

**SPRING-FORD AREA SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

*Year Ended June 30, 2015*



*Certified Public Accountants and Business Consultants*

## **INTRODUCTORY SECTION**

# SPRING-FORD AREA SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2015

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Spring-Ford Area School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Spring-Ford Area School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

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

### ***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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note U to the financial statements, for the year ended June 30, 2015, the Spring-Ford Area School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 20, budgetary comparison information on pages 63 and 64, schedule of the school district's proportionate share of the net pension liability on page 65, schedule of school district contributions on page 66 and postemployment benefits other than pension funding progress on page 67 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.

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

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 22, 2015, on our consideration of the Spring-Ford Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Spring-Ford Area School District's internal control over financial reporting and compliance.

*Maullie LLP*

Oaks, Pennsylvania  
December 22, 2015

**SPRING-FORD AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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This discussion and analysis of Spring-Ford Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the audited financial statements and the related disclosures to enhance their understanding of the District's financial performance.

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

**FINANCIAL HIGHLIGHTS**

The Spring-Ford Area School District (the "District") experienced significant increases in the costs during the 2014/2015 fiscal year in special education instruction, and health related benefits for our employees. Further, increases in the mandated costs for the Public School Employees Retirement System (PSERS) employer contribution continue to cause additional stress on the financial resources of the District.

The District completed the fiscal year 2014-2015 with liabilities of \$316,728,269 exceeding assets and deferred outflows of resources of \$267,104,017 by \$49,624,252. This net decrease is the direct result of new financial reporting requirements in accordance with GASB Statement 68 – *Accounting and Financial Reporting for Pensions* for fiscal years beginning after June 15, 2014. GASB Statement 68 requires the district to include the net pension liability in its financial reports going forward. This was not required prior to the current fiscal year. Using the prior method, the District's assets and deferred outflows of resources of \$252,454,017 exceed its liabilities (excluding the GASB 68 pension reporting requirement) of \$138,813,269 by \$113,640,748. This difference represents an overall increase from the prior year of \$9,849,442.

- The governmental activities total assets increased by \$1,046,229 over prior year.
- The District's business-type activities, which are comprised of the Food Service Fund, showed a decrease of \$98,573 in total assets from prior year.
- At the end of the current fiscal year, the unassigned, undesignated fund balance of the General Fund was \$8,805,750 compared to the prior year of \$7,121,369, an increase of \$1,684,381.
- The Board continues to review the fund balance of the District and strives to maintain the fund balance to within 5-8% of the total budgeted expenditures, or in future years will budget to replenish the fund balance, should it be necessary.

**USING THE BASIC FINANCIAL STATEMENTS**

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

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

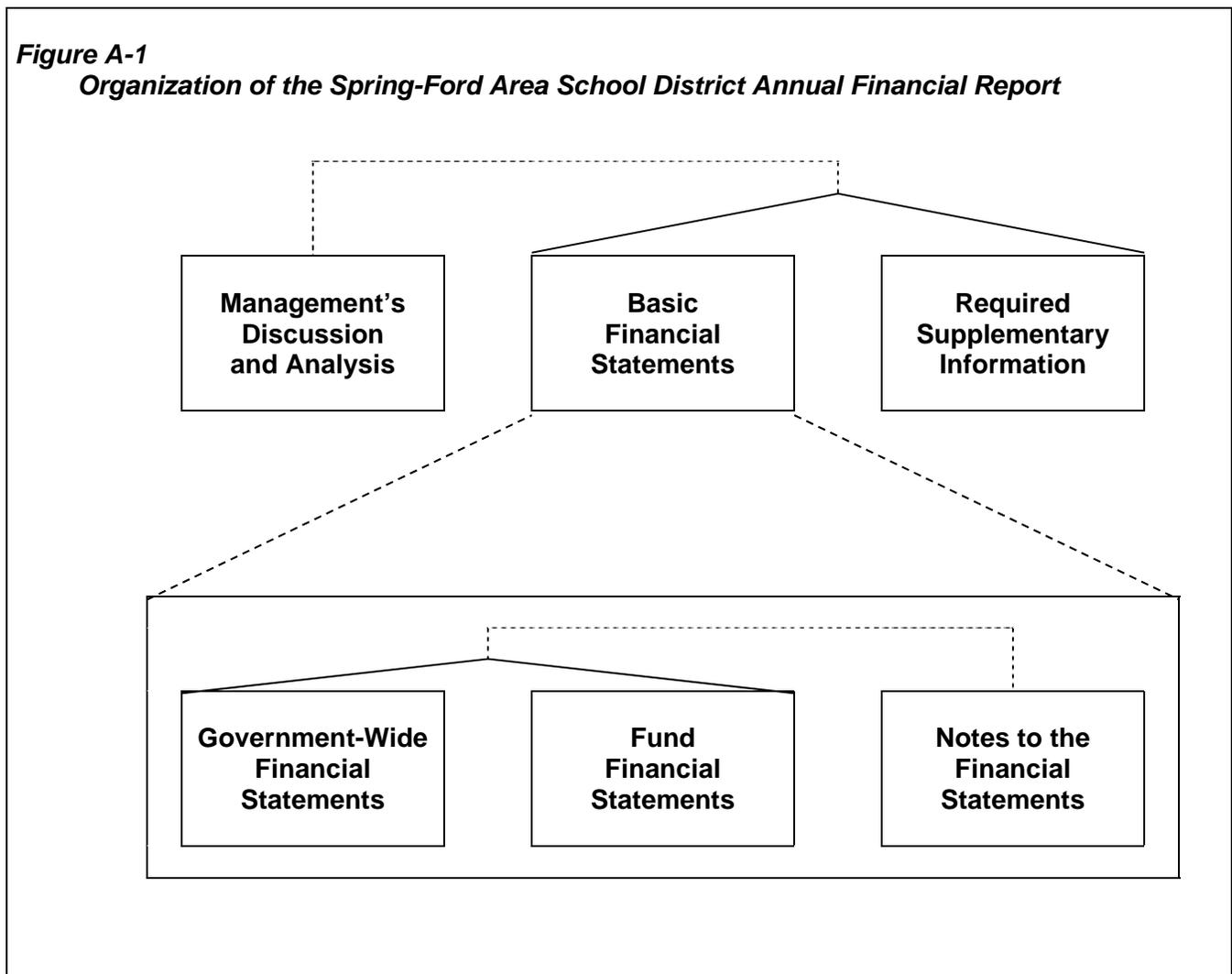
**SPRING-FORD AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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

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

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



**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

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

<b>Figure A-2</b>				
<b>Major Features of the 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
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; capital assets
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**SPRING-FORD AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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**OVERVIEW OF FINANCIAL STATEMENTS**

**Government-Wide Statements**

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

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

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

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

**Fund Financial Statements**

The District's fund financial statements, which begin on page 23, provide detailed information about the most significant individual funds. Some funds are required by state law and by debt requirements.

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total net position was \$(62,344,252) as of June 30, 2015, as a result of the GASB 68 pension reporting requirement previously discussed. Without the GASB 68 requirement, the District's total net position is \$113,640,748.

**Table A-1**  
**Condensed Statement of Net Position**  
**June 30, 2015**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current and other assets	\$ 71,192,334	\$ 399,501	\$ 71,591,835
Capital assets	<u>178,040,301</u>	<u>211,895</u>	<u>178,252,196</u>
<b>TOTAL ASSETS</b>	<u>249,232,635</u>	<u>611,396</u>	<u>249,844,031</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding, net of accumulated amortization	2,609,986	-	2,609,986
Deferred outflow s of resources, pension contributions	<u>14,385,000</u>	<u>265,000</u>	<u>14,650,000</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>16,994,986</u>	<u>265,000</u>	<u>17,259,986</u>
<b>LIABILITIES</b>			
Current and other liabilities	16,559,137	137,289	16,696,426
Long-term liabilities	<u>296,758,195</u>	<u>3,273,648</u>	<u>300,031,843</u>
<b>TOTAL LIABILITIES</b>	<u>313,317,332</u>	<u>3,410,937</u>	<u>316,728,269</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow s of resources, pension deferrals	<u>12,490,000</u>	<u>230,000</u>	<u>12,720,000</u>
<b>NET POSITION</b>			
Net investment in capital assets	63,896,234	211,895	64,108,129
Restricted	1,614,673	-	1,614,673
Unrestricted	<u>(125,090,618)</u>	<u>(2,976,436)</u>	<u>(128,067,054)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (59,579,711)</u>	<u>\$ (2,764,541)</u>	<u>\$ (62,344,252)</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

**Table A-2**  
**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>-</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, restated	56,344,072	212,011	56,556,083
Restricted	1,630,178	-	1,630,178
Unrestricted, restated	<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>

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

Total revenues from governmental and Business type activities were \$139,413,730 for the fiscal year ended June 30, 2015, versus \$132,093,177 for the prior fiscal year. The main contributors to the increase were local property taxes, earned income tax revenue and operating grants and contributions.

Total expenditures for the current fiscal year were \$133,683,988 versus \$122,189,226 for the prior fiscal year. The major contributors to the increase in expenditures are related to increased costs around instruction and instructional support services.

