



Springfield School District Springfield, Pennsylvania Delaware County

Financial Statements
Year Ended June 30, 2017



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SPRINGFIELD SCHOOL DISTRICT

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
<i>Statement of Net Position (Deficit)</i>	15
<i>Statement of Activities</i>	16
Fund Financial Statements	
<i>Balance Sheet – Governmental Funds</i>	17
<i>Reconciliation of Governmental Funds Balance Sheet to Net Position (Deficit) of Governmental Activities on the Statement of Net Position (Deficit)</i>	18
<i>Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds</i>	19
<i>Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Change in Net Position (Deficit) of Governmental Activities on the Statement of Activities</i>	20
<i>Statement of Net Position (Deficit) – Proprietary Fund</i>	21
<i>Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund</i>	22
<i>Statement of Cash Flows – Proprietary Fund</i>	23
<i>Statement of Net Position – Fiduciary Fund</i>	24
Notes to Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary Comparison Schedule – General Fund</i>	46
<i>Other Post-Employment Benefits Schedule of Funding Progress</i>	47
<i>Schedule of the District's Proportionate Share of the Net Pension Liability</i>	48
<i>Schedule of the District's Pension Plan Contributions</i>	49
SINGLE AUDIT	
<i>Schedule of Expenditures of Federal Awards and Certain State Grants</i>	50
<i>Notes to Schedule of Expenditures of Federal Awards and Certain State Grants</i>	52
<i>Summary Schedule of Prior Audit Findings</i>	53
INDEPENDENT AUDITOR'S 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	54
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	56
<i>Schedule of Findings and Questioned Costs</i>	58



INDEPENDENT AUDITOR'S REPORT

**Board of School Directors
Springfield School District
Springfield, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springfield School District, Springfield, Pennsylvania as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Springfield 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springfield School District, Springfield, Pennsylvania as of June 30, 2017, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Springfield School District's 2016 financial statements, and our report dated October 20, 2016 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, other post-employment benefits schedule of funding progress and the schedules of the District's proportionate share of the net pension liability and pension plan contributions on pages 3 through 14 and 46 through 49 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 Springfield School District's basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards and certain state grants is 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 October 5, 2017, on our consideration of Springfield 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 Springfield School District's internal control over financial reporting and compliance.

BBD, LLP

Philadelphia, Pennsylvania

October 5, 2017

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

Management's discussion and analysis ("**MD&A**") of the financial performance of the Springfield School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2017. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of the Springfield Literacy Center (grades K to 1), two elementary schools (grades 2 to 5), a middle school (grades 6 to 8) and a high school (grades 9 to 12) consisting of approximately 4,040 students. The District covers 7 square miles and is comprised of the Township of Springfield and the Borough of Morton. During 2016-2017, there were 459 employees in the District, consisting of 281 teachers, 22 administrators, including general administration, principals and supervisors, and 156 support personnel including administrative assistants, maintenance staff, custodial staff, transportation staff and class room assistants.

DISTRICT MISSION

Standing as a cornerstone of the Springfield and Morton communities, we are committed to excellence in all dimensions of student life. Through dynamic, diverse and innovative programs, we empower our students to achieve their individual potential and inspire them to become ethical and contributing citizens.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows resulting in a deficit in total net position at the close of the 2016-2017 fiscal year of \$55,190,080. During the 2016-2017 fiscal year, the District had a decrease in total net position of \$3,409,561. The net position of governmental activities decreased by \$3,310,831 and net position of business-type activities decreased by \$98,730.
- The General Fund reported a decrease in fund balance of \$630,947, bringing the cumulative balance to \$10,037,355 at the conclusion of the 2016-2017 fiscal year.
- At June 30, 2017, the General Fund fund balance includes \$5,971 which is considered nonspendable, \$6,369,053 committed to healthcare and retirement rate stabilization and unassigned amounts of \$3,662,331 or 4.95% of the \$74,054,069 2017-2018 General Fund expenditure budget. Guidelines prescribed by the Pennsylvania Department of Education allow a district to maintain a maximum General Fund fund balance of 8% of the following year's expenditure budget.
- During 2016-2017, the Capital Projects Fund reported an increase in fund balance of \$6,447,550 due to the issuance of new general obligation debt. The remaining fund balance of \$38,846,326 as of June 30, 2017 is restricted for the high school master plan project and future capital project expenditures.
- Total General Fund revenues and other financing sources were \$219,951 or 0.32% more than budgeted amounts and total General Fund expenditures and other financing uses were \$50,898 or 0.07% more than budgeted amounts resulting in a net positive variance of \$169,053.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

The *Statement of Net Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 15 and 16 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

The District maintains two individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the two major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 17 through 20 of this report.

