund

Unearned revenue of \$102,559 in the Food Service Fund represents the carryover of student deposits.

NOTE K PENSIONS

Plan Description

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

Type of Plan: Governmental cost-sharing multiple-employer 401(a) 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. 8101-9102).

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 Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 North 5th Street, Harrisburg, PA 17101-1905 or by emailing Beth at bgirman@pa.gov. This publication is also available on the PSERS website at www.psers.state.pa.us.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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

Employer Contributions - Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2013, the rate of employer's contribution was 12.36% of covered payroll. The 12.36% rate is composed of a pension contribution rate of 11.50% for pension benefits and .86% for healthcare insurance premium assistance.

The District's contribution to PSERS for the years ended June 30, 2013, 2012 and 2011, was \$7,053,500, \$4,870,293 and \$3,280,492, respectively, equal to the required contribution for each year.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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 \$938,306, including FICA tax (net of reimbursement), have been established as a long-term liability in the governmental activities column of the government-wide statement of net position and a long-term liability of \$48,814, including FICA tax (net of reimbursement), is recorded in the Food Service Fund and in the business-type activities column of the government-wide statement of net position, as required by GASB Statement No. 16. In addition, a liability of \$47,214, including FICA tax (net of reimbursement), has been set up in the General Fund for the portion that will use currently available financial resources. This amount is also shown as a current liability in the governmental activities column of the government-wide statement of net position.

Vacation Leave

Unused vacation leave is paid upon an employee's termination. The District maintains records of each employee's accumulated vacation days. In accordance with GASB Statement No. 16, the portion of vacation pay earned at June 30, 2013, that will use currently available financial resources is \$121,760, including FICA tax and retirement contributions (net of reimbursement), which has been recorded in the General Fund and as a current liability in the governmental activities column of the government-wide statement of net position. The remaining vacation pay earned at June 30, 2013, of \$731,211 including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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

Normal cost	\$ 410,055
Amortization of unfunded actuarial accrued liability	334,200
Interest	18,452
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>762,707</u>
Interest on net OPEB obligation	65,500
Adjustment to ARC	(89,359)
ANNUAL OPEB EXPENSE	<u>738,848</u>
Net OPEB contributions during the year	(166,613)
INCREASE IN NET OPEB OBLIGATION	<u>572,235</u>
Net OPEB obligation at beginning of year	<u>1,455,560</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 2,027,795</u>

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 662,304	41.7%	\$ 1,101,272
2012	655,970	46.0%	1,455,560
2013	738,848	22.6%	2,027,795

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Funded Status and Funding Progress

According to the actuarial report dated July 1, 2012, the actuarial accrued liability for benefits was \$5,443,748 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 \$54,387,337, and the ratio of the UAAL to the covered payroll was 10.01%.

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 59, 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, 2012 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 increments of .5% to an ultimate rate of 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012, was 30 years.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE N COMMITMENTS AND CONTINGENCIES

There are a number of tax assessment appeals in the Court of Common Pleas of Montgomery County from the decisions of the Board of Assessment Appeals. Legal counsel for the District cannot give an opinion on the outcome of these appeals nor can they reasonably estimate the financial impact. A settlement was reached in the current year for one of the taxpayer assessment appeals. The resolution included a repayment of taxes to the taxpayer in the amount of \$1,405,859, with \$310,111 to be paid in cash during the 2013-2014 fiscal year and the remainder of \$1,095,748 to be used over a two-year period by tax credits with no interest.

As of June 30, 2013, 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, 2013, were \$799,896.

Future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2014	\$ 578,213
2015	302,037
2016	302,037
2017	<u>47,079</u>
	<u>\$ 1,229,366</u>

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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 2012-2013 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District is a member of the School Districts Insurance Consortium (SDIC) for worker's compensation coverage. SDIC is comprised of 78 member school districts which jointly self-assume their worker's compensation liabilities. Even though the member school districts contribute to SDIC's insurance fund, they remain individually liable for their own worker's compensation claims. The members of SDIC are required to participate in any deficiencies of SDIC and are subject to periodic assessments, as required. At June 30, 2013, there was no unfunded liability.

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

NOTE Q JOINT VENTURE

The District is a participating member of the Western Montgomery Career and Technical Center (the "Center"). The Center is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The Board of Directors of each participating district must approve the Center's annual operating budget. Each participating district pays a pro-rata share of the Center's operating costs based on the previous five years average daily members at the Center from each district. The District's share of the Center's operating costs for 2012-2013 was \$1,264,785.

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

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

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Future estimated minimum sublease payments are as follows:

Year Ending June 30,	
2014	\$ 1,354,150
2015	1,353,615
2016	1,353,838
2017	1,354,508
2018	1,353,871
2019 to 2023	6,771,416
2024 to 2028	6,769,686
2029	<u>1,355,040</u>
	<u>\$ 21,666,124</u>

Sublease expenditures for the year ended June 30, 2013, were \$1,264,785.

