

# **SPRING-FORD AREA SCHOOL DISTRICT**

## **ANNUAL FINANCIAL REPORT**

*Year Ended June 30, 2014*



*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

# SPRING-FORD AREA SCHOOL DISTRICT

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2014

---

	<b>Page</b>
<b>Introductory Section</b>	
Table of Contents	1
<b>Financial Section</b>	
Independent Auditors' Report	4
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
<b><i>Government-Wide Financial Statements</i></b>	
Statement of Net Position	20
Statement of Activities	21
<b><i>Fund Financial Statements</i></b>	
<b><i>Governmental Funds</i></b>	
Balance Sheet	22
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	25
<b><i>Proprietary Fund</i></b>	
Statement of Net Position	27
Statement of Revenues, Expenses and Changes in Net Position	28
Statement of Cash Flows	29

# SPRING-FORD AREA SCHOOL DISTRICT

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2014

---

	<b>Page</b>
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	31
Statement of Changes in Fiduciary Net Position	32
<b>Notes to the Basic Financial Statements</b>	<b>33</b>
Required Supplementary Information	
Budgetary Comparison Schedule	57
Note to the Budgetary Comparison Schedule	58
Postemployment Benefits Other Than Pension Funding Progress	59
<b>Supplementary Information Section</b>	
<i>General Fund</i>	
Schedule of Tax Collectors' Receipts	60
Schedule of Revenues, Expenditures and Changes in Fund Balance	61
<i>Capital Project Funds</i>	
Combining Balance Sheet	64
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	65
<i>Athletic Activities</i>	
Schedule of Revenues and Expenditures	66
<i>Food Service Fund</i>	
Schedule of Revenues, Expenses and Changes in Net Position	67
<i>Scholarship Trust Funds</i>	
Combining Schedule of Fiduciary Net Position	68
Combining Schedule of Changes in Fiduciary Net Position	68

**SPRING-FORD AREA SCHOOL DISTRICT**  
**TABLE OF CONTENTS**  
**YEAR ENDED JUNE 30, 2014**

---

	<b>Page</b>
<i>Agency Funds</i>	
Combining Balance Sheet	69
Combining Schedule of Changes in Assets and Liabilities	70
<i>Activity Funds</i>	
Schedule of Additions and Deletions	71
<i>General Long-Term Debt</i>	
Schedule of General Obligation Bonds, Series of 2005	73
Schedule of General Obligation Bonds, Series of 2007	73
Schedule of General Obligation Bonds, Series A of 2007	74
Schedule of General Obligation Bonds, Series of 2010	74
Schedule of General Obligation Bonds, Series of 2012	75
Schedule of General Obligation Bonds, Series A of 2012	75
<b>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</b>	76
<b>Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133</b>	78
<b>Supplementary Information - Major Federal Award Programs Audit</b>	
Schedule of Expenditures of Federal and Certain State Awards	80
Notes to the Schedule of Expenditures of Federal and Certain State Awards	81
Schedule of Findings and Questioned Costs	82

## **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, 2014, 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, 2014, 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

### **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 15, 2014, 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 15, 2014



**SPRING-FORD AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2014

---

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, 2014. 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 2013-2014, 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 2013-2014 with assets and deferred outflows of resources of \$249,838,733 exceeding liabilities of \$146,047,427 by \$103,791,306--an overall increase from the prior year of \$9,903,951.

- The governmental activities total assets increased by \$268,004.
- The District's business-type activities, which are comprised of the Food Service Fund, showed an increase of \$30,444 in total assets due to an increase in federal grant revenue.
- At the end of the current fiscal year, the unassigned, undesignated fund balance of the General Fund was \$7,121,369 compared to the prior year of \$5,861,810, an increase of \$1,259,559.
- The Board continues to review the fund balance of the District and strives to maintain the fund balance to within 5-8% of the total budgeted expenditures, or in future years will budget to replenish the fund balance, should it be necessary.

**USING THE BASIC FINANCIAL STATEMENTS**

This annual report consists of two distinct series of financial statements: 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.

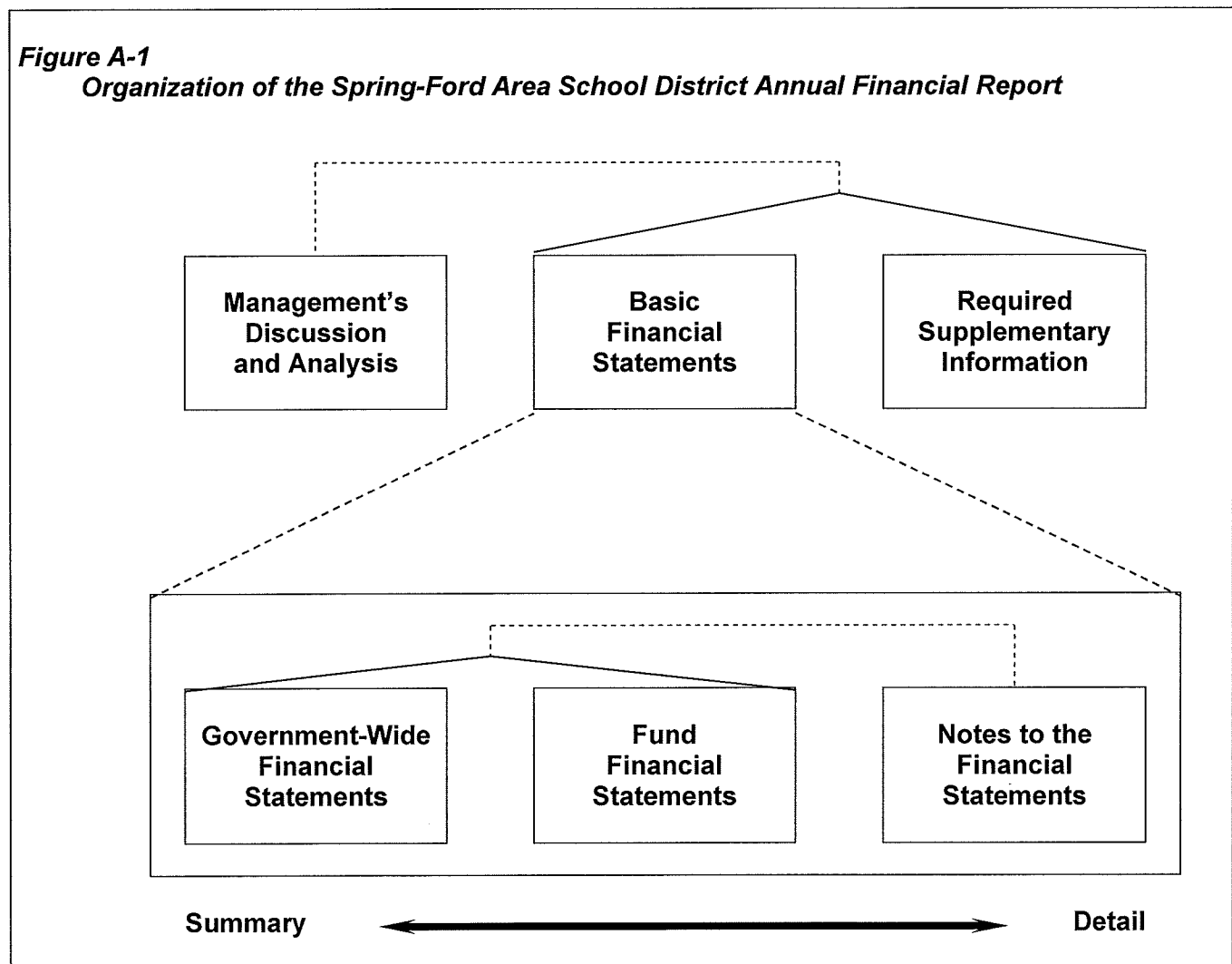
**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2014**

---

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, 2014**

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

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire School District (except Fiduciary Funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School District operates similar to private businesses: food services and adult education	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**SPRING-FORD AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2014

---

**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, 2014**

- **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 \$103,791,306 as of June 30, 2014.