Proprietary Funds

The District maintains one type of proprietary fund. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The proprietary fund financial statements can be found on Pages 21 through 23 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statement can be found on Page 24 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 25 through 45 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, a schedule of the District's progress in funding its obligation to provide other post-employment benefits and schedules of net pension liability and District pension contributions.

The required supplementary information can be found on Pages 46 through 49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2016-2017 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$55,190,080. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2017 and 2016.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current assets	\$ 58,321,446	\$ 51,709,778	\$ 49,303	\$ 128,392	\$ 58,370,749	\$ 51,838,170
Noncurrent assets	<u>53,736,351</u>	<u>54,482,646</u>	<u>359,353</u>	<u>386,631</u>	<u>54,095,704</u>	<u>54,869,277</u>
Total assets	<u>112,057,797</u>	<u>106,192,424</u>	<u>408,656</u>	<u>515,023</u>	<u>112,466,453</u>	<u>106,707,447</u>
DEFERRED OUTFLOWS						
Deferred charges – pensions	20,715,798	8,460,680	-	-	20,715,798	8,460,680
Deferred amounts on debt refunding	<u>1,047,084</u>	<u>1,337,554</u>	<u>-</u>	<u>-</u>	<u>1,047,084</u>	<u>1,337,554</u>
Total deferred outflows	<u>21,762,882</u>	<u>9,798,234</u>	<u>-</u>	<u>-</u>	<u>21,762,882</u>	<u>9,798,234</u>
LIABILITIES						
Current liabilities	8,791,382	7,873,237	69,655	77,292	8,861,037	7,950,529
Noncurrent liabilities	<u>177,377,774</u>	<u>156,732,761</u>	<u>-</u>	<u>-</u>	<u>177,377,774</u>	<u>156,732,761</u>
Total liabilities	<u>186,169,156</u>	<u>164,605,998</u>	<u>69,655</u>	<u>77,292</u>	<u>186,238,811</u>	<u>164,683,290</u>
DEFERRED INFLOWS						
Deferred credits – pensions	<u>3,180,604</u>	<u>3,602,910</u>	<u>-</u>	<u>-</u>	<u>3,180,604</u>	<u>3,602,910</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	15,554,749	13,640,633	359,353	386,631	15,914,102	14,027,264
Restricted	11,708,532	13,396,974	-	-	11,708,532	13,396,974
Unrestricted (deficit)	<u>(82,792,362)</u>	<u>(79,255,857)</u>	<u>(20,352)</u>	<u>51,100</u>	<u>(82,812,714)</u>	<u>(79,204,757)</u>
Total net position (deficit)	<u>\$ (55,529,081)</u>	<u>\$ (52,218,250)</u>	<u>\$ 339,001</u>	<u>\$ 437,731</u>	<u>\$ (55,190,080)</u>	<u>\$ (51,780,519)</u>

The District's total assets as of June 30, 2017 were \$112,466,453 of which \$55,152,419 or 49.04% consisted of cash and investments and \$54,095,704 or 48.10% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2017 were \$186,238,811 of which \$65,751,477 or 35.30% consisted of general obligation debt used to acquire and construct capital assets and \$109,917,000 or 59.02% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$82,812,714 at June 30, 2017. The District's unrestricted net position decreased by \$3,607,957 during 2016-2017 primarily due to the results of current year operations and the change in the District's actuarially determined net pension liability.