NOTE R JOINTLY GOVERNED ORGANIZATION

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

NOTE S SELF-INSURANCE

In July 2010, the District elected to sponsor a self-insured employee welfare benefit plan for health care coverage. An administrative services agreement was signed with a third-party insurance company (claims administrator) to administer the costs and claims associated with the plan. The agreement required the District to establish a reserve escrow of \$1,350,200. These funds (including earned interest) are reported as restricted investments on the statement of net position. The total amount held in escrow as of June 30, 2013, is \$1,351,682. 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, 2013

NOTE T DONATED FOODS

The Food Service Fund contains inventories which consist of both food commodities donated by the federal government and other food and supply inventories. Donated foods represent \$26,457 of the Proprietary Funds' inventory balance at June 30, 2013. These inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and are expensed as used.

NOTE U CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2013, the District has adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Note A), and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (Note A), which state that debt issuance costs should be recognized as an outflow of resources in the period incurred rather than recognized over the life of the debt incurred. Therefore, the District is treating debt issuance costs of \$1,157,237 previously incurred and being amortized over the life of the related debt as having been recognized in the period incurred. The District has adjusted beginning net position for governmental activities by \$1,157,237 for the debt issuance costs. The effect on the June 30, 2012 change in net position results in an increase in governmental activities net position by \$119,699.

REQUIRED SUPPLEMENTARY INFORMATION

SPRING-FORD AREA SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 99,608,167	\$ 99,608,167	\$ 102,857,298	\$ 3,249,131
State sources	22,124,925	22,124,925	22,346,598	221,673
Federal sources	1,118,342	1,118,342	1,148,134	29,792
TOTAL REVENUES	122,851,434	122,851,434	126,352,030	3,500,596
EXPENDITURES				
Instruction				
Regular programs	49,701,439	47,982,356	47,261,909	720,447
Special programs	21,717,754	22,228,939	21,334,833	894,106
Vocational education programs	2,588,475	2,492,035	2,492,034	1
Other instructional programs	37,200	176,322	160,230	16,092
Support services				
Pupil personnel services	4,193,456	4,116,919	3,927,757	189,162
Instructional staff services	3,316,735	3,252,379	2,979,292	273,087
Administration services	5,625,106	6,367,627	6,083,891	283,736
Pupil health services	1,775,205	1,940,805	1,846,142	94,663
Business services	855,141	890,714	830,997	59,717
Operation and maintenance of plant services	11,690,707	10,180,698	9,318,705	861,993
Student transportation services	7,150,175	6,904,732	6,844,656	60,076
Central and other services	1,767,899	2,357,775	2,250,624	107,151
Other support services	104,000	108,295	102,588	5,707
Operation of non-instructional services				
Student activities	1,921,357	2,045,531	1,855,513	190,018
Community services	65,769	89,608	72,420	17,188
Debt service	13,408,066	13,372,872	13,371,257	1,615
Refund of prior year revenues	-	-	1,616	(1,616)
TOTAL EXPENDITURES	125,918,484	124,507,607	120,734,464	3,773,143
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(3,067,050)	(1,656,173)	5,617,566	7,273,739
OTHER FINANCING USES				
Transfers out	-	(1,410,877)	(1,410,877)	-
Budgetary reserve	(400,000)	(400,000)	-	400,000
TOTAL OTHER FINANCING USES	(400,000)	(1,810,877)	(1,410,877)	400,000
NET CHANGE IN FUND BALANCE				
	(3,467,050)	(3,467,050)	4,206,689	7,673,739
FUND BALANCE AT BEGINNING OF YEAR				
	20,894,528	20,894,528	20,894,528	-
FUND BALANCE AT END OF YEAR				
	\$ 17,427,478	\$ 17,427,478	\$ 25,101,217	\$ 7,673,739

See accompanying notes to the budgetary comparison schedule.

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

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 2012-2013 budget transfers.

NOTE B EXCESS OF EXPENDITURES OVER APPROPRIATES

For the year ended June 30, 2013, expenditures exceeded appropriations in the following General Fund department level (the legal level of budgetary control):

Refund of prior year revenues	\$ <u>1,616</u>
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This excess expenditure was funded by available fund balance in the General Fund.