**Table A-1**  
**Condensed Statement of Net Position**  
**June 30, 2014**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current and other assets	\$ 67,307,644	\$ 497,958	\$ 67,805,602
Capital assets	<u>180,878,762</u>	<u>212,011</u>	<u>181,090,773</u>
<b>TOTAL ASSETS</b>	<u>248,186,406</u>	<u>709,969</u>	<u>248,896,375</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding, net of accumulated amortization	<u>942,358</u>	-	<u>942,358</u>
<b>LIABILITIES</b>			
Current and other liabilities	15,941,683	116,816	16,058,499
Long-term liabilities	<u>129,938,448</u>	<u>50,480</u>	<u>129,988,928</u>
<b>TOTAL LIABILITIES</b>	<u>145,880,131</u>	<u>167,296</u>	<u>146,047,427</u>
<b>NET POSITION</b>			
Net investment in capital assets	56,344,072	212,011	56,556,083
Restricted	1,630,178	-	1,630,178
Unrestricted	<u>45,274,383</u>	<u>330,662</u>	<u>45,605,045</u>
<b>TOTAL NET POSITION</b>	<u>\$ 103,248,633</u>	<u>\$ 542,673</u>	<u>\$ 103,791,306</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2014**

**Table A-2**  
**Condensed Statement of Net Position**  
**June 30, 2014**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
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>
<b>TOTAL ASSETS</b>	<u>247,918,402</u>	<u>679,525</u>	<u>248,597,927</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding, net of accumulated amortization	<u>1,175,499</u>	<u>-</u>	<u>1,175,499</u>
<b>LIABILITIES</b>			
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>
<b>TOTAL LIABILITIES</b>	<u>155,730,093</u>	<u>155,978</u>	<u>155,886,071</u>
<b>NET POSITION</b>			
Net investment in capital assets, restated	51,077,981	233,461	51,311,442
Restricted	1,840,069	-	1,840,069
Unrestricted, restated	<u>40,445,758</u>	<u>290,086</u>	<u>40,735,844</u>
<b>TOTAL NET POSITION</b>	<u>\$ 93,363,808</u>	<u>\$ 523,547</u>	<u>\$ 93,887,355</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, 2014**

**Table A-3**  
**Statement of Changes in Net Position**  
**Year Ended June 30, 2014**

	Governmental Activities	Business-Type Activities	Totals
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 402,674	\$ 2,052,185	\$ 2,454,859
Operating grants and contributions	13,850,959	868,503	14,719,462
Capital grants and contributions	986,011	-	986,011
General revenues			
Property taxes	90,851,795	-	90,851,795
Other taxes	11,201,835	-	11,201,835
Grants, subsidies and contributions, unrestricted	11,150,837	-	11,150,837
Investment earnings	180,660	823	181,483
Other	546,895	-	546,895
<b>TOTAL REVENUES</b>	<u>129,171,666</u>	<u>2,921,511</u>	<u>132,093,177</u>
<b>EXPENSES</b>			
Instruction	72,991,987	-	72,991,987
Instructional student support	9,285,909	-	9,285,909
Administrative and financial support	9,669,972	-	9,669,972
Operation and maintenance of plant	9,855,582	-	9,855,582
Pupil transportation	6,915,499	-	6,915,499
Student activities	2,034,413	-	2,034,413
Community services	76,859	-	76,859
Interest on long-term debt	4,440,922	-	4,440,922
Depreciation, unallocated	4,015,698	-	4,015,698
Food services	-	2,902,385	2,902,385
<b>TOTAL EXPENSES</b>	<u>119,286,841</u>	<u>2,902,385</u>	<u>122,189,226</u>
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>	9,884,825	19,126	9,903,951
<b>CHANGE IN NET POSITION</b>	9,884,825	19,126	9,903,951
<b>NET POSITION, BEGINNING</b>	<u>93,363,808</u>	<u>523,547</u>	<u>93,887,355</u>
<b>NET POSITION, ENDING</b>	<u>\$ 103,248,633</u>	<u>\$ 542,673</u>	<u>\$ 103,791,306</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2014**

**Table A-4**  
**Statement of Changes in Net Position**  
**Year Ended June 30, 2014**

	Governmental Activities	Business-Type Activities	Totals
<b>REVENUES</b>			
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
<b>TOTAL REVENUES</b>	<b>126,319,451</b>	<b>2,866,217</b>	<b>129,185,668</b>
<b>EXPENSES</b>			
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
<b>TOTAL EXPENSES</b>	<b>117,000,650</b>	<b>2,936,549</b>	<b>119,937,199</b>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	<b>9,318,801</b>	<b>(70,332)</b>	<b>9,248,469</b>
<b>TRANSFERS</b>	<b>(15,132)</b>	<b>15,132</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>9,303,669</b>	<b>(55,200)</b>	<b>9,248,469</b>
<b>NET POSITION, BEGINNING, restated</b>	<b>84,060,139</b>	<b>578,747</b>	<b>84,638,886</b>
<b>NET POSITION, ENDING</b>	<b>\$ 93,363,808</b>	<b>\$ 523,547</b>	<b>\$ 93,887,355</b>



**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2014**

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, 2014 and 2013**

Functions/Programs	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 72,991,987	\$ 63,042,706	\$ 71,647,543	\$ 62,333,261
Instructional student support	9,285,909	8,353,988	8,819,859	7,936,467
Administrative	9,669,972	8,964,304	9,329,392	8,811,941
Operation and maintenance of plant	9,855,582	9,468,542	9,160,149	8,836,511
Pupil transportation	6,915,499	5,089,333	6,848,899	5,036,157
Student activities	2,034,413	1,585,047	1,781,568	1,369,311
Community services	76,859	72,668	72,883	69,225
Interest on long-term debt	4,440,922	3,454,911	5,351,228	3,930,216
Unallocated depreciation expense	4,015,698	4,015,698	3,989,129	3,989,129
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 119,286,841</b>	<b>104,047,197</b>	<b>\$ 117,000,650</b>	<b>102,312,218</b>
Less unrestricted grants, subsidies		<u>(11,150,837)</u>		<u>(10,852,270)</u>
<b>TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES</b>		<b>\$ 92,896,360</b>		<b>\$ 91,459,948</b>

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, 2014 and 2013**

Functions/Programs	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food services	\$ 2,902,385	\$ (18,303)	\$ 2,936,549	\$ 71,072
Less investment earnings		<u>(823)</u>		<u>(740)</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>		<b>\$ (19,126)</b>		<b>\$ 70,332</b>

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, 2014**

---

**THE DISTRICT FUNDS**

At June 30, 2014, the District's Governmental Funds reported a combined total fund balance of \$42,321,596.

**General Fund**

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

**Capital Project Funds**

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

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

**Debt Service Fund**

The increase was due to \$1,131,831 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, 2014**

---

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2014, the District had \$180,878,762 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 \$3,609,097 or 2.1% 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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Land	\$ 10,053,911	\$ 10,053,911
Site improvements, net of accumulated depreciation	5,110,904	5,378,637
Buildings and building improvements, net of accumulated depreciation	161,816,045	165,344,615
Furniture and equipment, net of accumulated depreciation	4,109,913	3,922,707

**Debt Administration**

**Table A-8**  
**Outstanding Debt**  
**Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>GENERAL OBLIGATION BONDS</b>		
Bonds, Series A of 2012	\$ 12,105,000	\$ 14,355,000
Bonds, Series of 2012	22,085,000	24,195,000
Bonds, Series of 2010	9,085,000	9,945,000
Bonds, Series A of 2007	26,715,000	27,645,000
Bonds, Series of 2007	30,370,000	30,495,000
Bonds, Series of 2005	22,000,000	24,230,000
	<u>\$ 122,360,000</u>	<u>\$ 130,865,000</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2014**

---

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, \$622,717 in principal was paid on the lease, leaving an estimated balance of \$13,465,635.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET 2014-2015 AND RATES**

In October 2012, Moody's assigned an Aa2 for the underlying rating on the District's \$157.5 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 2013/2014 from property growth (\$72,710,670) have affected the tax base, thus generating approximately \$1,836,235 in new tax dollars. The last five years of increases in assessment values generated Real Estate Taxes of \$4,150,798, representing a five-year average of \$830,160. In addition, the last five years of Earned Income Tax have been generating \$2,150,813, representing a five-year average of \$430,163 of additional revenue.

The District has developed many fiscal strategic planning models (included in the 2014/2015 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 (\$6,911,483) and retirement account (\$6,630,517) will be maintained to meet future financing needs. In addition, a self-insurance escrow account (\$1,351,817) was required as a reserve.

The budget for the 2014/2015 year is in the amount of \$136,988,745 and is \$5,462,887 more than the budget for 2013/2014. This represents a 4.15% increase in budget. The District needed to increase the property tax rate 0.492 of a mill from 25.254 to 25.746 (\$.492 per \$1,000 of assessed value), representing a 1.95% tax increase. The state cap index was 2.10 without allowable exceptions. The difference in percentage between the budget increase and tax increase is due to the increase of the retirement rate from 16.93% to 21.40%, 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, 2014**

---

The comparison of revenue and expenditure categories is as follows:

**Table A-9**  
**Budgeted Revenues**

	<u>2013-2014</u>	<u>2012-2013</u>
Local	81.09%	81.08%
State	18.36%	18.01%
Federal/other	0.55%	0.91%

Please note there is no more federal stimulus revenue.

**Table A-10**  
**Budgeted Expenditures**

	<u>2013-2014</u>	<u>2012-2013</u>
Instruction	57.85%	57.70%
Support services	29.68%	28.59%
Non-instruction/community	1.60%	1.69%
Fund transfers/debt	10.87%	12.02%

**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, 2017.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2014**

---

**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 \$6,600,000 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.