Overall the District's net position increased \$5.7 million during the current fiscal year.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

**Table A-3**  
**Statement of Changes in Net Position**  
**Year Ended June 30, 2015**

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

**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	\$ 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>	<b>129,171,666</b>	<b>2,921,511</b>	<b>132,093,177</b>
<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>	<b>119,286,841</b>	<b>2,902,385</b>	<b>122,189,226</b>
<b>CHANGE IN NET POSITION</b>	<b>9,884,825</b>	<b>19,126</b>	<b>9,903,951</b>
<b>NET POSITION, BEGINNING</b>	<b>93,363,808</b>	<b>523,547</b>	<b>93,887,355</b>
<b>NET POSITION, ENDING</b>	<b>\$ 103,248,633</b>	<b>\$ 542,673</b>	<b>\$ 103,791,306</b>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

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

**Table A-5**  
**Governmental Activities**  
**Years Ended June 30, 2015 and 2014**

Functions/Programs	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 81,736,967	\$ 70,442,207	\$ 72,991,987	\$ 63,042,706
Instructional student support	10,421,114	9,320,305	9,285,909	8,353,988
Administrative	10,454,630	9,647,113	9,669,972	8,964,304
Operation and maintenance of plant	10,614,817	10,180,227	9,855,582	9,468,542
Pupil transportation	6,877,694	4,884,360	6,915,499	5,089,333
Student activities	2,084,819	1,617,473	2,034,413	1,585,047
Food services	-	-	-	-
Community services	68,949	65,060	76,859	72,668
Interest on long-term debt	4,405,938	3,319,493	4,440,922	3,454,911
Unallocated depreciation expense	4,028,940	4,028,940	4,015,698	4,015,698
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 130,693,868</b>	<b>113,505,178</b>	<b>\$ 119,286,841</b>	<b>104,047,197</b>
Less unrestricted grants, subsidies		(11,127,374)		(11,150,837)
<b>TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES</b>		<b>\$ 102,377,804</b>		<b>\$ 92,896,360</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, 2015 and 2014**

Functions/Programs	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food services	\$ 2,990,120	\$ 197,929	\$ 2,902,385	\$ (18,303)
Less investment earnings		(715)		(823)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>		<b>\$ 197,214</b>		<b>\$ (19,126)</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, 2015

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**THE DISTRICT FUNDS**

At June 30, 2015, the District's Governmental Funds reported a combined total fund balance of \$43,526,860.

**General Fund**

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

**Capital Project Funds**

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

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

**Debt Service Fund**

The increase was due to interest earned on investments.

**General Fund Budget**

During the fiscal year, the Board of School Directors (the "Board") authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is provided on page 63.

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

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

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2015, the District had \$178,252,196 invested in a broad range of capital assets net of accumulated depreciation, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$2,838,577 or 1.6% 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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Land	\$ 10,053,911	\$ 10,053,911
Site improvements, net of accumulated depreciation	5,185,306	5,110,904
Buildings and building improvements, net of accumulated depreciation	158,384,021	161,816,045
Furniture and equipment, net of accumulated depreciation	4,628,958	4,109,913

**Debt Administration**

**Table A-8**  
**Outstanding Debt**  
**Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>GENERAL OBLIGATION BONDS</b>		
Bonds, Series of 2012	\$ 44,705,000	\$ -
Bonds, Series A of 2012	8,580,000	12,105,000
Bonds, Series of 2012	19,935,000	22,085,000
Bonds, Series of 2010	8,195,000	9,085,000
Bonds, Series A of 2007	-	26,715,000
Bonds, Series of 2007	30,240,000	30,370,000
Bonds, Series of 2005	-	22,000,000
	<u>\$ 111,655,000</u>	<u>\$ 122,360,000</u>

The District, as a member of the Western Center for Technical Studies, issued School Lease Revenue Bonds, Series of 2008, in the total amount of \$40,000,000. Pottsgrove School District and Upper Perkiomen School District are the other two members of the Western Center. Spring-Ford's remaining portion of the debt principle obligation is estimated to be \$13,929,454.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET 2015-2016 AND RATES**

In April 2015, Moody's assigned an Aa2 for the underlying rating on the District's \$112 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 numerous housing units in construction or planned in the future, as well as significant anticipated commercial development. The new assessment increases during 2014/2015 from property growth (\$46.7 million) have affected the tax base, thus generating approximately \$1.2 million in new tax dollars.

The District has developed many fiscal strategic planning models (included in the 2015/2016 Budget Book) to meet future needs of the District. These include the following: Capital Projects 5 Year Plan; Retirement Past and Future; Debt Budget and Actual; Summary of Debt Principal and Interest Requirement; Projects Financed by Bond Issues; and Future Borrowing Capacity. Because of these planning models, a Debt Service Fund account (\$8.1 million) and retirement account (\$4.0 million) will be maintained to meet future financing needs. In addition, a self-insurance escrow account (\$1.3million) was required as a reserve.

The budget for the 2015/2016 fiscal year is in the amount of \$143,811,954, representing an increase of 4.9% over prior year. This budgetary increase required the District needed to increase the property tax rate 0.315 of a mill from 25.746 to 26.061 (\$.315 per \$1,000 of assessed value), representing a 1.22% tax increase. The state cap index was 1.95% without allowable exceptions.

The comparison of revenue and expenditure categories is as follows:

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

	<u>2015-2016</u>	<u>2014-2015</u>
Local	79.89%	80.21%
State	19.65%	19.33%
Federal/other	0.46%	0.46%

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

	<u>2015-2016</u>	<u>2014-2015</u>
Instruction	60.21%	59.02%
Support services	28.67%	29.03%
Non-instruction/community	1.59%	1.62%
Fund transfers/debt	9.53%	10.33%

**SPRING-FORD AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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**FUTURE ECONOMIC FACTORS**

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

**Act 1**

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

**State Budget Impasse**

As of November 23, 2015 the Commonwealth of Pennsylvania has not passed a budget for its current fiscal year. This budget is required by law to have been passed by June 30, 2015. As such, state funds for school districts in the form of general education subsidies, special education subsidies, etc. have neither been determined nor paid to the District. This adds tremendous stress on the District's current year operations. Further, it is unclear to the District what, if any, tax reforms or requirements will be included in the new legislation when a budget is passed.

**Collective Bargaining Contract**

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

**Assessment**

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

**Self-Funding Insurances and Insurance Plans**

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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

**Act 32- County-Wide EIT Collection**

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact James D. Fink, CFO at Spring-Ford Area School District, 857 South Lewis Road, Royersford, PA 19468, or (610) 705-6000.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 34,606,338	\$ 126,857	\$ 34,733,195
Investments	27,106,204	413,084	27,519,288
Investments, restricted (Note S)	1,352,875	-	1,352,875
Taxes receivable, net	3,075,651	-	3,075,651
Internal balances	313,316	(313,316)	-
Due from other governments	2,753,898	95,288	2,849,186
Other receivables, net	692,757	2,514	695,271
Inventories	481,837	75,074	556,911
Prepaid expenses	809,458	-	809,458
Capital assets, net of accumulated depreciation			
Land	10,053,911	-	10,053,911
Site improvements	5,185,306	-	5,185,306
Buildings and building improvements	158,384,021	-	158,384,021
Furniture and equipment	4,417,063	211,895	4,628,958
<b>TOTAL ASSETS</b>	<b>249,232,635</b>	<b>611,396</b>	<b>249,844,031</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding, net of accumulated amortization	2,609,986	-	2,609,986
Pension activity	14,385,000	265,000	14,650,000
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>16,994,986</b>	<b>265,000</b>	<b>17,259,986</b>
<b>LIABILITIES</b>			
Due to other governments	432,947	-	432,947
Accounts payable	3,875,535	1,121	3,876,656
Accrued salaries and benefits	10,552,090	-	10,552,090
Accrued interest	979,472	-	979,472
Unearned revenue	696,861	136,168	833,029
Other liabilities	22,232	-	22,232
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	9,660,000	-	9,660,000
Compensated absences	163,794	-	163,794
Portion due or payable after one year			
Bonds payable	107,534,781	-	107,534,781
Compensated absences	1,823,406	53,648	1,877,054
Net pension liability	174,695,000	3,220,000	177,915,000
Other postemployment benefits	2,881,214	-	2,881,214
<b>TOTAL LIABILITIES</b>	<b>313,317,332</b>	<b>3,410,937</b>	<b>316,728,269</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	12,490,000	230,000	12,720,000
<b>NET POSITION</b>			
Net investment in capital assets	63,896,234	211,895	64,108,129
Restricted for			
Self-funded insurance	1,352,875	-	1,352,875
Special education compensatory	261,798	-	261,798
Unrestricted	(125,090,618)	(2,976,436)	(128,067,054)
<b>TOTAL NET POSITION</b>	<b>\$ (59,579,711)</b>	<b>\$ (2,764,541)</b>	<b>\$ (62,344,252)</b>

*See accompanying notes to the basic financial statements.*

**SPRING-FORD AREA SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular programs	\$ 53,950,751	\$ 20,936	\$ 4,811,485	\$ -
Special programs	25,249,378	-	6,144,110	-
Vocational education programs	2,494,256	-	-	-
Other instructional programs	42,582	-	318,229	-
Support services				
Pupil personnel services	4,685,127	-	403,984	-
Instructional staff services	3,694,592	-	423,651	-
Administration services	6,831,898	-	526,243	-
Pupil health services	2,041,395	-	273,174	-
Business services	963,717	-	119,720	-
Operation and maintenance of plant services	10,614,817	-	434,590	-
Student transportation services	6,877,694	-	1,993,334	-
Central services	2,548,147	-	161,554	-
Other services	110,868	-	-	-
Operation of non-instructional services				
Student activities	2,084,819	325,177	142,169	-
Community services	68,949	-	3,889	-
Interest on long-term debt	4,405,938	-	-	1,086,445
Depreciation, unallocated	4,028,940	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>130,693,868</b>	<b>346,113</b>	<b>15,756,132</b>	<b>1,086,445</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service	2,990,120	1,927,828	864,363	-
<b>TOTAL DISTRICT ACTIVITIES</b>	<b>\$ 133,683,988</b>	<b>\$ 2,273,941</b>	<b>\$ 16,620,495</b>	<b>\$ 1,086,445</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