A portion of the District's net position reflects its restricted net position which totaled \$11,708,532 as of June 30, 2017. All of the District's restricted net position related to amounts restricted for capital expenditures.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2017, the District's net investment in capital assets increased by \$1,886,838 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with funding sources other than long-term debt.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

The following table presents condensed information for the *Statement of Activities* of the District for 2017 and 2016:

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues						
Charges for services	\$ 120,380	\$ 135,739	\$ 973,194	\$ 975,787	\$ 1,093,574	\$ 1,111,526
Operating grants and contributions	9,085,934	8,461,737	258,427	249,514	9,344,361	8,711,251
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	54,369,332	53,068,128	-	-	54,369,332	53,068,128
Other taxes levied for general purposes	1,576,134	1,500,557	-	-	1,576,134	1,500,557
Grants and entitlements not restricted to specific programs	4,162,992	3,992,228	-	-	4,162,992	3,992,228
Investment earnings	388,019	117,873	417	156	388,436	118,029
Gain (loss) on sale of capital assets	(5,123)	5,297	-	-	(5,123)	5,297
Total revenues	<u>69,697,668</u>	<u>67,281,559</u>	<u>1,232,038</u>	<u>1,225,457</u>	<u>70,929,706</u>	<u>68,507,016</u>
EXPENSES						
Instruction	46,197,256	41,111,783	-	-	46,197,256	41,111,783
Instructional student support services	6,209,331	5,668,768	-	-	6,209,331	5,668,768
Administrative and financial support services	7,223,416	7,063,463	-	-	7,223,416	7,063,463
Operation and maintenance of plant services	6,443,686	6,740,148	-	-	6,443,686	6,740,148
Pupil transportation	2,996,434	2,822,794	-	-	2,996,434	2,822,794
Student activities	1,757,805	1,624,476	-	-	1,757,805	1,624,476
Community services	66,669	47,709	-	-	66,669	47,709
Interest and amortization expense related to non-current liabilities	2,093,902	1,750,473	-	-	2,093,902	1,750,473
Food service	-	-	1,350,768	1,392,591	1,350,768	1,392,591
Total expenses	<u>72,988,499</u>	<u>66,829,614</u>	<u>1,350,768</u>	<u>1,392,591</u>	<u>74,339,267</u>	<u>68,222,205</u>
Change in net position before transfers	(3,290,831)	451,945	(118,730)	(167,134)	(3,409,561)	284,811
Transfers	(20,000)	(136,577)	20,000	136,577	-	-
CHANGE IN NET POSITION (DEFICIT)	<u>\$ (3,310,831)</u>	<u>\$ 315,368</u>	<u>\$ (98,730)</u>	<u>\$ (30,557)</u>	<u>\$ (3,409,561)</u>	<u>\$ 284,811</u>

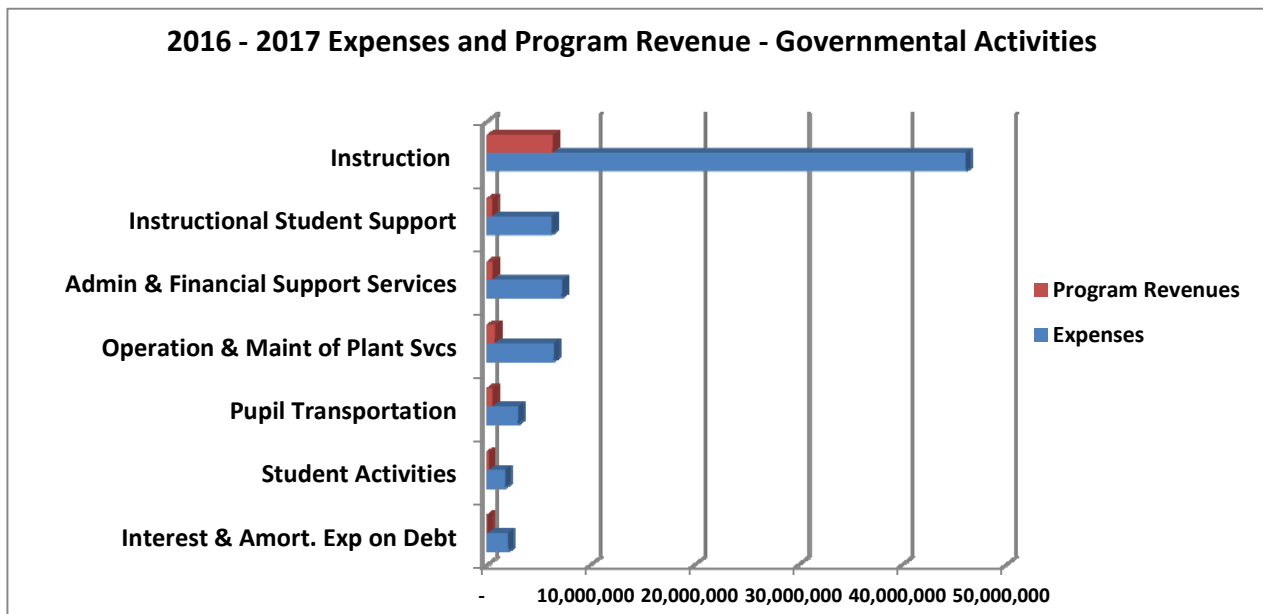
SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