**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, 2014**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 35,655,114	\$ 130,360	\$ 35,785,474
Investments	22,276,820	549,658	22,826,478
Investments, restricted (Note S)	1,351,817	-	1,351,817
Taxes receivable, net	3,621,039	-	3,621,039
Internal balances	272,872	(272,872)	-
Due from other governments	2,139,149	30,742	2,169,891
Other receivables, net	782,875	580	783,455
Inventories	673,185	59,490	732,675
Prepaid expenses	534,773	-	534,773
Capital assets, net of accumulated depreciation			
Land	10,053,911	-	10,053,911
Site improvements	5,110,904	-	5,110,904
Buildings and building improvements	161,816,045	-	161,816,045
Furniture and equipment	3,897,902	212,011	4,109,913
TOTAL ASSETS	<u>248,186,406</u>	<u>709,969</u>	<u>248,896,375</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding, net of accumulated amortization	942,358	-	942,358
<b>LIABILITIES</b>			
Due to other governments	644,129	-	644,129
Accounts payable	4,192,936	53	4,192,989
Accrued salaries and benefits	9,322,746	-	9,322,746
Accrued interest	1,333,275	-	1,333,275
Unearned revenue	396,861	116,763	513,624
Other liabilities	51,736	-	51,736
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	9,995,000	-	9,995,000
Compensated absences	165,026	-	165,026
Portion due or payable after one year			
Bonds payable	115,646,011	-	115,646,011
Compensated absences	1,802,790	50,480	1,853,270
Other postemployment benefits	2,329,621	-	2,329,621
TOTAL LIABILITIES	<u>145,880,131</u>	<u>167,296</u>	<u>146,047,427</u>
<b>NET POSITION</b>			
Net investment in capital assets	56,344,072	212,011	56,556,083
Restricted for			
Capital projects	86,038	-	86,038
Self-funded insurance	1,351,817	-	1,351,817
Special education compensatory	192,323	-	192,323
Unrestricted	45,274,383	330,662	45,605,045
TOTAL NET POSITION	<u>\$ 103,248,633</u>	<u>\$ 542,673</u>	<u>\$ 103,791,306</u>

See accompanying notes to the basic financial statements.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular programs	\$ 47,937,288	\$ 75,327	\$ 3,814,352	\$ -
Special programs	22,474,061	-	5,673,387	-
Vocational education programs	2,534,545	-	-	-
Other instructional programs	46,093	-	386,215	-
Support services				
Pupil personnel services	4,103,765	-	320,856	-
Instructional staff services	3,213,508	-	353,060	-
Administration services	6,451,918	-	445,306	-
Pupil health services	1,968,636	-	258,005	-
Business services	849,943	-	132,264	-
Operation and maintenance of plant services	9,855,582	-	387,040	-
Student transportation services	6,915,499	-	1,826,166	-
Central services	2,258,914	-	128,098	-
Other services	109,197	-	-	-
Operation of non-instructional services				
Student activities	2,034,413	327,347	122,019	-
Community services	76,859	-	4,191	-
Interest on long-term debt	4,440,922	-	-	986,011
Depreciation, unallocated	4,015,698	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>119,286,841</b>	<b>402,674</b>	<b>13,850,959</b>	<b>986,011</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service	2,902,385	2,052,185	868,503	-
<b>TOTAL DISTRICT ACTIVITIES</b>	<b>\$ 122,189,226</b>	<b>\$ 2,454,859</b>	<b>\$ 14,719,462</b>	<b>\$ 986,011</b>

**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

**TOTAL GENERAL REVENUES**

**CHANGE IN NET POSITION**

**NET POSITION AT BEGINNING OF YEAR**

**NET POSITION AT END OF YEAR**

*See accompanying notes to the basic financial statements.*



Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (44,047,609)	\$ -	\$ (44,047,609)
(16,800,674)	-	(16,800,674)
(2,534,545)	-	(2,534,545)
340,122	-	340,122
(3,782,909)	-	(3,782,909)
(2,860,448)	-	(2,860,448)
(6,006,612)	-	(6,006,612)
(1,710,631)	-	(1,710,631)
(717,679)	-	(717,679)
(9,468,542)	-	(9,468,542)
(5,089,333)	-	(5,089,333)
(2,130,816)	-	(2,130,816)
(109,197)	-	(109,197)
(1,585,047)	-	(1,585,047)
(72,668)	-	(72,668)
(3,454,911)	-	(3,454,911)
(4,015,698)	-	(4,015,698)
<u>(104,047,197)</u>	<u>-</u>	<u>(104,047,197)</u>
-	18,303	18,303
<u>(104,047,197)</u>	<u>18,303</u>	<u>(104,028,894)</u>
90,851,795	-	90,851,795
119,893	-	119,893
1,522,041	-	1,522,041
9,119,067	-	9,119,067
440,834	-	440,834
11,035,909	-	11,035,909
180,660	823	181,483
661,823	-	661,823
<u>113,932,022</u>	<u>823</u>	<u>113,932,845</u>
9,884,825	19,126	9,903,951
<u>93,363,808</u>	<u>523,547</u>	<u>93,887,355</u>
<u>\$ 103,248,633</u>	<u>\$ 542,673</u>	<u>\$ 103,791,306</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 18,664,479	\$ 10,079,152	\$ 6,911,483	\$ 35,655,114
Investments	19,944,602	2,332,218	-	22,276,820
Investments, restricted (Note S)	1,351,817	-	-	1,351,817
Taxes receivable	3,621,039	-	-	3,621,039
Due from other funds	272,872	1,000,000	1,131,831	2,404,703
Due from other governments	2,139,149	-	-	2,139,149
Other receivables	782,875	-	-	782,875
Prepaid items	534,773	-	-	534,773
<b>TOTAL ASSETS</b>	<b>\$ 47,311,606</b>	<b>\$ 13,411,370</b>	<b>\$ 8,043,314</b>	<b>\$ 68,766,290</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 4,187,686	\$ 5,250	\$ -	\$ 4,192,936
Due to other funds	8,762,348	-	-	8,762,348
Due to other governments	644,129	-	-	644,129
Unearned revenue	396,861	-	-	396,861
Accrued salaries and benefits	9,322,746	-	-	9,322,746
Other liabilities	51,736	-	-	51,736
Current portion of compensated absences	165,026	-	-	165,026
<b>TOTAL LIABILITIES</b>	<b>23,530,532</b>	<b>5,250</b>	<b>-</b>	<b>23,535,782</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue, property taxes	2,908,912	-	-	2,908,912
<b>FUND BALANCES</b>				
Nonspendable, prepaid expenses	534,773	-	-	534,773
Restricted for				
Capital projects	-	86,038	-	86,038
Self-funded insurance	1,351,817	-	-	1,351,817
Special education compensatory	192,323	-	-	192,323
Committed to				
Capital projects	-	13,320,082	-	13,320,082
Future retirement rate increase	4,002,415	-	-	4,002,415
Assigned to				
Subsequent year's budget, payroll and benefits	3,500,000	-	-	3,500,000
Future tax assessment appeals	4,169,465	-	-	4,169,465
Debt service	-	-	8,043,314	8,043,314
Unassigned	7,121,369	-	-	7,121,369
<b>TOTAL FUND BALANCES</b>	<b>20,872,162</b>	<b>13,406,120</b>	<b>8,043,314</b>	<b>42,321,596</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 47,311,606</b>	<b>\$ 13,411,370</b>	<b>\$ 8,043,314</b>	<b>\$ 68,766,290</b>

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, 2014**

---

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 42,321,596

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

Land	10,053,911
Site improvements	5,110,904
Buildings and building improvements	161,816,045
Furniture and equipment	3,897,902

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

Deferred charges	1,412,709
Accumulated amortization	(470,351)

The assets and liabilities of certain Internal Service Funds are not included in the fund financial statements but are included in the governmental activities on the statement of net position.

6,630,517

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

Accrued interest	(1,333,275)
Bonds payable	(125,641,011)
Compensated absences	(1,802,790)
Other postemployment benefits	(2,329,621)

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.

673,185

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.

2,908,912

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 103,248,633

*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, 2014**

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources	\$ 104,216,162	\$ 42,622	\$ 17,705	\$ 104,276,489
State sources	23,444,638	-	-	23,444,638
Federal sources	821,543	-	-	821,543
<b>TOTAL REVENUES</b>	<u>128,482,343</u>	<u>42,622</u>	<u>17,705</u>	<u>128,542,670</u>
<b>EXPENDITURES</b>				
Instruction	72,488,911	127,823	-	72,616,734
Support services	35,674,777	355,333	-	36,030,110
Operation of non-instructional services	2,079,359	-	-	2,079,359
Facilities acquisition, construction and improvement services	-	163,164	-	163,164
Debt service	13,705,204	-	-	13,705,204
Refund of prior year revenues	799	-	-	799
<b>TOTAL EXPENDITURES</b>	<u>123,949,050</u>	<u>646,320</u>	<u>-</u>	<u>124,595,370</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>4,533,293</u>	<u>(603,698)</u>	<u>17,705</u>	<u>3,947,300</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	1,000,000	1,131,831	2,131,831
Transfers out	(8,762,348)	-	-	(8,762,348)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(8,762,348)</u>	<u>1,000,000</u>	<u>1,131,831</u>	<u>(6,630,517)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(4,229,055)	396,302	1,149,536	(2,683,217)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>25,101,217</u>	<u>13,009,818</u>	<u>6,893,778</u>	<u>45,004,813</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 20,872,162</u>	<u>\$ 13,406,120</u>	<u>\$ 8,043,314</u>	<u>\$ 42,321,596</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, 2014

---

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD

\$ (2,683,217)

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 (\$4,560,923) exceeds capital outlays (\$973,276) in the current period.