Loss on disposal of assets

**TOTAL GENERAL REVENUES**

**CHANGE IN NET POSITION**

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

*See accompanying notes to the basic financial statements.*

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (49,118,330)	\$ -	\$ (49,118,330)
(19,105,268)	-	(19,105,268)
(2,494,256)	-	(2,494,256)
275,647	-	275,647
(4,281,143)	-	(4,281,143)
(3,270,941)	-	(3,270,941)
(6,305,655)	-	(6,305,655)
(1,768,221)	-	(1,768,221)
(843,997)	-	(843,997)
(10,180,227)	-	(10,180,227)
(4,884,360)	-	(4,884,360)
(2,386,593)	-	(2,386,593)
(110,868)	-	(110,868)
(1,617,473)	-	(1,617,473)
(65,060)	-	(65,060)
(3,319,493)	-	(3,319,493)
(4,028,940)	-	(4,028,940)
<u>(113,505,178)</u>	<u>-</u>	<u>(113,505,178)</u>
-	(197,929)	(197,929)
<u>(113,505,178)</u>	<u>(197,929)</u>	<u>(113,703,107)</u>
94,907,901	-	94,907,901
126,606	-	126,606
1,664,452	-	1,664,452
9,921,164	-	9,921,164
454,017	-	454,017
11,127,374	-	11,127,374
188,888	715	189,603
1,041,732	-	1,041,732
(22,300)	-	(22,300)
<u>119,409,834</u>	<u>715</u>	<u>119,410,549</u>
5,904,656	(197,214)	5,707,442
<u>(65,484,367)</u>	<u>(2,567,327)</u>	<u>(68,051,694)</u>
<u>\$ (59,579,711)</u>	<u>\$ (2,764,541)</u>	<u>\$ (62,344,252)</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<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	\$ 16,346,026	\$ 10,197,416	\$ 8,062,896	\$ 34,606,338
Investments	23,450,439	3,655,765	-	27,106,204
Investments, restricted (Note S)	1,352,875	-	-	1,352,875
Taxes receivable	3,075,651	-	-	3,075,651
Due from other funds	313,316	-	-	313,316
Due from other governments	2,753,898	-	-	2,753,898
Other receivables	692,757	-	-	692,757
Prepaid items	809,458	-	-	809,458
<b>TOTAL ASSETS</b>	<b><u>\$ 48,794,420</u></b>	<b><u>\$ 13,853,181</u></b>	<b><u>\$ 8,062,896</u></b>	<b><u>\$ 70,710,497</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,617,306	\$ 258,229	\$ -	\$ 3,875,535
Due to other funds	8,630,517	-	-	8,630,517
Due to other governments	432,947	-	-	432,947
Unearned revenue	696,861	-	-	696,861
Accrued salaries and benefits	10,552,090	-	-	10,552,090
Other liabilities	22,232	-	-	22,232
Current portion of compensated absences	163,794	-	-	163,794
<b>TOTAL LIABILITIES</b>	<b><u>24,115,747</u></b>	<b><u>258,229</u></b>	<b><u>-</u></b>	<b><u>24,373,976</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue, property taxes	2,809,661	-	-	2,809,661
<b>FUND BALANCES</b>				
Nonspendable, prepaid expenses	809,458	-	-	809,458
Restricted for				
Self-funded insurance	1,352,875	-	-	1,352,875
Special education compensatory	261,798	-	-	261,798
Committed to				
Capital projects	-	13,594,952	-	13,594,952
Future retirement rate increase	4,011,152	-	-	4,011,152
Assigned to				
Subsequent year's budget, payroll and benefits	4,000,000	-	-	4,000,000
Future tax assessment appeals	2,627,979	-	-	2,627,979
Debt service	-	-	8,062,896	8,062,896
Unassigned	8,805,750	-	-	8,805,750
<b>TOTAL FUND BALANCES</b>	<b><u>21,869,012</u></b>	<b><u>13,594,952</u></b>	<b><u>8,062,896</u></b>	<b><u>43,526,860</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 48,794,420</u></b>	<b><u>\$ 13,853,181</u></b>	<b><u>\$ 8,062,896</u></b>	<b><u>\$ 70,710,497</u></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, 2015**

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 43,526,860
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	10,053,911
Site improvements	5,185,306
Buildings and building improvements	158,384,021
Furniture and equipment	4,417,063
<p>Deferred charges on refunding used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Deferred amount on refunding	3,306,311
Accumulated amortization	(696,325)
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	1,895,000
<p>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.</p>	
	8,630,517
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(979,472)
Bonds payable	(117,194,781)
Compensated absences	(1,823,406)
Net pension liability	(174,695,000)
Other postemployment benefits	(2,881,214)
<p>Governmental Funds follow the purchase method of inventory; therefore, no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory.</p>	
	481,837
<p>Some of the District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
	<u>2,809,661</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (59,579,711)</u>

*See accompanying notes to the basic financial statements.*

**SPRING-FORD AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources	\$ 110,384,175	\$ 45,083	\$ 19,582	\$ 110,448,840
State sources	25,589,117	-	-	25,589,117
Federal sources	684,484	-	-	684,484
	<u>136,657,776</u>	<u>45,083</u>	<u>19,582</u>	<u>136,722,441</u>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES</b>				
Instruction	78,336,916	-	-	78,336,916
Support services	36,903,957	402,758	-	37,306,715
Operation of non-instructional services	2,044,088	13,572	-	2,057,660
Facilities acquisition, construction and improvement services	-	939,921	-	939,921
Debt service	14,873,599	362,838	-	15,236,437
Refund of prior year revenues	2,366	-	-	2,366
	<u>132,160,926</u>	<u>1,719,089</u>	<u>-</u>	<u>133,880,015</u>
<b>TOTAL EXPENDITURES</b>				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>4,496,850</u>	<u>(1,674,006)</u>	<u>19,582</u>	<u>2,842,426</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	1,500,000	-	1,500,000
Transfers out	(3,500,000)	-	-	(3,500,000)
Refunding bonds issued	-	44,705,000	-	44,705,000
Premium on refunding bonds issued	-	3,407,168	-	3,407,168
Payment to refunded bond escrow agent	-	(47,749,330)	-	(47,749,330)
	<u>(3,500,000)</u>	<u>1,862,838</u>	<u>-</u>	<u>(1,637,162)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>				
<b>NET CHANGE IN FUND BALANCES</b>				
	996,850	188,832	19,582	1,205,264
<b>FUND BALANCES AT BEGINNING OF YEAR</b>				
	<u>20,872,162</u>	<u>13,406,120</u>	<u>8,043,314</u>	<u>42,321,596</u>
<b>FUND BALANCES AT END OF YEAR</b>				
	<u>\$ 21,869,012</u>	<u>\$ 13,594,952</u>	<u>\$ 8,062,896</u>	<u>\$ 43,526,860</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, 2015

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD

\$ 1,205,264

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 (\$4,725,955) exceeds capital outlays (\$1,909,794) in the current period.

(2,816,161)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets.

(22,300)

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.

(99,251)

The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

10,113,858

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

353,803

Pension plan expense

(4,067,000)

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

(20,616)

SUBTOTAL ADJUSTMENTS FORWARD

\$ 3,442,333

# 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, 2015

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ 1,205,264
SUBTOTAL ADJUSTMENTS FORWARDED	3,442,333
<p>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.</p>	(551,593)
<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>	2,000,000
<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>(191,348)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,904,656</u>

*See accompanying notes to the basic financial statements.*

# SPRING-FORD AREA SCHOOL DISTRICT

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

JUNE 30, 2015

	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	\$ 126,857	\$ -
Investments	413,084	-
Due from other funds	-	8,630,517
Due from other governments	95,288	-
Other receivables	2,514	-
Inventories	75,074	-
<b>TOTAL CURRENT ASSETS</b>	<b>712,817</b>	<b>8,630,517</b>
<b>CAPITAL ASSETS</b>		
Furniture and equipment	1,143,425	-
Accumulated depreciation	(931,530)	-
<b>TOTAL CAPITAL ASSETS</b>	<b>211,895</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>924,712</b>	<b>8,630,517</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Contributions to pension plan in current fiscal year	265,000	-
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Due to other funds	313,316	-
Accounts payable	1,121	-
Unearned revenue	136,168	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>450,605</b>	<b>-</b>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences	53,648	-
Net pension liability	3,220,000	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,273,648</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>3,724,253</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	230,000	-
<b>NET POSITION</b>		
Net investment in capital assets	211,895	-
Unrestricted	(2,976,436)	8,630,517
<b>TOTAL NET POSITION</b>	<b>\$ (2,764,541)</b>	<b>\$ 8,630,517</b>

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, 2015**

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Food Service Fund	Self-Insurance Fund
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,927,708	\$ -
Other	120	-
<b>TOTAL OPERATING REVENUES</b>	<u>1,927,828</u>	<u>-</u>
<b>OPERATING EXPENSES</b>		
Salaries	1,082,009	-
Employee benefits	753,390	-
Purchased professional and technical service	496	-
Purchased property service	74,751	-
Other purchased service	3,284	-
Supplies	1,045,036	-
Depreciation	15,534	-
Other operating expenses	15,620	-
<b>TOTAL OPERATING EXPENSES</b>	<u>2,990,120</u>	<u>-</u>
<b>OPERATING LOSS</b>	<u>(1,062,292)</u>	<u>-</u>
<b>NONOPERATING REVENUES</b>		
Earnings on investments	715	-
State sources	206,139	-
Federal sources	658,224	-
<b>TOTAL NONOPERATING REVENUES</b>	<u>865,078</u>	<u>-</u>
<b>LOSS BEFORE TRANSFER</b>	(197,214)	-
<b>TRANSFER IN</b>	<u>-</u>	<u>2,000,000</u>
<b>CHANGE IN NET POSITION</b>	(197,214)	2,000,000
<b>NET POSITION AT BEGINNING OF YEAR, restated</b>	<u>(2,567,327)</u>	<u>6,630,517</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ (2,764,541)</u></u>	<u><u>\$ 8,630,517</u></u>

See accompanying notes to the basic financial statements.