SPRING-FORD AREA SCHOOL DISTRICT**POSTEMPLOYMENT BENEFITS OTHER THAN****PENSION FUNDING PROGRESS***Year Ended June 30, 2013***SCHEDULE OF FUNDING PROGRESS**

<u>Valuation Date July 1,</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability (AAL)</u>	<u>(c) Unfunded AAL (UAAL) (b)-(a)</u>	<u>(d) Funded Ratio (a)/(b)</u>	<u>(e) Covered Payroll</u>	<u>(f) UAAL as a Percentage of Covered Payroll (c)/(e)</u>
2008	\$ -	\$ 4,463,060	\$ 4,463,060	0%	\$ 47,286,173	9.44%
2010	-	4,624,572	4,624,572	0%	55,492,660	8.33%
2012	-	5,443,748	5,443,748	0%	54,387,337	10.01%

SUPPLEMENTARY INFORMATION SECTION

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF TAX COLLECTORS' RECEIPTS
GENERAL FUND
Year Ended June 30, 2013

	Limerick Township	Royersford Borough	Spring City Borough	Upper Providence Township	Totals
CURRENT REAL ESTATE TAXES					
Assessed value	\$ 1,384,162,987	\$ 184,196,680	\$ 116,102,080	\$ 1,954,499,185	\$ 3,638,960,932
Millage rate	0.024769	0.024769	0.024769	0.024769	0.024769
TOTAL TAX PER TAX DUPLICATE	34,284,333	4,562,368	2,875,732	48,410,990	90,133,423
Less homestead exclusion	(929,324)	(173,825)	(127,535)	(1,077,147)	(2,307,831)
Plus penalties	62,281	9,903	13,865	231,512	317,561
TOTAL TAXES TO BE COLLECTED	33,417,290	4,398,446	2,762,062	47,565,355	88,143,153
Less					
Discounts	584,466	67,728	42,632	800,118	1,494,944
Refunds and adjustments	(11)	-	543	1,160,031	1,160,563
Returned to County	995,050	109,900	129,828	788,068	2,022,846
NET CURRENT REAL ESTATE TAXES COLLECTED	\$ 31,837,785	\$ 4,220,818	\$ 2,589,059	\$ 44,817,138	\$ 83,464,800
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	\$ 228,800	\$ 17,533	\$ 12,202	\$ 558,625	\$ 817,160
CURRENT PER CAPITA TAXES					
Number of persons assessed	13,013	3,368	2,343	14,549	33,273
Tax rate	10	10	10	10	10
TAXABLE VALUATION	130,130	33,680	23,430	145,490	332,730
Plus					
Additions	210	120	110	376	816
Penalties	1,024	199	108	480	1,811
TOTAL TAXES TO BE COLLECTED	131,364	33,999	23,648	146,346	335,357
Less					
Discounts	1,731	320	219	1,781	4,051
Exonerations	7,920	3,230	480	6,170	17,800
Reductions	850	800	-	-	1,650
Outstanding	13,840	9,070	9,050	31,945	63,905
NET CURRENT PER CAPITA TAXES COLLECTED	\$ 107,023	\$ 20,579	\$ 13,899	\$ 106,450	\$ 247,951

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
Year Ended June 30, 2013

REVENUES

Local sources

Current real estate taxes	\$ 84,496,173
Interim real estate taxes	817,160
Public utility taxes	129,186
Payment in lieu of taxes	1,496,843
Current per capita taxes	
Act 511	124,443
Act 679	124,443
Occupational privilege tax	139,745
Earned income tax	8,405,379
Real estate transfer tax	1,593,211
Delinquent real estate taxes	2,777,317
Delinquent per capita taxes	30,556
Interest	139,901
Admissions	85,706
Fees	129,895
Other student activity income	122,585
Revenue from local governmental units	84,213
State revenue received from an entity acting as an agent for the Commonwealth	12,474
Federal revenue from intermediary sources	1,596,512
Rentals	374,172
Contributions	3,212
Tuition from patrons	39,585
Refunds and other miscellaneous revenue	134,587
TOTAL LOCAL SOURCES	<u>102,857,298</u>

State sources

Basic education	8,543,409
Tuition for orphans	96,653
Specialized education	2,389,015
Transportation	1,803,819
Rental and sinking fund payments	1,421,012
Health services	162,404
Property tax allocation	2,308,861
Other state revenues	100,163
Social Security	2,065,454
Retirement	3,455,808
TOTAL STATE SOURCES	<u>22,346,598</u>

Federal sources

Title I	164,836
Title II	209,663
Medical assistance	764,048
ARRA Education Jobs Fund	9,587
TOTAL FEDERAL SOURCES	<u>1,148,134</u>

TOTAL FORWARD	<u>\$ 126,352,030</u>
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SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
Year Ended June 30, 2013