(3,587,647)

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

629,795

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.

602,630

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

8,505,000

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

156,652

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).

(133,273)

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.

(301,826)

SUBTOTAL ADJUSTMENTS FORWARD

\$ 5,871,331

# 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, 2014

---

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ (2,683,217)
SUBTOTAL ADJUSTMENTS FORWARDED	5,871,331
<p>The Internal Service Fund is used by management to charge the costs of certain activities, such as health insurance, to individual funds. The net revenue (expense) of the Internal Service Fund is reported with governmental activities.</p>	6,630,517
<p>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.</p>	<u>66,194</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 9,884,825</u></u>

*See accompanying notes to the basic financial statements.*

**SPRING-FORD AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Food Service Fund	Self-Insurance Fund
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 130,360	\$ -
Investments	549,658	-
Due from other funds	-	6,630,517
Due from other governments	30,742	-
Other receivables	580	-
Inventories	59,490	-
	<u>770,830</u>	<u>6,630,517</u>
TOTAL CURRENT ASSETS		
<b>CAPITAL ASSETS</b>		
Furniture and equipment	1,128,007	-
Accumulated depreciation	(915,996)	-
TOTAL CAPITAL ASSETS	<u>212,011</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 982,841</u>	<u>\$ 6,630,517</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Due to other funds	\$ 272,872	\$ -
Accounts payable	53	-
Unearned revenue	116,763	-
	<u>389,688</u>	<u>-</u>
TOTAL CURRENT LIABILITIES		
<b>NONCURRENT LIABILITIES</b>		
Compensated absences	50,480	-
	<u>440,168</u>	<u>-</u>
TOTAL LIABILITIES		
<b>NET POSITION</b>		
Net investment in capital assets	212,011	-
Unrestricted	330,662	6,630,517
TOTAL NET POSITION	<u>542,673</u>	<u>6,630,517</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 982,841</u>	<u>\$ 6,630,517</u>

See accompanying notes to the basic financial statements.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Food Service Fund	Self-Insurance Fund
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,052,055	\$ -
Other	130	-
<b>TOTAL OPERATING REVENUES</b>	<u>2,052,185</u>	<u>-</u>
<b>OPERATING EXPENSES</b>		
Salaries	1,056,434	-
Employee benefits	583,231	-
Purchased property service	67,234	-
Other purchased service	3,384	-
Supplies	1,155,117	-
Depreciation	21,450	-
Other operating expenses	15,535	-
<b>TOTAL OPERATING EXPENSES</b>	<u>2,902,385</u>	<u>-</u>
<b>OPERATING LOSS</b>	<u>(850,200)</u>	<u>-</u>
<b>NONOPERATING REVENUES</b>		
Earnings on investments	823	-
State sources	180,467	-
Federal sources	688,036	-
<b>TOTAL NONOPERATING REVENUES</b>	<u>869,326</u>	<u>-</u>
<b>INCOME BEFORE FUND TRANSFERS</b>	19,126	-
<b>TRANSFER IN</b>	<u>-</u>	<u>6,630,517</u>
<b>CHANGE IN NET POSITION</b>	19,126	6,630,517
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>523,547</u>	<u>-</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 542,673</u>	<u>\$ 6,630,517</u>

*See accompanying notes to the basic financial statements.*



**SPRING-FORD AREA SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Food Service Fund	Self-Insurance Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 2,084,507	\$ -
Cash received from other revenues	130	-
Payments to employees	(1,578,651)	-
Payments to suppliers	(1,056,213)	-
Payments to other governments	(59,348)	-
NET CASH USED BY OPERATING ACTIVITIES	<u>(609,575)</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Advances from other funds	-	-
Federal sources	537,050	-
State sources	180,465	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>717,515</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(90,412)	-
Earnings on investments	823	-
NET CASH USED BY INVESTING ACTIVITIES	<u>(89,589)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,351	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>112,009</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 130,360</u>	<u>\$ -</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	Business-Type Activities	Governmental Activities
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Food Service Fund</u>	<u>Self-Insurance Fund</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (850,200)	\$ -
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	21,450	-
Donated foods	148,713	-
Decrease in		
Other receivables	18,248	-
Inventories	11,408	-
Increase (decrease) in		
Due to other funds	29,488	-
Accounts payable	(4,552)	-
Unearned revenue	14,204	-
Compensated absences	1,666	-
	<u>                    </u>	<u>                    </u>
<b>NET CASH USED BY OPERATING             ACTIVITIES</b>	<b>\$ <u>(609,575)</u></b>	<b>\$ <u>-</u></b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Noncash activities		
Donated foods	\$ 146,669	\$ -

*See accompanying notes to the basic financial statements.*

**SPRING-FORD AREA SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2014**

---

	<u>Scholarship Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,284	\$ 247,417
Investments	<u>88,375</u>	<u>-</u>
TOTAL ASSETS	91,659	<u>\$ 247,417</u>
<b>LIABILITIES</b>		
Accounts payable	<u>1,764</u>	<u>\$ 247,417</u>
<b>NET POSITION</b>		
Held in trust for benefits and other purposes	<u>\$ 89,895</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, 2014**

---

	<u>Scholarship Trust Funds</u>
ADDITIONS	
Contributions	\$ 450
Investment earnings	<u>29</u>
TOTAL ADDITIONS	479
DEDUCTIONS	
Scholarships awarded and fees paid	<u>450</u>
CHANGE IN NET POSITION	29
NET POSITION AT BEGINNING OF YEAR	<u>89,866</u>
NET POSITION AT END OF YEAR	<u><u>\$ 89,895</u></u>

*See accompanying notes to the basic financial statements.*

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**School District**

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

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

**Board of School Directors**

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

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

**Administration**

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

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reporting Entity**

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

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

**Basis of Presentation and Accounting**

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

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

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary Funds are reported using the economic resources measurement focus.

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

**Fund Accounting**

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

***Governmental Funds***

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

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

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

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

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

***Proprietary Funds***

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



**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

***Fiduciary Funds***

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

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

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

**Cash and Cash Equivalents**

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

**Investments**

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.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventories and Prepaid Items**

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

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

**Capital Assets**

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

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

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

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

**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.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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

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

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

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

**Net Position**

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

**Deferred Outflows/Inflows of Resources**

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows on the statement on net position consist of deferred charges on debt refundings, net of accumulated amortization. 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.

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.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**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, 2014, \$35,832,039 of the District's bank balance of \$36,082,039 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><u>35,832,039</u></u>
--	-----------------------------

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

**Investments**

As of June 30, 2014, 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	\$ 24,272,015	\$ 24,272,015
Certificates of deposit	<u>47,938</u>	<u>47,938</u>
	24,319,953	\$ <u><u>24,319,953</u></u>
Outstanding checks drawn on state investment pools	<u>(53,283)</u>	
	<u>\$ 24,266,670</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, 2014, the District's investment in the state investment pools was rated AAAM by Standard & Poor's.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**NOTE B - CASH AND INVESTMENTS (Continued)**

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, 2014, the District's investments in certificates of deposits did not exceed 5% of the District's total investments.

**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 \$3,707,848,392. The tax rate for the year was \$2.525 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, 2014, consisted of taxes, other revenue and intergovernmental grants and entitlements. The real estate taxes receivable account represents real estate transfer taxes and prior year uncollected tax levies. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE D - RECEIVABLES (Continued)**

A summary of receivables by fund is as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>
Real estate taxes	\$ 3,373,896	\$ -
Earned income taxes	37,005	-
Per capita taxes	5,719	-
Local service taxes	5,010	-
Transfer taxes	199,409	-
Federal subsidies	20,925	28,005
State subsidies	2,074,190	2,737
Other governments	44,034	-
Other revenue	782,875	580
	<u>\$ 6,543,063</u>	<u>\$ 31,322</u>

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

The composition of interfund balances as of June 30, 2014, is as follows:

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 272,872
Capital Project Funds	General Fund	1,000,000
Self-Insurance Fund	General Fund	6,630,517
Debt Service Fund	General Fund	<u>1,131,831</u>
		<u>\$ 9,035,220</u>

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



**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**Interfund Transfers**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Debt Service Fund	General Fund	\$ 1,131,831
Capital Project Funds	General Fund	1,000,000
Self-Insurance Fund	General Fund	6,630,517
		<u>\$ 8,762,348</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 General Fund to the Self-Insurance Fund is for health care stabilization.