# SPRING-FORD AREA SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2015

	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	\$ 1,945,179	\$ -
Cash received from other revenues	120	-
Payments to employees	(1,771,790)	-
Payments to suppliers	(1,005,718)	-
Payments to other governments	(60,441)	-
NET CASH USED BY OPERATING ACTIVITIES	<u>(892,650)</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Federal sources	491,538	-
State sources	200,738	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>692,276</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition, construction and improvements of capital assets	<u>(15,418)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	136,574	-
Earnings on investments	715	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>137,289</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(78,503)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>130,360</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 51,857</u>	<u>\$ -</u>

# SPRING-FORD AREA SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2015

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Food Service Fund	Self-Insurance Fund
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (1,062,292)	\$ -
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	15,534	-
Donated foods	107,541	-
Pension expense	-	-
Increase in		
Other receivables	(1,934)	-
Inventories	(15,584)	-
Increase in		
Due to other funds	40,444	-
Accounts payable	1,068	-
Unearned revenue	19,405	-
Compensated absences	3,168	-
	<u>                    </u>	<u>                    </u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (892,650)</u>	<u>\$ -</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Noncash activities		
Donated foods	\$ 123,296	\$ -

See accompanying notes to the basic financial statements.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

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	<u>Scholarship Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,088	\$ 231,825
Investments	<u>84,862</u>	<u>-</u>
TOTAL ASSETS	85,950	<u>\$ 231,825</u>
<b>LIABILITIES</b>		
Accounts payable	<u>1,150</u>	<u>\$ 231,825</u>
<b>NET POSITION</b>		
Held in trust for benefits and other purposes	<u>\$ 84,800</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, 2015**

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	<u>Scholarship Trust Funds</u>
ADDITIONS	
Investment earnings	\$ <u>134</u>
TOTAL ADDITIONS	134
DEDUCTIONS	
Scholarships awarded and fees paid	<u>5,229</u>
CHANGE IN NET POSITION	(5,095)
NET POSITION AT BEGINNING OF YEAR	<u>89,895</u>
NET POSITION AT END OF YEAR	\$ <u><u>84,800</u></u>

*See accompanying notes to the basic financial statements.*

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**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, 2015**

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**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, 2015**

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**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, 2015**

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**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, 2015**

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**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, 2015**

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**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, 2015**

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**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, 2015**

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

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items, which arise only under a modified accrual basis of accounting that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred inflow related to pension activity is the result of differences between the projected and actual investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position Flow Assumption**

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

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

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

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

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

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

**Use of Estimates**

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**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, 2015, \$35,125,526 of the District's bank balance of \$35,375,526 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>35,125,526</u>
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**Interest Rate Risk** - The District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Investments**

As of June 30, 2015, the District had the following investments and maturities:

Investment Type	Fair Value	Maturities Less Than One Year
State investment pools	\$ 28,994,994	\$ 28,994,994
Certificates of deposit	28,706	28,706
	29,023,700	\$ <u>29,023,700</u>
Outstanding checks drawn on state investment pools	(66,675)	
	\$ <u>28,957,025</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, 2015, 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, 2015**

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**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, 2015, 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 \$3,754,564,892. The tax rate for the year was \$2.575 per \$100 of assessed valuation. Current tax collections for the District were approximately 94% of the total levy.

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

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

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

**NOTE D - RECEIVABLES**

Receivables at June 30, 2015, 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, 2015**

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**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	\$ 2,828,508	\$ -
Earned income taxes	37,005	-
Per capita taxes	5,719	-
Local service taxes	5,010	-
Transfer taxes	199,409	-
Federal subsidies	4,010	87,150
State subsidies	2,738,839	8,138
Other governments	11,049	-
Other revenue	<u>692,757</u>	<u>2,514</u>
	<u>\$ 6,522,306</u>	<u>\$ 97,802</u>

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

The composition of interfund balances as of June 30, 2015, is as follows:

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 313,316
Self-Insurance Fund	General Fund	<u>8,630,517</u>
		<u>\$ 8,943,833</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, 2015**

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

**Interfund Transfers**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Project Funds	General Fund	\$ 1,500,000
Self-Insurance Fund	General Fund	<u>2,000,000</u>
		<u>\$ 3,500,000</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:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 10,053,911	\$ -	\$ -	\$ 10,053,911
Capital assets being depreciated				
Site improvements	10,085,337	454,655	-	10,539,992
Buildings and building improvements	207,479,651	235,030	(223,000)	207,491,681
Furniture and equipment	11,851,796	1,220,109	-	13,071,905
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>229,416,784</u>	<u>1,909,794</u>	<u>(223,000)</u>	<u>231,103,578</u>
Accumulated depreciation				
Site improvements	(4,974,433)	(380,253)	-	(5,354,686)
Buildings and building improvements	(45,663,606)	(3,644,754)	200,700	(49,107,660)
Furniture and equipment	(7,953,894)	(700,948)	-	(8,654,842)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>(58,591,933)</u>	<u>(4,725,955)</u>	<u>200,700</u>	<u>(63,117,188)</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<u>170,824,851</u>	<u>(2,816,161)</u>	<u>(22,300)</u>	<u>167,986,390</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<u>180,878,762</u>	<u>(2,816,161)</u>	<u>(22,300)</u>	<u>178,040,301</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Furniture and equipment	1,128,007	15,418	-	1,143,425
Accumulated depreciation	(915,996)	(15,534)	-	(931,530)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<u>212,011</u>	<u>(116)</u>	<u>-</u>	<u>211,895</u>
<b>CAPITAL ASSETS, net</b>	<u>\$ 181,090,773</u>	<u>\$ (2,816,277)</u>	<u>\$ (22,300)</u>	<u>\$ 178,252,196</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION		
Regular programs		\$ 369,345
SUPPORT SERVICES		
Instructional staff services		656
Business services		539
Operation and maintenance of plant services		247,074
Student transportation services		6,374
Central and other support servies		42,631
OPERATION OF NON-INSTRUCTIONAL SERVICES		
Student activities		30,396
DEPRECIATION, unallocated		<u>4,028,940</u>
		<u>\$ 4,725,955</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, 2015, the outstanding balance of general obligation bonds issued was \$111,655,000.

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

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2016	\$ 9,660,000	\$ 4,302,651	\$ 13,962,651
2017	9,930,000	4,029,739	13,959,739
2018	10,135,000	3,711,644	13,846,644
2019	10,210,000	3,332,506	13,542,506
2020	10,635,000	2,918,056	13,553,056
2021 to 2025	46,615,000	7,893,617	54,508,617
2026 to 2030	8,640,000	1,774,113	10,414,113
2031 to 2033	5,830,000	390,805	6,220,805
	<u>\$ 111,655,000</u>	<u>\$ 28,353,131</u>	<u>\$ 140,008,131</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

Long-term liability activity for the year ended June 30, 2015, 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
Series of 2015	2.75% to 5.00%	6/1/2033
<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>		
Net pension liability		
Other postemployment benefits		
<b>TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES</b>		
<b>BUSINESS-TYPE ACTIVITIES</b>		
Compensated absences, sick pay		
Net pension liability		
<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, 2015, was \$4,878,601. Interest costs incurred were charged to expenditures in the General Fund.

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

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

In June 2015, the District authorized the issuance of General Obligation Bonds, Series of 2015, in the amount of 44,705,000. The bonds were issued for the purpose of providing funds to current refund the General Obligation Bonds, Series of 2005, to advance refund the General Obligation Bonds, Series A of 2007, and to pay the costs of issuing and insuring the bonds. The new issue will reduce debt service payments for the District by \$2,701,317 with an economic gain of \$2,961,583.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
22,000,000	\$ -	\$ (22,000,000)	\$ -	\$ -
30,370,000	-	(130,000)	30,240,000	135,000
26,715,000	-	(26,715,000)	-	-
9,085,000	-	(890,000)	8,195,000	925,000
22,085,000	-	(2,150,000)	19,935,000	2,185,000
12,105,000	-	(3,525,000)	8,580,000	3,585,000
-	44,705,000	-	44,705,000	2,830,000
<u>122,360,000</u>	<u>44,705,000</u>	<u>(55,410,000)</u>	<u>111,655,000</u>	<u>9,660,000</u>
(97,223)	-	97,223	-	-
3,378,234	3,407,168	(1,245,621)	5,539,781	-
<u>3,281,011</u>	<u>3,407,168</u>	<u>(1,148,398)</u>	<u>5,539,781</u>	<u>-</u>
<u>125,641,011</u>	<u>48,112,168</u>	<u>(56,558,398)</u>	<u>117,194,781</u>	<u>9,660,000</u>
915,234	-	(15,147)	900,087	109,209
1,052,582	34,531	-	1,087,113	54,585
<u>1,967,816</u>	<u>34,531</u>	<u>(15,147)</u>	<u>1,987,200</u>	<u>163,794</u>
<u>177,784,000</u>	<u>-</u>	<u>(3,089,000)</u>	<u>174,695,000</u>	<u>-</u>
<u>2,329,621</u>	<u>698,827</u>	<u>(147,234)</u>	<u>2,881,214</u>	<u>-</u>
129,938,448	48,845,526	(56,720,779)	122,063,195	9,823,794
50,480	3,168	-	53,648	-
<u>3,277,000</u>	<u>-</u>	<u>(57,000)</u>	<u>3,220,000</u>	<u>-</u>
<u>133,265,928</u>	<u>\$ 48,848,694</u>	<u>\$ (56,777,779)</u>	<u>\$ 125,336,843</u>	<u>\$ 9,823,794</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**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, 2015, the District has defeased debt outstanding of \$64,930,000.