EXPENDITURES

Instruction

Regular programs	\$ 47,261,909
Special programs	705,342
Life skills support	274,246
Sensory support	1,080,977
Emotional support	5,124,968
Academic support	11,634,360
Multi-handicapped support	344,035
Early intervention support	31,870
Other support	2,139,035
Other vocational education programs	2,492,034
Summer school	5,693
Homebound instruction	45,887
Alternative regular education programs	2,509
Additional other instructional programs	106,141
TOTAL FORWARD	<u>71,249,006</u>

Support services

Guidance services	2,672,526
Psychological services	983,617
Social work services	116,226
Student accounting services	155,388
Technology support services	15,932
School library services	1,736,659
Instruction and curriculum development services	406,469
Special education administration services	629,252
Instructional staff professional development services	190,980
Board services	138,454
Tax assessment and collection services	252,657
Legal services	431,103
Office of the Superintendent services	716,929
Community relations services	44,359
Office of the Principal services	4,484,969
Other administration services	15,420
Support services, pupil health	1,744,452
Nonpublic health services	30,076
Other health services	71,614
Support services, business	830,997
Operation and maintenance of plant services	9,088,760
Security services	229,945
Student transportation services	4,850,992
Nonpublic transportation	1,993,664
Planning, research, development and evaluation services	1,785,842
Information services	12,266
Staff services	452,516
Other support services	102,588
TOTAL FORWARD	<u>\$ 34,184,652</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
Year Ended June 30, 2013

REVENUES		
	TOTAL FORWARDED	\$ <u>126,352,030</u>
EXPENDITURES		
Instruction		
	TOTAL FORWARDED	<u>71,249,006</u>
Support services		
	TOTAL FORWARDED	<u>34,184,652</u>
Operation of non-instructional services		
Student activities		1,408,675
School sponsored student activities		78,948
School sponsored athletics		367,890
Community services		39,511
Community recreation		32,478
Welfare activities		431
	TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES	<u>1,927,933</u>
Debt service		<u>13,371,257</u>
Refund of prior year revenues		<u>1,616</u>
	TOTAL EXPENDITURES	<u>120,734,464</u>
	EXCESS OF REVENUES OVER EXPENDITURES	5,617,566
OTHER FINANCING USES		
Transfers out		<u>(1,410,877)</u>
	NET CHANGE IN FUND BALANCE	4,206,689
FUND BALANCE AT BEGINNING OF YEAR		<u>20,894,528</u>
	FUND BALANCE AT END OF YEAR	\$ <u><u>25,101,217</u></u>

SPRING-FORD AREA SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
June 30, 2013

	<u>Capital Reserve Fund</u>	<u>District-Wide Capital Projects Fund</u>	<u>Total Capital Project Funds</u>
ASSETS			
Cash and cash equivalents	\$ 10,037,234	\$ -	\$ 10,037,234
Investments	<u>2,554,729</u>	<u>433,422</u>	<u>2,988,151</u>
TOTAL ASSETS	<u>\$ 12,591,963</u>	<u>\$ 433,422</u>	<u>\$ 13,025,385</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 15,567	\$ 15,567
FUND BALANCES			
Restricted for capital projects	-	417,855	417,855
Committed to capital projects	<u>12,591,963</u>	<u>-</u>	<u>12,591,963</u>
TOTAL FUND BALANCES	<u>12,591,963</u>	<u>417,855</u>	<u>13,009,818</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,591,963</u>	<u>\$ 433,422</u>	<u>\$ 13,025,385</u>

SPRING-FORD AREA SCHOOL DISTRICT**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCES****CAPITAL PROJECT FUNDS***Year Ended June 30, 2013*

	<u>Capital Reserve Fund</u>	<u>District-Wide Capital Projects Fund</u>	<u>Total Capital Project Funds</u>
REVENUES			
Local sources	\$ <u>45,609</u>	\$ <u>302</u>	\$ <u>45,911</u>
EXPENDITURES			
Instruction	-	99,134	99,134
Support services	-	509,542	509,542
Operation of non-instructional services	-	32,509	32,509
Facilities acquisition, construction and improvement services	40,226	896,018	936,244
Debt service	-	15,145,693	15,145,693
TOTAL EXPENDITURES	<u>40,226</u>	<u>16,682,896</u>	<u>16,723,122</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,383</u>	<u>(16,682,594)</u>	<u>(16,677,211)</u>
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	14,355,000	14,355,000
Premium on refunding bonds issued	-	790,693	790,693
Transfers out	-	(4,255)	(4,255)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>15,141,438</u>	<u>15,141,438</u>
NET CHANGE IN FUND BALANCES	5,383	(1,541,156)	(1,535,773)
FUND BALANCES AT BEGINNING OF YEAR	<u>12,586,580</u>	<u>1,959,011</u>	<u>14,545,591</u>
FUND BALANCES AT END OF YEAR	<u>\$ 12,591,963</u>	<u>\$ 417,855</u>	<u>\$ 13,009,818</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
Year Ended June 30, 2013