**NOTE F - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 10,053,911	\$ -	\$ -	\$ 10,053,911
Capital assets being depreciated				
Site improvements	9,985,298	100,039	-	10,085,337
Buildings and building improvements	207,355,448	124,203	-	207,479,651
Furniture and equipment	11,102,762	749,034	-	11,851,796
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>228,443,508</u>	<u>973,276</u>	<u>-</u>	<u>229,416,784</u>
Accumulated depreciation				
Site improvements	(4,606,661)	(367,772)	-	(4,974,433)
Buildings and building improvements	(42,010,833)	(3,652,773)	-	(45,663,606)
Furniture and equipment	(7,413,516)	(540,378)	-	(7,953,894)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>(54,031,010)</u>	<u>(4,560,923)</u>	<u>-</u>	<u>(58,591,933)</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<u>174,412,498</u>	<u>(3,587,647)</u>	<u>-</u>	<u>170,824,851</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<u>184,466,409</u>	<u>(3,587,647)</u>	<u>-</u>	<u>180,878,762</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Furniture and equipment	1,128,007	-	-	1,128,007
Accumulated depreciation	(894,546)	(21,450)	-	(915,996)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<u>233,461</u>	<u>(21,450)</u>	<u>-</u>	<u>212,011</u>
<b>CAPITAL ASSETS, net</b>	<u>\$ 184,699,870</u>	<u>\$ (3,609,097)</u>	<u>\$ -</u>	<u>\$ 181,090,773</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**NOTE F - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION		
Regular programs		\$ 322,954
SUPPORT SERVICES		
Instructional staff services		656
Business services		539
Operation and maintenance of plant services		186,037
Student transportation services		6,374
OPERATION OF NON-INSTRUCTIONAL SERVICES		
Student activities		28,665
DEPRECIATION, unallocated		<u>4,015,698</u>
		<u>\$ 4,560,923</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, 2014, the outstanding balance of general obligation bonds issued was \$122,360,000.

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>
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	10,105,000	3,438,522	13,543,522
2020 to 2024	50,695,000	10,454,204	61,149,204
2025 to 2029	12,320,000	2,930,708	15,250,708
2030 to 2033	<u>7,450,000</u>	<u>856,125</u>	<u>8,306,125</u>
	<u>\$ 122,360,000</u>	<u>\$ 35,223,048</u>	<u>\$ 157,583,048</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

---

**NOTE H - CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
General obligation bonds		
Series of 2005	2.40% to 5.00%	9/1/2022
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
<b>TOTAL GENERAL OBLIGATION BONDS</b>		
Deferred amounts		
Issuance discount		
Issuance premium		
<b>TOTAL DEFERRED AMOUNTS</b>		
<b>TOTAL GENERAL OBLIGATION BONDS, net</b>		
Compensated absences		
Vacation pay		
Sick pay		
<b>TOTAL COMPENSATED ABSENCES</b>		
Other postemployment benefits		
<b>TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES</b>		
<b>BUSINESS-TYPE ACTIVITIES</b>		
Compensated absences, sick pay		
<b>TOTAL LONG-TERM LIABILITIES</b>		

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, 2014, was \$5,212,290. 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.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 24,230,000	\$ -	\$ (2,230,000)	\$ 22,000,000	\$ 2,330,000
30,495,000	-	(125,000)	30,370,000	130,000
27,645,000	-	(930,000)	26,715,000	970,000
9,945,000	-	(860,000)	9,085,000	890,000
24,195,000	-	(2,110,000)	22,085,000	2,150,000
14,355,000	-	(2,250,000)	12,105,000	3,525,000
<u>130,865,000</u>	<u>-</u>	<u>(8,505,000)</u>	<u>122,360,000</u>	<u>9,995,000</u>
(106,045)	-	8,822	(97,223)	-
4,222,827	-	(844,593)	3,378,234	-
<u>4,116,782</u>	<u>-</u>	<u>(835,771)</u>	<u>3,281,011</u>	<u>-</u>
<u>134,981,782</u>	<u>-</u>	<u>(9,340,771)</u>	<u>125,641,011</u>	<u>9,995,000</u>
852,971	62,263	-	915,234	113,915
<u>985,520</u>	<u>67,062</u>	<u>-</u>	<u>1,052,582</u>	<u>51,111</u>
1,838,491	129,325	-	1,967,816	165,026
<u>2,027,795</u>	<u>729,469</u>	<u>(427,643)</u>	<u>2,329,621</u>	<u>-</u>
138,848,068	858,794	(9,768,414)	129,938,448	10,160,026
48,814	1,666	-	50,480	-
<u>\$ 138,896,882</u>	<u>\$ 860,460</u>	<u>\$ (9,768,414)</u>	<u>\$ 129,988,928</u>	<u>\$ 10,160,026</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**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, 2014, the District has defeased debt outstanding of \$43,110,000.

**NOTE J - UNEARNED REVENUE**

**General Fund**

Program grants received prior to the incurrence of qualifying expenditures are recorded as unearned revenue. Unearned revenue is \$396,861, representing funds received to be used for future expenditures.

**Food Service Fund**

Unearned revenue of \$116,763 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](mailto:bgirman@pa.gov). This publication is also available on the PSERS website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**NOTE K - PENSIONS (Continued)**

**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, 2014, the rate of employer's contribution was 16.93% of covered payroll. The 16.93% rate is composed of a pension contribution rate of 16.00% for pension benefits and .93% for healthcare insurance premium assistance.

The District's contribution to PSERS for the years ended June 30, 2014, 2013 and 2012, was \$9,754,002, \$7,053,500 and \$4,870,293, respectively, equal to the required contribution for each year.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**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 \$1,001,471, 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 \$50,480, 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 \$51,111, 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, 2014, that will use currently available financial resources is \$113,915, 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, 2014, of \$801,319 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, 2014**

---

**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	91,251
Adjustment to ARC	(124,489)
ANNUAL OPEB EXPENSE	<u>729,469</u>
Net OPEB contributions during the year	(427,643)
INCREASE IN NET OPEB OBLIGATION	<u>301,826</u>
Net OPEB obligation at beginning of year	<u>2,027,795</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 2,329,621</u></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>
2012	\$ 655,970	46.0%	\$ 1,455,560
2013	738,848	22.6%	2,027,795
2014	729,469	58.6%	2,329,621



**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

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

**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, 2014**

---

**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 prior 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. Of the total repayment amount of \$1,405,859, \$310,111 was paid in cash and \$734,472 was issued in tax credits during the current fiscal year. The remainder of \$361,276 is to be a tax credit in the subsequent year.

As of June 30, 2014, 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, 2014, were \$885,544.

Future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2015	\$ 498,065
2016	498,065
2017	<u>243,107</u>
	<u>\$ 1,239,237</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**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 2013-2014 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, 2014, 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 2013-2014 was \$1,301,883.

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, 2014**

---

**NOTE Q - JOINT VENTURE (Continued)**

Future estimated minimum sublease payments are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 1,353,615
2016	1,353,838
2017	1,354,508
2018	1,353,871
2019	1,353,536
2020 to 2024	6,771,751
2025 to 2029	<u>6,770,855</u>
	<u>\$ 20,311,974</u>

Sublease expenditures for the year ended June 30, 2014, were \$1,301,883.

**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, 2014, is \$1,351,817. 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, 2014**

---

**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 \$24,413 of the Proprietary Funds' inventory balance at June 30, 2014. 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 - ADOPTION OF NEW ACCOUNTING GUIDANCE**

For the year ended June 30, 2014, the School District adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. The adoption of this statement had no effect on the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SPRING-FORD AREA SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 103,041,887	\$ 103,041,887	\$ 104,216,162	\$ 1,174,275
State sources	23,329,465	23,329,465	23,444,638	115,173
Federal sources	687,456	687,456	821,543	134,087
<b>TOTAL REVENUES</b>	<b>127,058,808</b>	<b>127,058,808</b>	<b>128,482,343</b>	<b>1,423,535</b>
<b>EXPENDITURES</b>				
Instruction				
Regular programs	51,520,362	48,585,372	47,519,825	1,065,547
Special programs	23,039,145	23,992,241	22,388,569	1,603,672
Vocational education programs	2,548,363	2,548,363	2,534,545	13,818
Other instructional programs	38,621	80,270	45,972	34,298
Support services				
Pupil personnel services	4,320,841	4,458,128	4,083,491	374,637
Instructional staff services	3,721,668	3,602,163	3,198,147	404,016
Administration services	6,231,509	6,925,041	6,422,806	502,235
Pupil health services	1,884,874	2,118,927	1,962,479	156,448
Business services	921,125	900,185	845,268	54,917
Operation and maintenance of plant services	11,610,765	11,042,996	9,894,103	1,148,893
Student transportation services	7,323,677	6,999,187	6,908,410	90,777
Central and other services	2,306,247	2,421,623	2,250,876	170,747
Other support services	108,913	109,197	109,197	-
Operation of non-instructional services				
Student activities	2,010,676	2,296,958	2,002,794	294,164
Community services	64,948	92,445	76,565	15,880
Debt service	12,342,293	13,705,204	13,705,204	-
Refund of prior year revenues	-	115,727	799	114,928
<b>TOTAL EXPENDITURES</b>	<b>129,994,027</b>	<b>129,994,027</b>	<b>123,949,050</b>	<b>6,044,977</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,935,219)</b>	<b>(2,935,219)</b>	<b>4,533,293</b>	<b>7,468,512</b>
<b>OTHER FINANCING USES</b>				
Transfers out	(1,131,831)	(1,131,831)	(8,762,348)	(7,630,517)
Budgetary reserve	(400,000)	(400,000)	-	400,000
<b>TOTAL OTHER FINANCING USES</b>	<b>(1,531,831)</b>	<b>(1,531,831)</b>	<b>(8,762,348)</b>	<b>(7,230,517)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(4,467,050)</b>	<b>(4,467,050)</b>	<b>(4,229,055)</b>	<b>237,995</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>25,101,217</b>	<b>25,101,217</b>	<b>25,101,217</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 20,634,167</b>	<b>\$ 20,634,167</b>	<b>\$ 20,872,162</b>	<b>\$ 237,995</b>