**NOTE J - UNEARNED REVENUE**

**General Fund**

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

**Food Service Fund**

Unearned revenue of \$136,168 in the Food Service Fund represents the carryover of student deposits.

**NOTE K - PENSIONS**

**Summary of Significant Accounting Policies**

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information About the Pension Plan**

**Plan Description** - PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.pfers.state.pa.us](http://www.pfers.state.pa.us).

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE K - PENSIONS (Continued)**

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

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

**Contributions**

**Members Contributions**

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE K - PENSION PLAN (Continued)**

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

**Employer Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2015, was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$12,062,000 for the year ended June 30, 2015.

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

At June 30, 2015, the School District reported a liability of \$177,915,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the School District's proportion was 0.4495%, which was an increase of 0.0072% from its proportion measured as of June 30, 2013.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE K - PENSION PLAN (Continued)**

For the year ended June 30, 2015, the School District recognized pension expense of \$16,204,000. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Governmental Activities:</b>		
Net difference between projected and actual investment earnings	\$ -	\$ 12,490,000
Changes in proportions	2,332,000	-
Difference between employer contributions and proportionate share of total contributions	209,000	-
Contributions subsequent to the measurement date	<u>11,844,000</u>	<u>-</u>
	<u>\$ 14,385,000</u>	<u>\$ 12,490,000</u>
<b>Business-Type Activities:</b>		
Net difference between projected and actual investment earnings	\$ -	\$ 230,000
Changes in proportions	43,000	-
Difference between employer contributions and proportionate share of total contributions	4,000	-
Contributions subsequent to the measurement date	<u>218,000</u>	<u>-</u>
	<u>\$ 265,000</u>	<u>\$ 230,000</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE K - PENSION PLAN (Continued)**

\$12,062,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending  
June 30,

**Governmental Activities:**

2016	\$ (2,511,000)
2017	(2,511,000)
2018	(2,511,000)
2019	(2,511,000)
2020	<u>93,000</u>
	<u>\$ (9,951,000)</u>

**Business-Type Activities:**

2016	\$ (46,000)
2017	(46,000)
2018	(46,000)
2019	(46,000)
2020	<u>3,000</u>
	<u>\$ (181,000)</u>

**Actuarial Assumptions** - The total pension liability as of June 30, 2014, was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE K - PENSION PLAN (Continued)**

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting and were effective beginning with the June 30, 2011 actuarial valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE K - PENSION PLAN (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School District's proportionate share of the net pension liability	\$ <u>221,925,000</u>	\$ <u>177,915,000</u>	\$ <u>140,343,000</u>

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

**NOTE L - COMPENSATED ABSENCES**

**Sick Pay**

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

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

<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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE L - COMPENSATED ABSENCES (Continued)**

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

The District maintains records of accumulated sick days earned by employees who are eligible to retire. As a result, liabilities of \$1,032,528, 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 \$53,648, 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 \$54,585, 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, 2015, that will use currently available financial resources is \$109,209, 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, 2015, of \$790,878 including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

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

**Plan Description**

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**Annual OPEB Cost and Net OPEB Obligation**

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

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

Normal cost	\$ 394,418
Amortization of unfunded actuarial accrued liability	324,846
Interest	17,749
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>737,013</u>
Interest on net OPEB obligation	104,833
Adjustment to ARC	(143,019)
ANNUAL OPEB EXPENSE	<u>698,827</u>
Net OPEB contributions during the year	(147,234)
INCREASE IN NET OPEB OBLIGATION	<u>551,593</u>
Net OPEB obligation at beginning of year	<u>2,329,621</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 2,881,214</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>
2013	\$ 738,848	22.6%	\$ 2,027,795
2014	729,469	58.6%	2,329,621
2015	698,827	21.1%	2,881,214

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**Funded Status and Funding Progress**

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

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 66, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions**

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

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE N - COMMITMENTS AND CONTINGENCIES**

There are a number of tax assessment appeals in the Court of Common Pleas of Montgomery County from the decisions of the Board of Assessment Appeals. Legal counsel for the District cannot give an opinion on the outcome of these appeals nor can they reasonably estimate the financial impact. A settlement was reached in prior years 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 prior fiscal year. The remainder of \$361,276 was issued as a tax credit in the 2014-2015 year.

As of June 30, 2015, 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, 2015, were \$796,635.

Future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2016	\$ 679,482
2017	424,524
2018	<u>181,417</u>
	<u>\$ 1,285,423</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**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 2014-2015 year. Settlement amounts have not exceeded insurance coverage for the current year or the four prior years.

The District is a member of the School Districts Insurance Consortium (SDIC) for worker's compensation coverage. SDIC is comprised of 78 member school districts which jointly self-assume their worker's compensation liabilities. Even though the member school districts contribute to SDIC's insurance fund, they remain individually liable for their own worker's compensation claims. The members of SDIC are required to participate in any deficiencies of SDIC and are subject to periodic assessments, as required. At June 30, 2015, 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 2014-2015 was \$1,281,437.

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, 2015**

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

Future estimated minimum sublease payments are as follows:

Year Ending June 30,	
2016	\$ 1,353,838
2017	1,354,508
2018	1,353,871
2019	1,353,536
2020	1,355,233
2021 to 2025	6,770,825
2026 to 2029	<u>5,416,548</u>
	<u>\$ 18,958,359</u>

Sublease expenditures for the year ended June 30, 2015, were \$1,353,614.

**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, 2015, is \$1,352,875. 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, 2015**

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**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 \$40,168 of the Proprietary Funds' inventory balance at June 30, 2015. 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 - PRIOR PERIOD ADJUSTMENT**

The School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, effective July 1, 2014.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record their share of the Public School Employees' Retirement System (PSERS) unfunded liability.

For the government-wide governmental activities, the School District has treated their proportionate share of beginning of year net pension liability of \$177,784,000 and beginning of year deferred outflows of resources of \$9,051,000 as having been recognized in the period incurred. The School District has adjusted beginning net position for the governmental activities from \$103,248,633 to (\$65,484,367).

For the proprietary fund food service fund and the government-wide business-type activities, the School District has treated their proportionate share of beginning of year net pension liability of \$3,277,000 and beginning of year deferred outflows of resources of \$167,000 as having been recognized in the period incurred. The School District has adjusted beginning net position for the proprietary fund food service fund and for the business-type activities from \$542,673 to (\$2,567,327).

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SPRING-FORD AREA SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 107,071,342	\$ 107,071,342	\$ 110,384,175	\$ 3,312,833
State sources	25,797,925	25,797,925	25,589,117	(208,808)
Federal sources	619,478	619,478	684,484	65,006
<b>TOTAL REVENUES</b>	<b>133,488,745</b>	<b>133,488,745</b>	<b>136,657,776</b>	<b>3,169,031</b>
<b>EXPENDITURES</b>				
Instruction				
Regular programs	53,477,300	51,643,954	51,486,439	157,515
Special programs	24,746,513	24,481,346	24,315,941	165,405
Vocational education programs	2,578,144	2,494,256	2,494,256	-
Other instructional programs	45,861	42,734	40,280	2,454
Support services				
Pupil personnel services	4,778,100	4,525,738	4,459,969	65,769
Instructional staff services	3,611,880	3,602,551	3,518,913	83,638
Administration services	6,652,932	6,604,411	6,537,238	67,173
Pupil health services	1,989,552	2,014,565	1,980,489	34,076
Business services	933,259	930,385	921,364	9,021
Operation and maintenance of plant services	11,856,173	10,179,293	10,013,308	165,985
Student transportation services	7,378,476	6,872,286	6,863,681	8,605
Central and other services	2,452,277	2,519,468	2,498,127	21,341
Other support services	111,700	111,700	110,868	832
Operation of non-instructional services				
Student activities	2,150,484	2,113,693	1,977,264	136,429
Community services	67,494	76,400	66,824	9,576
Debt service	13,498,600	14,873,599	14,873,599	-
Refund of prior year revenues	-	2,366	2,366	-
<b>TOTAL EXPENDITURES</b>	<b>136,328,745</b>	<b>133,088,745</b>	<b>132,160,926</b>	<b>927,819</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,840,000)</b>	<b>400,000</b>	<b>4,496,850</b>	<b>4,096,850</b>
<b>OTHER FINANCING USES</b>				
Transfers out	(260,000)	(3,500,000)	(3,500,000)	-
Budgetary reserve	(400,000)	(400,000)	-	400,000
<b>TOTAL OTHER FINANCING USES</b>	<b>(660,000)</b>	<b>(3,900,000)</b>	<b>(3,500,000)</b>	<b>400,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,500,000)</b>	<b>(3,500,000)</b>	<b>996,850</b>	<b>4,496,850</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>20,872,162</b>	<b>20,872,162</b>	<b>20,872,162</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 17,372,162</b>	<b>\$ 17,372,162</b>	<b>\$ 21,869,012</b>	<b>\$ 4,496,850</b>

See accompanying note to the budgetary comparison schedule.