	<u>Athletic Activities</u>
REVENUES	
Local sources	
Admissions	\$ 109,513
Interest	<u>94</u>
TOTAL REVENUES	<u>109,607</u>
EXPENDITURES	
Operation of non-instructional services	
Salaries	4,410
Employee benefits	498
Professional fees	50,961
Repairs and maintenance	13,485
Rental of equipment	7,404
Contracted carriers	81,341
Travel	7,203
General supplies	43,723
Books and periodicals	2,776
Equipment	102,424
Dues and fees	22,080
Miscellaneous	<u>2,693</u>
TOTAL EXPENDITURES	<u>338,998</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (229,391)</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOOD SERVICE FUND
Year Ended June 30, 2013

REVENUES

Sale of food	\$ 2,104,499
Special functions	8,618
Federal subsidies	469,832
State subsidies	50,911
Interest	740
Donated foods	110,748
State reimbursements	
Social Security	39,991
Retirement	64,991
Refunds and other miscellaneous revenues	<u>15,887</u>

TOTAL REVENUES 2,866,217

COST OF GOODS SOLD

Beginning inventory	63,026
Food and milk	956,198
Donated foods	110,749
Supplies	<u>81,470</u>
	1,211,443
Ending inventory	<u>(70,898)</u>
TOTAL COST OF GOODS SOLD	<u>1,140,545</u>

GROSS PROFIT 1,725,672

EXPENSES

Salaries	1,074,356
Employee benefits	603,433
Disposal services	15,528
Repairs and maintenance	57,985
Communication	3,093
Dues and fees	12,843
Depreciation	<u>28,766</u>
TOTAL EXPENSES	<u>1,796,004</u>

CHANGE IN NET POSITION BEFORE TRANSFER (70,332)

TRANSFER IN

15,132

CHANGE IN NET POSITION (55,200)

NET POSITION AT BEGINNING OF YEAR

578,747

NET POSITION AT END OF YEAR \$ 523,547

SPRING-FORD AREA SCHOOL DISTRICT
COMBINING SCHEDULES OF FIDUCIARY NET POSITION
AND CHANGES IN FIDUCIARY NET POSITION
SCHOLARSHIP TRUST FUNDS
June 30, 2013

	W. S. Griffith Memorial Scholarship Fund	Edwind R. Thomas Trust Fund	Alvin P. Harley Memorial Scholarship Fund	Deserving Students Scholarship Fund	Barbara Karwoski Scholarship Fund	David Freed Memorial Scholarship Fund
SCHEDULE OF FIDUCIARY NET POSITION						
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	7,480	31,128	4,498	389	4,714	4,327
TOTAL ASSETS	7,480	31,128	4,498	389	4,714	4,327
LIABILITIES						
Accounts payable	-	-	-	1,439	-	-
NET POSITION	\$ 7,480	\$ 31,128	\$ 4,498	\$ (1,050)	\$ 4,714	\$ 4,327
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION						
ADDITIONS						
Investment earnings	\$ 34	\$ 9	\$ 1	\$ -	\$ 41	\$ 20
DEDUCTIONS						
Scholarships awarded and fees paid	200	-	50	-	250	190
CHANGE IN NET POSITION	(166)	9	(49)	-	(209)	(170)
NET POSITION AT BEGINNING OF YEAR	7,646	31,119	4,547	(1,050)	4,923	4,497
NET POSITION AT END OF YEAR	\$ 7,480	\$ 31,128	\$ 4,498	\$ (1,050)	\$ 4,714	\$ 4,327

<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>
\$ -	\$ -	\$ 1,567	\$ -	\$ -	\$ -	\$ 895	\$ 369	\$ 2,831
<u>1,439</u>	<u>1,306</u>	<u>-</u>	<u>519</u>	<u>12,121</u>	<u>628</u>	<u>-</u>	<u>20,000</u>	<u>88,549</u>
1,439	1,306	1,567	519	12,121	628	895	20,369	91,380
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,514</u>
<u>\$ 1,439</u>	<u>\$ 1,306</u>	<u>\$ 1,567</u>	<u>\$ 519</u>	<u>\$ 12,046</u>	<u>\$ 628</u>	<u>\$ 895</u>	<u>\$ 20,369</u>	<u>\$ 89,866</u>
\$ 11	\$ -	\$ 2	\$ -	\$ -	\$ 3	\$ 38	\$ 95	\$ 254
<u>50</u>	<u>100</u>	<u>250</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>400</u>	<u>5,490</u>
(39)	(100)	(248)	(2,000)	-	3	(1,962)	(305)	(5,236)
<u>1,478</u>	<u>1,406</u>	<u>1,815</u>	<u>2,519</u>	<u>12,046</u>	<u>625</u>	<u>2,857</u>	<u>20,674</u>	<u>95,102</u>
<u>\$ 1,439</u>	<u>\$ 1,306</u>	<u>\$ 1,567</u>	<u>\$ 519</u>	<u>\$ 12,046</u>	<u>\$ 628</u>	<u>\$ 895</u>	<u>\$ 20,369</u>	<u>\$ 89,866</u>