See accompanying notes to the budgetary comparison schedule.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTE TO THE BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2014**

---

**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 2013-2014 budget transfers.



**SPRING-FORD AREA SCHOOL DISTRICT**  
**POSTEMPLOYMENT BENEFITS OTHER THAN**  
**PENSION FUNDING PROGRESS**  
**YEAR ENDED JUNE 30, 2014**

---

**SCHEDULE OF FUNDING PROGRESS**

Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
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, 2014**

	Limerick Township	Royersford Borough	Spring City Borough	Upper Providence Township	Totals
<b>CURRENT REAL ESTATE TAXES</b>					
Assessed value	\$ 1,406,678,617	\$ 185,622,940	\$ 116,451,460	\$ 1,999,095,375	\$ 3,707,848,392
Millage rate	0.025254	0.025254	0.025254	0.025254	0.025254
<b>TOTAL TAX PER TAX DUPLICATE</b>	<b>35,524,262</b>	<b>4,687,722</b>	<b>2,940,865</b>	<b>50,485,155</b>	<b>93,638,004</b>
Less homestead exclusion	(906,662)	(167,916)	(123,533)	(1,054,841)	(2,252,952)
Plus penalties	54,449	11,724	12,806	59,434	138,413
<b>TOTAL TAXES TO BE COLLECTED</b>	<b>34,672,049</b>	<b>4,531,530</b>	<b>2,830,138</b>	<b>49,489,748</b>	<b>91,523,465</b>
Less					
Discounts	606,986	77,359	43,995	869,921	1,598,261
Refunds and adjustments	284,883	6,085	3,861	877,847	1,172,676
Returned to County	1,036,713	75,841	118,070	633,618	1,864,242
<b>NET CURRENT REAL ESTATE TAXES COLLECTED</b>	<b>\$ 32,743,467</b>	<b>\$ 4,372,245</b>	<b>\$ 2,664,212</b>	<b>\$ 47,108,362</b>	<b>\$ 86,888,286</b>
<b>CURRENT INTERIM REAL ESTATE TAXES COLLECTED</b>	<b>\$ 341,175</b>	<b>\$ 6,883</b>	<b>\$ 6,425</b>	<b>\$ 473,906</b>	<b>\$ 828,389</b>
<b>CURRENT PER CAPITA TAXES</b>					
Number of persons assessed	13,712	3,483	2,388	15,793	35,376
Tax rate	10	10	10	10	10
<b>TAXABLE VALUATION</b>	<b>137,120</b>	<b>34,830</b>	<b>23,880</b>	<b>157,930</b>	<b>353,760</b>
Plus					
Additions	950	440	300	-	1,690
Penalties	552	158	112	646	1,468
<b>TOTAL TAXES TO BE COLLECTED</b>	<b>138,622</b>	<b>35,428</b>	<b>24,292</b>	<b>158,576</b>	<b>356,918</b>
Less					
Discounts	1,640	305	219	1,888	4,052
Exonerations	1,480	1,160	270	3,890	6,800
Reductions	11,400	5,270	1,650	-	18,320
Outstanding	25,170	9,620	8,200	39,890	82,880
<b>NET CURRENT PER CAPITA TAXES COLLECTED</b>	<b>\$ 98,932</b>	<b>\$ 19,073</b>	<b>\$ 13,953</b>	<b>\$ 112,908</b>	<b>\$ 244,866</b>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**

---

REVENUES

Local sources

Current real estate taxes	\$ 86,003,647
Interim real estate taxes	828,389
Public utility taxes	119,893
Payment in lieu of taxes	1,522,041
Current per capita taxes	
Act 511	122,433
Act 679	122,433
Occupational privilege tax	143,423
Earned income tax	9,119,067
Real estate transfer tax	1,788,677
Delinquent real estate taxes	1,601,287
Delinquent per capita taxes	52,545
Interest	135,333
Admissions	93,558
Fees	133,540
Other student activity income	126,949
Revenue from local governmental units	100,500
Federal revenue from intermediary sources	1,506,198
Rentals	376,496
Contributions	3,088
Tuition from patrons	75,327
Refunds and other miscellaneous revenue	241,338

TOTAL LOCAL SOURCES

104,216,162

State sources

Basic education	8,782,473
Tuition for orphans	113,454
Specialized education	2,348,038
Transportation	1,814,809
Rental and sinking fund payments	986,011
Health services	163,465
Property tax allocation	2,138,508
Other state revenues	100,163
Social Security	2,100,580
Retirement	4,782,209

TOTAL STATE SOURCES

23,444,638

Federal sources

Title I	283,855
Title II	120,643
Medical assistance	417,045

TOTAL FEDERAL SOURCES

821,543

TOTAL FORWARD

\$ 128,482,343

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**

---

EXPENDITURES

Instruction

Regular programs	\$ 47,519,825
Special programs	746,418
Life skills support	264,476
Sensory support	1,104,228
Emotional support	4,883,346
Academic support	12,469,079
Multi-handicapped support	149,632
Early intervention support	250,697
Other support	2,520,693
Other vocational education programs	2,534,545
Summer school	5,522
Homebound instruction	14,589
Alternative regular education programs	11,543
Additional other instructional programs	14,318
TOTAL FORWARD	<u>72,488,911</u>

Support services

Guidance services	2,746,839
Psychological services	1,090,017
Social work services	122,314
Student accounting services	124,321
Technology support services	7,925
School library services	1,670,497
Instruction and curriculum development services	693,289
Special education administration services	659,532
Instructional staff professional development services	166,904
Board services	154,836
Tax assessment and collection services	296,123
Legal services	482,886
Office of the Superintendent services	743,491
Community relations services	45,656
Office of the Principal services	4,685,157
Other administration services	14,657
Support services, pupil health	1,834,477
Nonpublic health services	28,936
Other health services	99,066
Support services, business	845,268
Operation and maintenance of plant services	9,672,412
Security services	221,691
Student transportation services	4,914,078
Nonpublic transportation	1,994,332
Planning, research, development and evaluation services	1,819,985
Information services	14,625
Staff services	416,266
Other support services	109,197
TOTAL FORWARD	<u>\$ 35,674,777</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**

---

REVENUES		
	TOTAL FORWARDED	\$ <u>128,482,343</u>
EXPENDITURES		
Instruction		
	TOTAL FORWARDED	<u>72,488,911</u>
Support services		
	TOTAL FORWARDED	<u>35,674,777</u>
Operation of non-instructional services		
Student activities		1,507,826
School sponsored student activities		90,924
School sponsored athletics		404,044
Community services		46,394
Community recreation		30,171
	TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES	<u>2,079,359</u>
Debt service		13,705,204
Refund of prior year revenues		799
	TOTAL EXPENDITURES	<u>123,949,050</u>
	EXCESS OF REVENUES OVER EXPENDITURES	4,533,293
OTHER FINANCING USES		
Transfers out		<u>(8,762,348)</u>
	NET CHANGE IN FUND BALANCE	(4,229,055)
FUND BALANCE AT BEGINNING OF YEAR		<u>25,101,217</u>
	FUND BALANCE AT END OF YEAR	\$ <u><u>20,872,162</u></u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**CAPITAL PROJECT FUNDS**  
**JUNE 30, 2014**