**SPRING-FORD AREA SCHOOL DISTRICT**  
NOTE TO THE BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2015

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**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 2014-2015 budget transfers.

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**YEAR ENDED JUNE 30, 2015**

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School District's proportion of the net pension liability (asset)	<u>0.4495%</u>
School District's proportionate share of the net pension liability (asset)	\$ <u>177,915,000</u>
School District's covered-employee payroll	\$ <u>67,363,329</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>264.11%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>57.24%</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS**  
**YEAR ENDED JUNE 30, 2015**

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Contractually required contribution	\$ 12,062,000
Contributions in relation to the contractually required contribution	<u>12,062,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>
School District's covered-employee payroll	<u>\$ 58,840,037</u>
Contributions as a percentage of covered-employee payroll	<u>20.50%</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**YEAR ENDED JUNE 30, 2015**

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

## **SUPPLEMENTARY INFORMATION SECTION**

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF TAX COLLECTORS' RECEIPTS**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

	Limerick Township	Royersford Borough	Spring City Borough	Upper Providence Township	Totals
<b>CURRENT REAL ESTATE TAXES</b>					
Assessed value	\$ 1,412,063,087	\$ 185,880,490	\$ 116,452,520	\$ 2,040,168,795	\$ 3,754,564,892
Millage rate	0.025746	0.025746	0.025746	0.025746	0.025746
TOTAL TAX PER TAX DUPLICATE	36,354,976	4,785,679	2,998,187	52,526,186	96,665,028
Less homestead exclusion	(956,959)	(172,644)	(126,782)	(1,089,114)	(2,345,499)
Plus penalties	76,951	11,241	12,606	91,700	192,498
TOTAL TAXES TO BE COLLECTED	35,474,968	4,624,276	2,884,011	51,528,772	94,512,027
Less					
Discounts	623,197	78,230	45,827	875,945	1,623,199
Refunds and adjustments	144,250	4,156	(1,189)	1,538,261	1,685,478
Returned to County	931,065	89,385	126,384	1,302,994	2,449,828
NET CURRENT REAL ESTATE TAXES COLLECTED	\$ 33,776,456	\$ 4,452,505	\$ 2,712,989	\$ 47,811,572	\$ 88,753,522
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	\$ 230,141	\$ 5,572	\$ 820	\$ 606,606	\$ 843,139
<b>CURRENT PER CAPITA TAXES</b>					
Number of persons assessed	\$ 13,917	\$ 3,296	\$ 2,407	\$ 15,063	\$ 34,683
Tax rate	10	10	10	10	10
TAXABLE VALUATION	139,170	32,960	24,070	150,630	346,830
Plus					
Additions	520	1,470	90	540	2,620
Penalties	485	111	97	377	1,070
TOTAL TAXES TO BE COLLECTED	140,175	34,541	24,257	151,547	350,520
Less					
Discounts	1,695	313	225	1,957	4,190
Exonerations	-	1,160	280	220	1,660
Reductions	15,810	3,800	400	12,150	32,160
Outstanding	23,050	10,180	9,480	26,620	69,330
NET CURRENT PER CAPITA TAXES COLLECTED	\$ 99,620	\$ 19,088	\$ 13,872	\$ 110,600	\$ 243,180

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

REVENUES

Local sources

Current real estate taxes	\$ 89,114,798
Interim real estate taxes	843,139
Public utility taxes	126,606
Payment in lieu of taxes	1,664,452
Current per capita taxes	
Act 511	121,590
Act 679	121,590
Occupational privilege tax	158,537
Earned income tax	9,921,164
Real estate transfer tax	1,749,253
Delinquent real estate taxes	3,299,962
Delinquent per capita taxes	52,300
Interest	143,329
Admissions	81,930
Fees	137,325
Other student activity income	135,247
Revenue from local governmental units	80,000
State revenue received from an entity acting as an agent for the Commonwealth	6,000
Federal revenue from intermediary sources	1,595,082
Rentals	391,022
Contributions	26,449
Tuition from patrons	20,936
Refunds and other miscellaneous revenue	593,464
TOTAL LOCAL SOURCES	<u>110,384,175</u>

State sources

Basic education	8,781,896
Tuition for orphans	92,871
Specialized education	2,485,082
Transportation	1,979,700
Rental and sinking fund payments	1,086,445
Health services	163,678
Property tax allocation	2,345,478
Other state revenues	321,956
Social Security	2,126,452
Retirement	6,205,559
TOTAL STATE SOURCES	<u>25,589,117</u>

Federal sources

Title I	234,053
Title II	105,615
Medical assistance	344,816
TOTAL FEDERAL SOURCES	<u>684,484</u>

TOTAL FORWARD \$ 136,657,776

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

EXPENDITURES

Instruction

Regular programs	\$ 51,486,439
Special programs	701,479
Life skills support	262,949
Sensory support	1,335,041
Emotional support	4,918,488
Academic support	13,965,665
Multi-handicapped support	358,054
Early intervention support	123,605
Other support	2,650,660
Other vocational education programs	2,494,256
Summer school	5,215
Homebound instruction	34,113
Additional other instructional programs	952
TOTAL FORWARD	<u>78,336,916</u>

Support services

Guidance services	3,000,429
Psychological services	1,197,630
Social work services	132,905
Student accounting services	129,005
Technology support services	13,216
School library services	1,737,562
Instruction and curriculum development services	703,389
Special education administration services	672,033
Instructional staff professional development services	392,713
Board services	200,840
Tax assessment and collection services	282,466
Legal services	412,708
Office of the Superintendent services	763,627
Community relations services	52,264
Office of the Principal services	4,809,313
Other administration services	16,020
Support services, pupil health	1,873,341
Nonpublic health services	32,050
Other health services	75,098
Support services, business	54,189
Fiscal services	867,175
Operation and maintenance of plant services	4,081,156
Supervision of operation and maintenance of plant services	378,130
Operation of building services	4,556,228
Care and upkeep of grounds services	454,109
Care and Upkeep of equipment services	98,112
Vehicle operation and maintenance services	98,978
Security services	248,584
Other operation and maintenance of plant services	98,011
Student transportation services	4,746,615
Supervision of student transportation services	94,867
Nonpublic transportation	2,022,199
Planning, research, development and evaluation services	2,061,876
Information services	6,193
Staff services	430,058
Other support services	110,868
TOTAL FORWARD	<u>\$ 36,903,957</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

REVENUES		
TOTAL FORWARDED		\$ <u>136,657,776</u>
EXPENDITURES		
Instruction		
TOTAL FORWARDED		<u>78,336,916</u>
Support services		
TOTAL FORWARDED		<u>36,903,957</u>
Operation of non-instructional services		
Student activities		1,506,688
School sponsored student activities		94,006
School sponsored athletics		376,570
Community services		32,640
Community recreation		34,184
TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES		<u>2,044,088</u>
Debt service		14,873,599
Refund of prior year revenues		2,366
TOTAL EXPENDITURES		<u>132,160,926</u>
EXCESS OF REVENUES OVER EXPENDITURES		4,496,850
OTHER FINANCING USES		
Transfers out		<u>(3,500,000)</u>
NET CHANGE IN FUND BALANCE		996,850
FUND BALANCE AT BEGINNING OF YEAR		<u>20,872,162</u>
FUND BALANCE AT END OF YEAR		<u>\$ <u>21,869,012</u></u>

# SPRING-FORD AREA SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### CAPITAL PROJECT FUNDS

JUNE 30, 2015

	<u>Capital Reserve Fund</u>	<u>District-Wide Capital Projects Fund</u>	<u>Total Capital Project Funds</u>
ASSETS			
Cash and cash equivalents	\$ 10,197,416	\$ -	\$ 10,197,416
Investments	<u>3,655,765</u>	<u>-</u>	<u>3,655,765</u>
TOTAL ASSETS	<u>\$ 13,853,181</u>	<u>\$ -</u>	<u>\$ 13,853,181</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	<u>\$ 258,229</u>	<u>\$ -</u>	<u>\$ 258,229</u>
FUND BALANCES			
Committed to capital projects	<u>13,594,952</u>	<u>-</u>	<u>13,594,952</u>
TOTAL FUND BALANCES	<u>13,594,952</u>	<u>-</u>	<u>13,594,952</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,853,181</u>	<u>\$ -</u>	<u>\$ 13,853,181</u>