SPRING-FORD AREA SCHOOL DISTRICT
COMBINING BALANCE SHEET
AGENCY FUNDS
June 30, 2013

	<u>Activity Funds</u>	<u>Premium Escrow Fund</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ <u>206,639</u>	\$ <u>300</u>	\$ <u>206,939</u>
LIABILITIES			
Accounts payable	\$ <u>206,639</u>	\$ <u>300</u>	\$ <u>206,939</u>

SPRING-FORD AREA SCHOOL DISTRICT
COMBINING SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ <u>218,993</u>	\$ <u>399,656</u>	\$ <u>412,010</u>	\$ <u>206,639</u>
LIABILITIES				
Accounts payable	\$ <u>218,993</u>	\$ <u>399,656</u>	\$ <u>412,010</u>	\$ <u>206,639</u>
PREMIUM ESCROW FUND				
ASSETS				
Cash and cash equivalents	\$ <u>300</u>	\$ <u>570,102</u>	\$ <u>570,102</u>	\$ <u>300</u>
LIABILITIES				
Accounts payable	\$ <u>300</u>	\$ <u>570,102</u>	\$ <u>570,102</u>	\$ <u>300</u>
AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ <u>219,293</u>	\$ <u>969,758</u>	\$ <u>982,112</u>	\$ <u>206,939</u>
LIABILITIES				
Accounts payable	\$ <u>219,293</u>	\$ <u>969,758</u>	\$ <u>982,112</u>	\$ <u>206,939</u>

SPRING-FORD AREA SCHOOL DISTRICT

SCHEDULE OF ADDITIONS AND DELETIONS

ACTIVITY FUNDS

Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
SENIOR HIGH SCHOOL				
Anchor Club	\$ 190	\$ -	\$ 160	\$ 30
Arboretum Club	105	63	61	107
Art Enrichment	2,000	3,492	3,583	1,909
Class of 2013	4,981	4,130	6,796	2,315
Class of 2014	14,120	61,568	61,102	14,586
Class of 2015	5,944	11,958	7,253	10,649
Class of 2016	-	9,790	6,994	2,796
Commencement	2,400	22,268	23,050	1,618
Culture Awareness Club	647	55	50	652
Family and Consumer Science Club	598	4,661	4,691	568
FBLA	47	380	360	67
French Club	1,404	-	50	1,354
German Club	1,059	1,409	1,424	1,044
Honor Society	2,129	2,991	2,106	3,014
In/Out Club	-	74,844	74,844	-
Key Club	178	204	180	202
Library Club	6,574	3,957	8,673	1,858
Math Club	1,162	630	1,134	658
Minorities Coming Together	321	-	89	232
Pep Club	1,013	144	129	1,028
Rampage	705	866	1,505	66
Rotary/Interact	1,217	2,130	2,394	953
SADD	7,915	16,046	20,419	3,542
Science Club	44	94	55	83
SNAP	712	1,000	59	1,653
Spanish Club	230	2,007	2,165	72
Student Council	14,976	13,305	18,577	9,704
Theater	5,409	13,149	13,131	5,427
WSFTV	8,493	6,380	6,300	8,573
Yearbook	35,327	23,430	30,400	28,357
TOTAL FORWARD	\$ 119,900	\$ 280,951	\$ 297,734	\$ 103,117

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF ADDITIONS AND DELETIONS
ACTIVITY FUNDS
Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
SENIOR HIGH SCHOOL				
TOTAL FORWARDED	\$ <u>119,900</u>	\$ <u>280,951</u>	\$ <u>297,734</u>	\$ <u>103,117</u>
8TH GRADE				
Drama Club	3,043	1,077	848	3,272
Family and Consumer Science Club	199	3,988	3,802	385
In/Out Club	1,820	65,428	64,301	2,947
Junior Honor Society	1	-	-	1
Newspaper	1,431	-	-	1,431
Radio Club	459	-	12	447
Student Fund	44,987	6,428	6,319	45,096
Student Government	1,060	-	-	1,060
World Language Club	660	2,460	2,420	700
Yearbook	3,510	4,612	-	8,122
TOTAL 8TH GRADE	<u>57,170</u>	<u>83,993</u>	<u>77,702</u>	<u>63,461</u>
7TH GRADE				
Arboretum Club	34	-	-	34
Builders Club	50	132	68	114
Courtyard	773	345	220	898
Drama Club	31	-	-	31
Family and Consumer Science Club	92	-	-	92
In/Out Club	4,506	1,651	6,457	(300)
Language	36	-	-	36
Newspaper	187	-	-	187
School Store	893	3,671	2,723	1,841
SFTV	59	-	-	59
Student Fund	30,716	20,387	16,953	34,150
Student Government	2,224	223	178	2,269
Yearbook	2,322	8,303	9,975	650
TOTAL 7TH GRADE	<u>41,923</u>	<u>34,712</u>	<u>36,574</u>	<u>40,061</u>
TOTAL ALL ACTIVITY FUNDS	\$ <u><u>218,993</u></u>	\$ <u><u>399,656</u></u>	\$ <u><u>412,010</u></u>	\$ <u><u>206,639</u></u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF GENERAL OBLIGATION BONDS
Year Ended June 30, 2013