	<u>Capital Reserve Fund</u>	<u>District-Wide Capital Projects Fund</u>	<u>Total Capital Project Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,079,152	\$ -	\$ 10,079,152
Investments	2,246,180	86,038	2,332,218
Due from other funds	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 13,325,332</u></b>	<b><u>\$ 86,038</u></b>	<b><u>\$ 13,411,370</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ <u>5,250</u>	\$ -	\$ <u>5,250</u>
<b>FUND BALANCES</b>			
Restricted for capital projects	-	86,038	86,038
Committed to capital projects	<u>13,320,082</u>	<u>-</u>	<u>13,320,082</u>
<b>TOTAL FUND BALANCES</b>	<b><u>13,320,082</u></b>	<b><u>86,038</u></b>	<b><u>13,406,120</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 13,325,332</u></b>	<b><u>\$ 86,038</u></b>	<b><u>\$ 13,411,370</u></b>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**CAPITAL PROJECT FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	<u>Capital Reserve Fund</u>	<u>District-Wide Capital Projects Fund</u>	<u>Total Capital Project Funds</u>
<b>REVENUES</b>			
Local sources	\$ <u>42,594</u>	\$ <u>28</u>	\$ <u>42,622</u>
<b>EXPENDITURES</b>			
Instruction	-	127,823	127,823
Support services	271,939	83,394	355,333
Facilities acquisition, construction and improvement services	<u>42,536</u>	<u>120,628</u>	<u>163,164</u>
<b>TOTAL EXPENDITURES</b>	<u>314,475</u>	<u>331,845</u>	<u>646,320</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(271,881)	(331,817)	(603,698)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	728,119	(331,817)	396,302
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>12,591,963</u>	<u>417,855</u>	<u>13,009,818</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ <u>13,320,082</u></u>	<u>\$ <u>86,038</u></u>	<u>\$ <u>13,406,120</u></u>



**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**

---

	<u>Athletic Activities</u>
<b>REVENUES</b>	
Local sources	
Admissions	\$ 110,290
Interest	86
	<u>                    </u>
TOTAL REVENUES	<u>110,376</u>
<b>EXPENDITURES</b>	
Operation of non-instructional services	
Salaries	5,635
Employee benefits	772
Professional fees	50,214
Repairs and maintenance	33,536
Rent	9,945
Contracted carriers	94,867
Travel	15,461
General supplies	58,131
Books and periodicals	977
Equipment	94,190
Dues and fees	20,499
	<u>                    </u>
TOTAL EXPENDITURES	<u>384,227</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (273,851)</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOOD SERVICE FUND**  
**YEAR ENDED JUNE 30, 2014**

<b>REVENUES</b>	
Sale of food	\$ 2,040,209
Special functions	8,863
Federal subsidies	539,323
State subsidies	53,336
Interest	823
Donated foods	148,713
State reimbursements	
Social Security	39,204
Retirement	87,927
Refunds and other miscellaneous revenues	<u>3,113</u>
<b>TOTAL REVENUES</b>	<u><b>2,921,511</b></u>
<b>COST OF GOODS SOLD</b>	
Beginning inventory	70,898
Food and milk	892,549
Donated foods	148,713
Processing costs	9,691
Supplies	<u>92,756</u>
	1,214,607
Ending inventory	<u>(59,490)</u>
<b>TOTAL COST OF GOODS SOLD</b>	<u><b>1,155,117</b></u>
<b>GROSS PROFIT</b>	<u><b>1,766,394</b></u>
<b>EXPENSES</b>	
Salaries	1,056,434
Employee benefits	583,231
Disposal services	18,257
Repairs and maintenance	48,977
Communication	3,384
Dues and fees	15,535
Depreciation	<u>21,450</u>
<b>TOTAL EXPENSES</b>	<u><b>1,747,268</b></u>
<b>CHANGE IN NET POSITION</b>	19,126
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>523,547</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u><b>\$ 542,673</b></u></u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**COMBINING SCHEDULES OF FIDUCIARY NET POSITION**  
**AND CHANGES IN FIDUCIARY NET POSITION**  
**SCHOLARSHIP TRUST FUNDS**  
**JUNE 30, 2014**

	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
<b>SCHEDULE OF FIDUCIARY NET POSITION</b>						
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	7,480	31,134	4,498	389	4,714	4,147
<b>TOTAL ASSETS</b>	<b>7,480</b>	<b>31,134</b>	<b>4,498</b>	<b>389</b>	<b>4,714</b>	<b>4,147</b>
<b>LIABILITIES</b>						
Accounts payable	-	-	-	1,439	250	-
<b>NET POSITION</b>	<b>\$ 7,480</b>	<b>\$ 31,134</b>	<b>\$ 4,498</b>	<b>\$ (1,050)</b>	<b>\$ 4,464</b>	<b>\$ 4,147</b>
<b>SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION</b>						
<b>ADDITIONS</b>						
Investment earnings	\$ -	\$ 6	\$ -	\$ -	\$ -	\$ 20
Contributions	-	-	-	-	-	-
<b>TOTAL ADDITIONS</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20</b>
<b>DEDUCTIONS</b>						
Scholarships awarded and fees paid	-	-	-	-	250	200
<b>CHANGE IN NET POSITION</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>(250)</b>	<b>(180)</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>7,480</b>	<b>31,128</b>	<b>4,498</b>	<b>(1,050)</b>	<b>4,714</b>	<b>4,327</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 7,480</b>	<b>\$ 31,134</b>	<b>\$ 4,498</b>	<b>\$ (1,050)</b>	<b>\$ 4,464</b>	<b>\$ 4,147</b>

Thomas J. Henry Scholarship Fund	Richard Hoistington Memorial Music Fund	Richard Hoover Scholarship Fund	Doris Ann Edwards Nursing Fund	Limerick Lions- Franklin Roth Scholarship Fund	Nancy Jann Scholarship Fund	Marjorie Russell Fund	Sandy Sankey Scholarship Fund	Total Scholarship Trust Funds
\$ -	\$ -	\$ 1,568	\$ -	\$ -	\$ -	\$ 897	\$ 819	\$ 3,284
<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>88,375</u>
1,439	1,306	1,568	519	12,121	628	897	20,819	91,659
-	-	-	-	75	-	-	-	1,764
<u>\$ 1,439</u>	<u>\$ 1,306</u>	<u>\$ 1,568</u>	<u>\$ 519</u>	<u>\$ 12,046</u>	<u>\$ 628</u>	<u>\$ 897</u>	<u>\$ 20,819</u>	<u>\$ 89,895</u>
\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ 29
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450</u>	<u>450</u>
-	-	1	-	-	-	2	450	479
-	-	-	-	-	-	-	-	450
-	-	1	-	-	-	2	450	29
<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>
<u>\$ 1,439</u>	<u>\$ 1,306</u>	<u>\$ 1,568</u>	<u>\$ 519</u>	<u>\$ 12,046</u>	<u>\$ 628</u>	<u>\$ 897</u>	<u>\$ 20,819</u>	<u>\$ 89,895</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**AGENCY FUNDS**  
**JUNE 30, 2014**