# SPRING-FORD AREA SCHOOL DISTRICT

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS YEAR ENDED JUNE 30, 2015

	<u>Capital Reserve Fund</u>	<u>District-Wide Capital Projects Fund</u>	<u>Total Capital Project Funds</u>
<b>REVENUES</b>			
Local sources	\$ 45,080	\$ 3	\$ 45,083
<b>EXPENDITURES</b>			
Support services	402,758	-	402,758
Operation of non-instructional services	13,572	-	13,572
Facilities acquisition, construction and improvement services	853,880	86,041	939,921
Debt service	-	362,838	362,838
TOTAL EXPENDITURES	<u>1,270,210</u>	<u>448,879</u>	<u>1,719,089</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,225,130)	(448,876)	(1,674,006)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	1,500,000	-	1,500,000
Refunding bonds issued	-	44,705,000	44,705,000
Premium on refunding bonds issued	-	3,407,168	3,407,168
Payment to refunded bond escrow agent	-	(47,749,330)	(47,749,330)
TOTAL OTHER FINANCING SOURCES	<u>1,500,000</u>	<u>362,838</u>	<u>1,862,838</u>
NET CHANGE IN FUND BALANCES	274,870	(86,038)	188,832
FUND BALANCES AT BEGINNING OF YEAR	<u>13,320,082</u>	<u>86,038</u>	<u>13,406,120</u>
FUND BALANCES AT END OF YEAR	<u>\$ 13,594,952</u>	<u>\$ -</u>	<u>\$ 13,594,952</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

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	<u>Athletic Activities</u>
<b>REVENUES</b>	
Local sources	
Admissions	\$ 115,390
Interest	55
Refunds and other miscellaneous revenues	<u>100</u>
TOTAL REVENUES	<u>115,545</u>
<b>EXPENDITURES</b>	
Operation of non-instructional services	
Salaries	5,852
Employee benefits	981
Professional fees	45,068
Repairs and maintenance	25,615
Rent	17,060
Contracted carriers	97,382
Travel	8,921
General supplies	71,034
Books and periodicals	3,349
Equipment	58,920
Dues and fees	19,697
Miscellaneous	<u>625</u>
TOTAL EXPENDITURES	<u>354,504</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (238,959)</u>

# SPRING-FORD AREA SCHOOL DISTRICT

## SCHEDULE OF REVENUES, EXPENSES AND

### CHANGES IN NET POSITION

#### FOOD SERVICE FUND

YEAR ENDED JUNE 30, 2015

REVENUES	
Sale of food	\$ 1,909,492
Special functions	7,098
Federal subsidies	550,683
State subsidies	52,237
Interest	715
Donated foods	107,541
State reimbursements	
Social Security	39,898
Retirement	114,004
Refunds and other miscellaneous revenues	<u>11,238</u>
TOTAL REVENUES	<u>2,792,906</u>
COST OF GOODS SOLD	
Beginning inventory	59,490
Food and milk	859,892
Donated foods	107,541
Supplies	<u>93,187</u>
	1,120,110
Ending inventory	<u>(75,074)</u>
TOTAL COST OF GOODS SOLD	<u>1,045,036</u>
GROSS PROFIT	<u>1,747,870</u>
EXPENSES	
Salaries	1,082,009
Employee benefits	753,390
Purchased professional and technical service	496
Disposal services	19,491
Repairs and maintenance	55,260
Communication	3,284
Dues and fees	15,620
Depreciation	<u>15,534</u>
TOTAL EXPENSES	<u>1,945,084</u>
CHANGE IN NET POSITION	(197,214)
NET POSITION AT BEGINNING OF YEAR, restated	<u>(2,567,327)</u>
NET POSITION AT END OF YEAR	<u>\$ (2,764,541)</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**COMBINING SCHEDULES OF FIDUCIARY NET POSITION**  
**AND CHANGES IN FIDUCIARY NET POSITION**  
**SCHOLARSHIP TRUST FUNDS**  
**JUNE 30, 2015**

	W. J. Griffith Memorial Scholarship Fund	Edwind R. Thomas Trust Fund	Alvin P. Harley Memorial Scholarship Fund	Deserving Students Scholarship Fund	Barbara Karwoski Scholarship Fund	David Freed Memorial Scholarship Fund
<b>SCHEDULE OF FIDUCIARY NET POSITION</b>						
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	<u>7,119</u>	<u>31,139</u>	<u>4,398</u>	<u>100</u>	<u>4,233</u>	<u>3,956</u>
<b>TOTAL ASSETS</b>	<b>7,119</b>	<b>31,139</b>	<b>4,398</b>	<b>100</b>	<b>4,233</b>	<b>3,956</b>
<b>LIABILITIES</b>						
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,150</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>	<b><u>\$ 7,119</u></b>	<b><u>\$ 31,139</u></b>	<b><u>\$ 4,398</u></b>	<b><u>\$ (1,050)</u></b>	<b><u>\$ 4,233</u></b>	<b><u>\$ 3,956</u></b>
<b>SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION</b>						
<b>ADDITIONS</b>						
Investment earnings	\$ 39	\$ 5	\$ -	\$ -	\$ 9	\$ 9
<b>DEDUCTIONS</b>						
Scholarships awarded and fees paid	<u>400</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>240</u>	<u>200</u>
<b>CHANGE IN NET POSITION</b>	<b>(361)</b>	<b>5</b>	<b>(100)</b>	<b>-</b>	<b>(231)</b>	<b>(191)</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b><u>7,480</u></b>	<b><u>31,134</u></b>	<b><u>4,498</u></b>	<b><u>(1,050)</u></b>	<b><u>4,464</u></b>	<b><u>4,147</u></b>
<b>NET POSITION AT END OF YEAR</b>	<b><u>\$ 7,119</u></b>	<b><u>\$ 31,139</u></b>	<b><u>\$ 4,398</u></b>	<b><u>\$ (1,050)</u></b>	<b><u>\$ 4,233</u></b>	<b><u>\$ 3,956</u></b>

Thomas J. Henry Scholarship Fund	Richard Hoisington 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
\$ -	\$ -	\$ 1,069	\$ -	\$ -	\$ -	\$ -	\$ 19	\$ 1,088
<u>1,346</u>	<u>1,106</u>	<u>-</u>	<u>-</u>	<u>11,194</u>	<u>632</u>	<u>-</u>	<u>19,639</u>	<u>84,862</u>
1,346	1,106	1,069	-	11,194	632	-	19,658	85,950
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,150</u>
<u>\$ 1,346</u>	<u>\$ 1,106</u>	<u>\$ 1,069</u>	<u>\$ -</u>	<u>\$ 11,194</u>	<u>\$ 632</u>	<u>\$ -</u>	<u>\$ 19,658</u>	<u>\$ 84,800</u>
\$ 7	\$ -	\$ 1	\$ -	\$ -	\$ 4	\$ 1	\$ 59	\$ 134
<u>100</u>	<u>200</u>	<u>500</u>	<u>519</u>	<u>852</u>	<u>-</u>	<u>898</u>	<u>1,220</u>	<u>5,229</u>
(93)	(200)	(499)	(519)	(852)	4	(897)	(1,161)	(5,095)
<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>
<u>\$ 1,346</u>	<u>\$ 1,106</u>	<u>\$ 1,069</u>	<u>\$ -</u>	<u>\$ 11,194</u>	<u>\$ 632</u>	<u>\$ -</u>	<u>\$ 19,658</u>	<u>\$ 84,800</u>

**SPRING-FORD AREA SCHOOL DISTRICT**

COMBINING BALANCE SHEET

AGENCY FUNDS

JUNE 30, 2015

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	<u>Activity Funds</u>	<u>Premium Escrow Fund</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ <u>231,525</u>	\$ <u>300</u>	\$ <u>231,825</u>
LIABILITIES			
Accounts payable	\$ <u>231,525</u>	\$ <u>300</u>	\$ <u>231,825</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF CHANGES IN ASSETS**  
**AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>ACTIVITY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ <u>247,117</u>	\$ <u>507,716</u>	\$ <u>523,308</u>	\$ <u>231,525</u>
<b>LIABILITIES</b>				
Accounts payable	\$ <u>247,117</u>	\$ <u>507,716</u>	\$ <u>523,308</u>	\$ <u>231,525</u>
<b>PREMIUM ESCROW FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ <u>300</u>	\$ <u>338,632</u>	\$ <u>338,632</u>	\$ <u>300</u>
<b>LIABILITIES</b>				
Accounts payable	\$ <u>300</u>	\$ <u>338,632</u>	\$ <u>338,632</u>	\$ <u>300</u>
<b>AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ <u>247,417</u>	\$ <u>846,348</u>	\$ <u>861,940</u>	\$ <u>231,825</u>
<b>LIABILITIES</b>				
Accounts payable	\$ <u>247,417</u>	\$ <u>846,348</u>	\$ <u>861,940</u>	\$ <u>231,825</u>

# SPRING-FORD AREA SCHOOL DISTRICT

## SCHEDULE OF ADDITIONS AND DELETIONS

### ACTIVITY FUNDS

YEAR ENDED JUNE 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>SENIOR HIGH SCHOOL</b>				
103A - SAP Snack Attack	\$ 5,688	\$ 3,653	\$ 6,560	\$ 2,781
103B - Secretarial Award	-	1,640	1,440	200
Anchor Club	30	-	-	30
Arboretum Club	122	-	-	122
Art Enrichment	2,711	978	136	3,553
Class Gift Main Account	485	800	936	349
Class of 2015	4,697	11,768	15,257	1,208
Class of 2016	6,807	62,828	68,462	1,173
Class of 2017	2,587	7,729	5,385	4,931
Class of 2018	2,527	7,861	4,768	5,620
Commencement	(3,077)	25,874	22,205	592
Culture Awareness Club	525	-	65	460
Family and Consumer Science Club	255	3,973	3,839	389
FBLA	85	3,750	3,615	220
French Club	1,228	-	50	1,178
German Club	1,035	2,064	1,998	1,101
Honor Society	3,272	4,466	4,347	3,391
In/Out Club	61	16,672	16,737	(4)
Key Club	516	-	516	-
Library Club	2,359	1,115	1,001	2,473
Math Club	213	1,100	1,270	43
Media Center Coffee Area	5,000	4,542	4,646	4,896
Minorities Coming Together	232	-	232	-
Model UN	-	470	316	154
Pep Club	1,112	164	102	1,174
Ramoirs	470	318	686	102
Rampage	294	185	269	210
Rotary/Interact	562	14,938	13,253	2,247
SADD	3,772	13,143	14,019	2,896
Science Club	196	177	125	248
Skiboard Club	-	3,280	3,151	129
SNAP	1,693	500	1,000	1,193
Spanish Club	488	392	231	649
Student Council	7,249	11,801	11,010	8,040
Theater	19,448	22,629	15,283	26,794
WSFTV	9,894	3,235	4,487	8,642
Yearbook	26,105	16,467	10,360	32,212
<b>TOTAL FORWARD</b>	<b>\$ 108,641</b>	<b>\$ 248,512</b>	<b>\$ 237,757</b>	<b>\$ 119,396</b>