SERIES OF 2005

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>\$ 24,230,000</u>		<u>\$ 5,634,538</u>	<u>\$ 29,864,538</u>

SERIES OF 2007

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>	4.75%	<u>218,738</u>	<u>4,823,738</u>
	<u>\$ 30,495,000</u>		<u>\$ 11,839,782</u>	<u>\$ 42,334,782</u>

SPRING-FORD AREA SCHOOL DISTRICT**SCHEDULE OF GENERAL OBLIGATION BONDS***Year Ended June 30, 2013***SERIES A OF 2007**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013 to 2014	\$ 930,000	4.00%	\$ 1,192,416	\$ 2,122,416
2014 to 2015	970,000	4.00%	1,155,216	2,125,216
2015 to 2016	1,000,000	4.50%	1,116,416	2,116,416
2016 to 2017	1,045,000	5.00%	1,071,416	2,116,416
2017 to 2018	1,090,000	4.00%	1,019,166	2,109,166
2018 to 2019	1,125,000	4.00%	975,566	2,100,566
2019 to 2020	1,170,000	4.00%	930,566	2,100,566
2020 to 2021	1,220,000	4.05%	883,766	2,103,766
2021 to 2022	1,255,000	4.13%	834,356	2,089,356
2022 to 2023	1,310,000	4.20%	782,588	2,092,588
2023 to 2024	1,365,000	4.25%	727,568	2,092,568
2024 to 2025	1,420,000	4.25%	669,555	2,089,555
2025 to 2026	1,485,000	4.30%	609,205	2,094,205
2026 to 2027	1,540,000	4.30%	545,350	2,085,350
2027 to 2028	1,600,000	4.40%	479,130	2,079,130
2028 to 2029	1,670,000	4.40%	408,730	2,078,730
2029 to 2030	1,745,000	4.50%	335,250	2,080,250
2030 to 2031	1,820,000	4.50%	256,725	2,076,725
2031 to 2032	1,900,000	4.50%	174,825	2,074,825
2032 to 2033	1,985,000	4.50%	89,325	2,074,325
	<u>\$ 27,645,000</u>		<u>\$ 14,257,135</u>	<u>\$ 41,902,135</u>

SERIES OF 2010

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>\$ 9,945,000</u>		<u>\$ 1,792,256</u>	<u>\$ 11,737,256</u>

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF GENERAL OBLIGATION BONDS
Year Ended June 30, 2013

SERIES OF 2012

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013 to 2014	\$ 2,110,000	1.25%	\$ 874,925	\$ 2,984,925
2014 to 2015	2,150,000	2.00%	848,550	2,998,550
2015 to 2016	2,185,000	3.00%	805,550	2,990,550
2016 to 2017	2,260,000	3.00%	740,000	3,000,000
2017 to 2018	2,320,000	4.00%	672,200	2,992,200
2018 to 2019	2,410,000	5.00%	579,400	2,989,400
2019 to 2020	2,535,000	4.00%	458,900	2,993,900
2020 to 2021	2,630,000	4.00%	357,500	2,987,500
2021 to 2022	2,745,000	4.00%	252,300	2,997,300
2022 to 2023	2,850,000	5.00%	142,500	2,992,500
	<u>\$ 24,195,000</u>		<u>\$ 5,731,825</u>	<u>\$ 29,926,825</u>

SERIES A OF 2012

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013 to 2014	\$ 2,250,000	3.00%	\$ 440,901	\$ 2,690,901
2014 to 2015	3,525,000	1.73%	306,850	3,831,850
2015 to 2016	3,585,000	2.76%	245,900	3,830,900
2016 to 2017	3,685,000	2.92%	146,850	3,831,850
2017 to 2018	1,310,000	3.00%	39,300	1,349,300
	<u>\$ 14,355,000</u>		<u>\$ 1,179,801</u>	<u>\$ 15,534,801</u>

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Spring-Ford Area School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Spring-Ford Area School District's basic financial statements, and have issued our report thereon dated December 6, 2013.