---

	<u>Activity Funds</u>	<u>Premium Escrow Fund</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ <u>247,117</u>	\$ <u>300</u>	\$ <u>247,417</u>
<b>LIABILITIES</b>			
Accounts payable	\$ <u>247,117</u>	\$ <u>300</u>	\$ <u>247,417</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF CHANGES IN ASSETS**  
**AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>ACTIVITY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ <u>206,639</u>	\$ <u>487,399</u>	\$ <u>446,921</u>	\$ <u>247,117</u>
<b>LIABILITIES</b>				
Accounts payable	\$ <u>206,639</u>	\$ <u>487,399</u>	\$ <u>446,921</u>	\$ <u>247,117</u>
<b>PREMIUM ESCROW FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ <u>300</u>	\$ <u>441,760</u>	\$ <u>441,760</u>	\$ <u>300</u>
<b>LIABILITIES</b>				
Accounts payable	\$ <u>300</u>	\$ <u>441,760</u>	\$ <u>441,760</u>	\$ <u>300</u>
<b>AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ <u>206,939</u>	\$ <u>929,159</u>	\$ <u>888,681</u>	\$ <u>247,417</u>
<b>LIABILITIES</b>				
Accounts payable	\$ <u>206,939</u>	\$ <u>929,159</u>	\$ <u>888,681</u>	\$ <u>247,417</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF ADDITIONS AND DELETIONS**  
**ACTIVITY FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>SENIOR HIGH SCHOOL</b>				
103A - SAP Snack Attack	\$ -	\$ 6,200	\$ 512	\$ 5,688
Anchor Club	30	-	-	30
Arboretum Club	107	15	-	122
Art Enrichment	1,909	919	117	2,711
Class Gift Main Account	-	800	315	485
Class of 2013	2,315	-	2,315	-
Class of 2014	14,586	18,146	32,732	-
Class of 2015	10,649	65,371	71,323	4,697
Class of 2016	2,796	12,260	8,249	6,807
Class of 2017	-	9,701	7,114	2,587
Class of 2018	-	2,527	-	2,527
Commencement	1,618	21,020	25,715	(3,077)
Culture Awareness Club	652	-	127	525
Family and Consumer Science Club	568	3,390	3,703	255
FBLA	67	1,138	1,120	85
French Club	1,354	153	279	1,228
German Club	1,044	2,813	2,822	1,035
Honor Society	3,014	2,175	1,917	3,272
In/Out Club	-	23,335	23,274	61
Key Club	202	314	-	516
Library Club	1,858	731	230	2,359
Math Club	658	790	1,235	213
Media Center Coffee Area	-	5,000	-	5,000
Minorities Coming Together	232	-	-	232
Pep Club	1,028	457	373	1,112
Rampage	66	420	192	294
Ramoirs/Model UN	-	1,170	700	470
Rotary/Interact	953	1,405	1,796	562
SADD	3,542	13,103	12,873	3,772
Science Club	83	455	342	196
SNAP	1,653	40	-	1,693
Spanish Club	72	543	127	488
Student Council	9,704	10,680	13,135	7,249
Theater	5,427	35,707	21,686	19,448
WSFTV	8,573	4,873	3,552	9,894
Yearbook	28,357	20,837	23,089	26,105
<b>TOTAL FORWARD</b>	<b>\$ <u>103,117</u></b>	<b>\$ <u>266,488</u></b>	<b>\$ <u>260,964</u></b>	<b>\$ <u>108,641</u></b>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF ADDITIONS AND DELETIONS**  
**ACTIVITY FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
SENIOR HIGH SCHOOL				
TOTAL FORWARDED	\$ <u>103,117</u>	\$ <u>266,488</u>	\$ <u>260,964</u>	\$ <u>108,641</u>
8TH GRADE				
Drama Club	3,272	849	956	3,165
Family and Consumer Science Club	385	-	-	385
In/Out Club	2,947	69,277	70,399	1,825
Junior Honor Society	1	-	1	-
Newspaper	1,431	-	1,431	-
Radio Club	447	-	-	447
Student Fund	45,096	13,226	8,602	49,720
Student Government	1,060	-	-	1,060
World Language Club	700	1,778	1,586	892
Yearbook	8,122	7,702	11,306	4,518
TOTAL 8TH GRADE	<u>63,461</u>	<u>92,832</u>	<u>94,281</u>	<u>62,012</u>
7TH GRADE				
Arboretum Club	34	-	-	34
Builders Club	114	372	493	(7)
Courtyard	898	-	624	274
Drama Club	31	-	-	31
Family and Consumer Science Club	92	-	-	92
In/Out Club	(300)	7,061	6,490	271
Language	36	-	-	36
Newspaper	187	-	-	187
School Store	1,841	137	-	1,978
SFTV	59	-	-	59
Student Fund	34,150	91,300	70,317	55,133
Student Government	2,269	-	50	2,219
Yearbook	650	29,209	13,702	16,157
TOTAL 7TH GRADE	<u>40,061</u>	<u>128,079</u>	<u>91,676</u>	<u>76,464</u>
TOTAL ALL ACTIVITY FUNDS	\$ <u><u>206,639</u></u>	\$ <u><u>487,399</u></u>	\$ <u><u>446,921</u></u>	\$ <u><u>247,117</u></u>



**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL OBLIGATION BONDS**  
**YEAR ENDED JUNE 30, 2014**

**SERIES OF 2005**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	2,475,000	4.00%	49,500	2,524,500
	<u>\$ 22,000,000</u>		<u>\$ 4,559,263</u>	<u>\$ 26,559,263</u>

**SERIES OF 2007**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014 to 2015	\$ 130,000	3.55%	\$ 1,311,951	\$ 1,441,951
2015 to 2016	135,000	3.63%	1,307,336	1,442,336
2016 to 2017	140,000	3.70%	1,302,443	1,442,443
2017 to 2018	1,780,000	4.00%	1,297,263	3,077,263
2018 to 2019	3,530,000	4.00%	1,226,063	4,756,063
2019 to 2020	3,675,000	4.00%	1,084,863	4,759,863
2020 to 2021	3,830,000	4.00%	937,862	4,767,862
2021 to 2022	3,995,000	4.00%	784,662	4,779,662
2022 to 2023	4,170,000	4.75%	624,863	4,794,863
2023 to 2024	4,380,000	4.75%	426,787	4,806,787
2024 to 2025	4,605,000	4.75%	218,738	4,823,738
	<u>\$ 30,370,000</u>		<u>\$ 10,522,831</u>	<u>\$ 40,892,831</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL OBLIGATION BONDS**  
**YEAR ENDED JUNE 30, 2014**

**SERIES A OF 2007**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>\$ 26,715,000</u>		<u>\$ 13,064,719</u>	<u>\$ 39,779,719</u>

**SERIES OF 2010**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>\$ 9,085,000</u>		<u>\$ 1,480,435</u>	<u>\$ 10,565,435</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL OBLIGATION BONDS**  
**YEAR ENDED JUNE 30, 2014**

**SERIES OF 2012**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	<u>2,850,000</u>	5.00%	<u>142,500</u>	<u>2,992,500</u>
	\$ <u>22,085,000</u>		\$ <u>4,856,900</u>	\$ <u>26,941,900</u>

**SERIES A OF 2012**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	<u>1,310,000</u>	3.00%	<u>39,300</u>	<u>1,349,300</u>
	\$ <u>12,105,000</u>		\$ <u>738,900</u>	\$ <u>12,843,900</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, 2014, 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 15, 2014.

***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 15, 2014

***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, 2014. 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, 2014.

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.



Oaks, Pennsylvania  
December 15, 2014

**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, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
Title I Improving Basic Programs	I	84.010	014-140414	July 1, 2013 to September 30, 2014
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	020-140414	July 1, 2013 to September 30, 2014
<b>Passed through the Montgomery County Intermediate Unit</b>				
Title III Language Instruction	I	84.365	N/A	July 1, 2013 to September 30, 2014
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, 2013 to September 30, 2014
Individual Disability Education Act - Section 619	I	84.173	N/A	July 1, 2012 to September 30, 2013
Individual Disability Education Act - Section 619	I	84.173	N/A	July 1, 2013 to September 30, 2014
TOTAL U.S. DEPARTMENT OF EDUCATION				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Passed through the Pennsylvania Department of Public Welfare</b>				
Medical Assistance Reimbursement	I	93.778	N/A	July 1, 2013 to September 30, 2014
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2013 to September 30, 2014
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2012 to September 30, 2013
National School Lunch Program, State	S	N/A	N/A	July 1, 2013 to September 30, 2014
National School Lunch Program, State	S	N/A	N/A	July 1, 2012 to September 30, 2013
<b>Passed through the Pennsylvania Department of Agriculture</b>				
National School Lunch Program	I	10.555	N/A	July 1, 2013 to September 30, 2014
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, 2013.
- (C) Total amount of donated foods used.
- (D) Ending inventory at June 30, 2014.

**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, 2013</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2014</u>	<u>Amount Refunded</u>
\$ 212,958	\$ 213,706	\$ -	\$ 212,958	\$ 212,958	\$ -	\$ 748
235,733	70,897	70,897	-	-	-	-
120,643	105,772	-	120,643	120,643	14,871	-
2,993	1,036	-	2,993	2,993	1,957	-
12,765	3,610	3,610	-	-	-	-
1,499,108	1,499,108	-	1,499,108	1,499,108	-	-
7,879	7,879	7,879	-	-	-	-
4,097	-	-	4,097	4,097	4,097	-
	<u>1,902,008</u>	<u>82,386</u>	<u>1,839,799</u>	<u>1,839,799</u>	<u>20,925</u>	<u>748</u>
-	<u>67,645</u>	<u>-</u>	<u>67,645</u>	<u>67,645</u>	<u>-</u>	<u>-</u>
N/A	511,320	-	539,323	539,323	28,003	-
N/A	25,730	25,730	-	-	-	-
N/A	50,599	-	53,336	53,336	2,737	-
N/A	2,735	2,735	-	-	-	-
N/A	<u>146,669</u> (A)	<u>(26,457)</u> (B)	<u>148,713</u>	<u>148,713</u>	<u>(24,413)</u> (D)	<u>-</u>
	<u>737,053</u>	<u>2,008</u>	<u>741,372</u>	<u>741,372</u>	<u>6,327</u>	<u>-</u>
	2,706,706	84,394	2,648,816	2,648,816	27,252	748
	<u>(53,334)</u>	<u>(2,735)</u>	<u>(53,336)</u>	<u>(53,336)</u>	<u>(2,737)</u>	<u>-</u>
	<u>\$ 2,653,372</u>	<u>\$ 81,659</u>	<u>\$ 2,595,480</u>	<u>\$ 2,595,480</u>	<u>\$ 24,515</u>	<u>\$ 748</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2014**

---

**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.

**NOTE C - ADJUSTMENTS TO BEGINNING BALANCES**

As a result of information obtained during 2013, adjustments to accrued (deferred) revenue at June 30, 2013, were necessary for the program listed below. A schedule of the adjustment is as follows:

Grant Program/Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2013	Adjustment	Accrued (Deferred) Revenue at June 30, 2014
Title I Improving Basic Programs	84.010	\$ -	\$ 70,897	\$ 70,897

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2014**

---

**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.