# SPRING-FORD AREA SCHOOL DISTRICT

## SCHEDULE OF ADDITIONS AND DELETIONS

### ACTIVITY FUNDS

YEAR ENDED JUNE 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
SENIOR HIGH SCHOOL				
TOTAL FORWARDED	\$ 108,641	\$ 248,512	\$ 237,757	\$ 119,396
8TH GRADE				
Drama Club	3,165	1,010	817	3,358
Family and Consumer Science Club	385	-	385	-
In/Out Club	1,825	67,763	69,588	-
Radio Club	447	-	-	447
Student Fund	49,720	5,007	14,427	40,300
Student Government	1,060	-	-	1,060
World Language Club	892	1,431	1,893	430
Yearbook	4,518	6,936	5,010	6,444
TOTAL 8TH GRADE	<u>62,012</u>	<u>82,147</u>	<u>92,120</u>	<u>52,039</u>
7TH GRADE				
5th Grade Class Trip	-	14,834	14,668	166
6th Grade Class Trip	-	36,235	30,444	5,791
7th Grade Class Trip	-	20,757	17,637	3,120
Arboretum Club	34	-	-	34
Builders Club	(7)	207	-	200
Courtyard	274	308	-	582
Drama Club	31	-	-	31
Family and Consumer Science Club	92	-	-	92
In/Out Club	271	3,502	3,559	214
Language	36	-	-	36
Newspaper	187	-	-	187
School Store	1,978	-	-	1,978
SFTV	59	-	20	39
Student Fund	55,133	36,986	64,085	28,034
Student Government	2,219	-	-	2,219
Technology	-	40,000	40,000	-
Yearbook	16,157	24,228	23,018	17,367
TOTAL 7TH GRADE	<u>76,464</u>	<u>177,057</u>	<u>193,431</u>	<u>60,090</u>
TOTAL ALL ACTIVITY FUNDS	<u>\$ 247,117</u>	<u>\$ 507,716</u>	<u>\$ 523,308</u>	<u>\$ 231,525</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL OBLIGATION BONDS**  
**YEAR ENDED JUNE 30, 2015**

**SERIES OF 2007**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>\$ 30,240,000</u>		<u>\$ 9,210,880</u>	<u>\$ 39,450,880</u>

**SERIES OF 2010**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>\$ 8,195,000</u>		<u>\$ 1,194,414</u>	<u>\$ 9,389,414</u>

**SERIES OF 2012**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015 to 2016	\$ 2,185,000	3.00%	\$ 805,550	\$ 2,990,550
2016 to 2017	2,260,000	3.00%	740,000	3,000,000
2017 to 2018	2,320,000	4.00%	672,200	2,992,200
2018 to 2019	2,410,000	5.00%	579,400	2,989,400
2019 to 2020	2,535,000	4.00%	458,900	2,993,900
2020 to 2021	2,630,000	4.00%	357,500	2,987,500
2021 to 2022	2,745,000	4.00%	252,300	2,997,300
2022 to 2023	2,850,000	5.00%	142,500	2,992,500
	<u>\$ 19,935,000</u>		<u>\$ 4,008,350</u>	<u>\$ 23,943,350</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL OBLIGATION BONDS**  
**YEAR ENDED JUNE 30, 2015**

**SERIES A OF 2012**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>8,580,000</u>		\$ <u>432,050</u>	\$ <u>9,012,050</u>

**SERIES OF 2015**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015 to 2016	\$ 2,830,000	3.00%	\$ 1,693,444	\$ 4,523,444
2016 to 2017	2,890,000	4.00%	1,622,775	4,512,775
2017 to 2018	3,750,000	4.00%	1,507,175	5,257,175
2018 to 2019	3,265,000	3.76%	1,357,175	4,622,175
2019 to 2020	3,390,000	3.88%	1,234,575	4,624,575
2020 to 2021	3,525,000	5.00%	1,103,175	4,628,175
2021 to 2022	3,685,000	3.98%	926,925	4,611,925
2022 to 2023	3,835,000	5.00%	780,325	4,615,325
2023 to 2024	1,505,000	4.00%	588,575	2,093,575
2024 to 2025	1,560,000	4.00%	528,375	2,088,375
2025 to 2026	1,625,000	4.00%	465,975	2,090,975
2026 to 2027	1,685,000	2.75%	400,975	2,085,975
2027 to 2028	1,725,000	3.00%	354,638	2,079,638
2028 to 2029	1,775,000	3.00%	302,888	2,077,888
2029 to 2030	1,830,000	3.13%	249,638	2,079,638
2030 to 2031	1,885,000	3.25%	192,450	2,077,450
2031 to 2032	1,940,000	3.30%	131,187	2,071,187
2032 to 2033	<u>2,005,000</u>	3.35%	<u>67,167</u>	<u>2,072,167</u>
	\$ <u>44,705,000</u>		\$ <u>13,507,437</u>	\$ <u>58,212,437</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, 2015, 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 22, 2015.

***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.

The image shows a handwritten signature in black ink that reads "Maillie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania  
December 22, 2015

***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, 2015. 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, 2015.

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 22, 2015

**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, 2015**

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	013-150414	July 1, 2014 to September 30, 2015
Title II Improving Teacher Quality	I	84.367	020-150414	July 1, 2014 to September 30, 2015
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, 2014 to September 30, 2015
Title III Language Instruction	I	84.365	N/A	July 1, 2013 to September 30, 2014
Individual Disability Education Act	I	84.027	N/A	July 1, 2014 to September 30, 2015
Individual Disability Education Act - Section 619	I	84.173	N/A	July 1, 2013 to September 30, 2014
Individual Disability Education Act - Section 619	I	84.173	N/A	July 1, 2014 to September 30, 2015
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, 2014 to September 30, 2015
<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, 2014 to September 30, 2015
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2013 to September 30, 2014
National School Lunch Program, State	S	N/A	N/A	July 1, 2014 to September 30, 2015
National School Lunch Program, State	S	N/A	N/A	July 1, 2013 to September 30, 2014
<b>Passed through the Pennsylvania Department of Agriculture</b>				
National School Lunch Program	I	10.555	N/A	July 1, 2014 to September 30, 2015
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, 2014.
- (C) Total amount of donated foods used.
- (D) Ending inventory at June 30, 2015.

**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, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>	<u>Amount Refunded</u>
\$ 234,053	\$ 233,616	\$ -	\$ 234,053	\$ 234,053	\$ 437	\$ -
105,615	105,674	-	105,615	105,615	-	59
120,643	14,871	14,871	-	-	-	-
4,013	440	-	4,013	4,013	3,573	-
2,993	1,957	1,957	-	-	-	-
1,583,148	1,583,148	-	1,583,148	1,583,148	-	-
4,097	4,097	4,097	-	-	-	-
7,921	<u>7,921</u>	<u>-</u>	<u>7,921</u>	<u>7,921</u>	<u>-</u>	<u>-</u>
	<u>1,951,724</u>	<u>20,925</u>	<u>1,934,750</u>	<u>1,934,750</u>	<u>4,010</u>	<u>59</u>
-	<u>44,816</u>	<u>-</u>	<u>44,816</u>	<u>44,816</u>	<u>-</u>	<u>-</u>
N/A	463,538	-	550,683	550,683	87,145	-
N/A	28,003	28,003	-	-	-	-
N/A	44,101	-	52,237	52,237	8,136	-
N/A	2,737	2,737	-	-	-	-
N/A	<u>123,296</u> (A)	<u>(24,413)</u> (B)	<u>107,541</u>	<u>107,541</u>	<u>(40,168)</u> (D)	<u>-</u>
	<u>661,675</u>	<u>6,327</u>	<u>710,461</u>	<u>710,461</u>	<u>55,113</u>	<u>-</u>
	2,658,215	27,252	2,690,027	2,690,027	59,123	59
	<u>(46,838)</u>	<u>(2,737)</u>	<u>(52,237)</u>	<u>(52,237)</u>	<u>(8,136)</u>	<u>-</u>
	<u>\$ 2,611,377</u>	<u>\$ 24,515</u>	<u>\$ 2,637,790</u>	<u>\$ 2,637,790</u>	<u>\$ 50,987</u>	<u>\$ 59</u>

**SPRING-FORD AREA SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2015**

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**NOTE A - BASIS OF ACCOUNTING**

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

**NOTE B - FEDERAL EXPENDITURES**

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

**SPRING-FORD AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2015**

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**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
National School Lunch Program	10.555
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.