Internal Control Over Financial Reporting

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

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

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

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

Purpose of this Report

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

Maillie LLP

Oaks, Pennsylvania
December 6, 2013

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report 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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the Spring-Ford Area School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) 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, 2013. Spring-Ford Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Spring-Ford Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Spring-Ford Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Spring-Ford Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Spring-Ford Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Spring-Ford Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Maullie LLP

Oaks, Pennsylvania
December 6, 2013

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

SPRING-FORD AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Title I Improving Basic Programs	I	84.010	013-130414	July 1, 2012 to September 30, 2013
Title II Improving Teacher Quality	I	84.367	020-130414	July 1, 2012 to September 30, 2013
Title II Improving Teacher Quality	I	84.367	020-120414	July 1, 2012 to September 30, 2013
ARRA - Education Jobs Fund	I	84.410	140-120414	July 1, 2012 to September 30, 2013
Passed through the Montgomery County Intermediate Unit				
Title III Language Instruction	I	84.365	N/A	August 3, 2012 to September 30, 2013
Individual Disability Education Act	I	84.027	N/A	July 1, 2012 to September 30, 2013
Individual Disability Education Act - Section 619	I	84.173	N/A	July 1, 2011 to September 30, 2012
Individual Disability Education Act - Section 619	I	84.173	N/A	July 1, 2012 to September 30, 2013
TOTAL U.S. DEPARTMENT OF EDUCATION				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Pennsylvania Department of Public Welfare				
Medical Assistance Reimbursement	I	93.778	N/A	July 1, 2012 to September 30, 2013
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2012 to September 30, 2013
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2011 to September 30, 2012
National School Lunch Program, State	S	N/A	N/A	July 1, 2012 to September 30, 2013
National School Lunch Program, State	S	N/A	N/A	July 1, 2011 to September 30, 2012
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program	I	10.555	N/A	July 1, 2012 to September 30, 2013
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND STATE AWARDS				
LESS STATE SHARE				
TOTAL FEDERAL AWARDS				

Footnotes:

- (A) Total amount of donated foods received from Department of Agriculture.
- (B) Beginning inventory at July 1, 2012.
- (C) Total amount of donated foods used.
- (D) Ending inventory at June 30, 2013.

Source Codes:

- I = Indirect funding
- S = State share

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

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2012</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2013</u>	<u>Amount Refunded</u>
\$ 235,733	\$ 164,836	\$ -	\$ 164,836	\$ 164,836	\$ -	\$ -
113,703	113,703	-	113,703	113,703	-	-
95,960	95,960	-	95,960	95,960	-	-
9,587	9,587	-	9,587	9,587	-	-
12,765	5,348	1,740	7,218	7,218	3,610	-
1,581,415	1,581,415	-	1,581,415	1,581,415	-	-
13,240	13,240	13,240	-	-	-	-
7,879	-	-	7,879	7,879	7,879	-
	<u>1,984,089</u>	<u>14,980</u>	<u>1,980,598</u>	<u>1,980,598</u>	<u>11,489</u>	<u>-</u>
14,048	<u>14,048</u>	<u>-</u>	<u>14,048</u>	<u>14,048</u>	<u>-</u>	<u>-</u>
N/A	443,414	-	469,832	469,832	25,730	(688)
N/A	70,440	70,440	-	-	-	-
N/A	48,175	-	50,910	50,910	2,735	-
N/A	10,682	10,682	-	-	-	-
N/A	<u>117,732 (A)</u>	<u>(19,474) (B)</u>	<u>110,749</u>	<u>110,749</u>	<u>(26,457) (D)</u>	<u>-</u>
	<u>690,443</u>	<u>61,648</u>	<u>631,491</u>	<u>631,491</u>	<u>2,008</u>	<u>(688)</u>
	2,688,580	76,628	2,626,137	2,626,137	13,497	(688)
	<u>(58,857)</u>	<u>(10,682)</u>	<u>(50,910)</u>	<u>(50,910)</u>	<u>(2,735)</u>	<u>-</u>
	<u>\$ 2,629,723</u>	<u>\$ 65,946</u>	<u>\$ 2,575,227</u>	<u>\$ 2,575,227</u>	<u>\$ 10,762</u>	<u>\$ (688)</u>

SPRING-FORD AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
Year Ended June 30, 2013

NOTE A BASIS OF ACCOUNTING

All expenditures included in the schedule of expenditures of federal and certain 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 certain 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, 2013

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified 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 for Each Major Federal Program and Report 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 unmodified 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
Preschool Grants (IDEA, Section 619)	84.173

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.