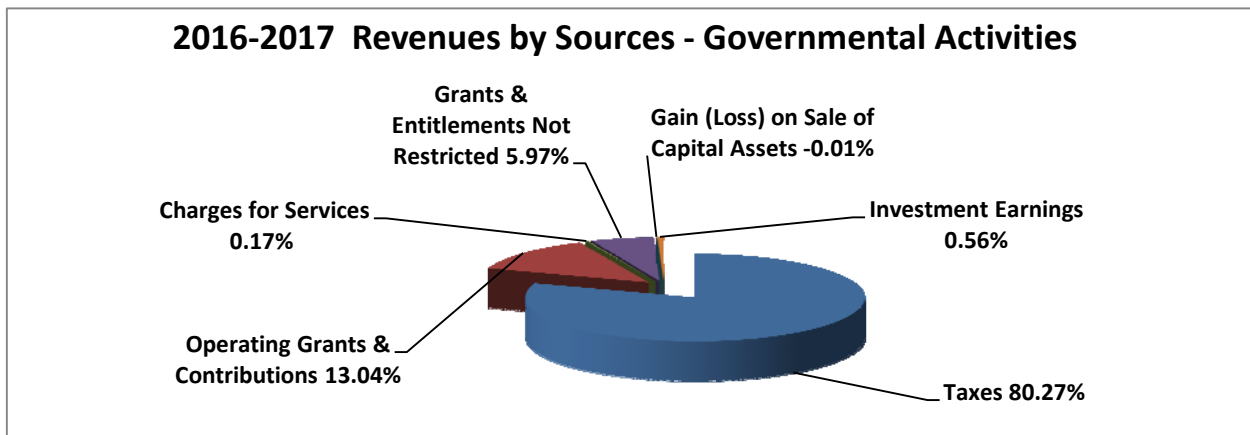
June 30, 2017

During 2016-2017, the District's net position decreased by \$3,409,561 in part due to increased medical costs, pension contributions, state-mandated programs and negotiated contracts. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A significant portion of the District's property tax base is in the form of residential housing. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities located mostly in Springfield Township.

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

GOVERNMENTAL FUNDS

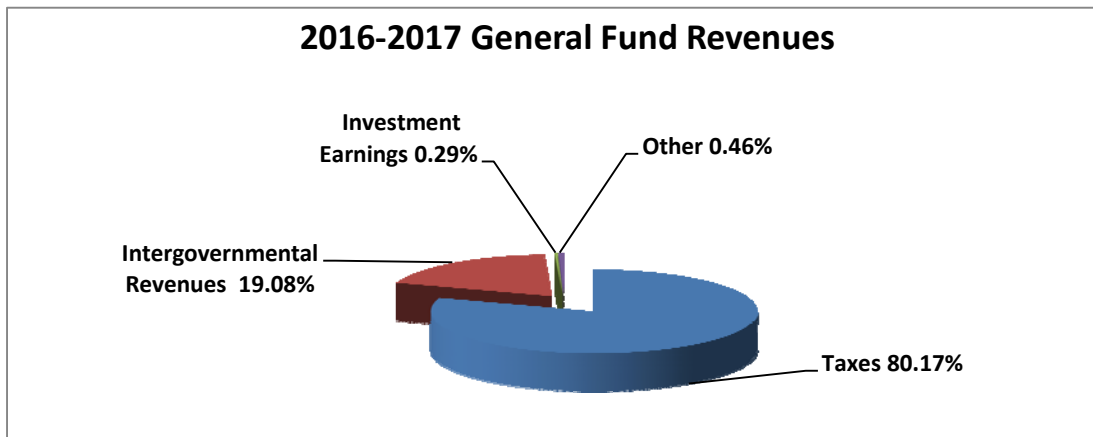
The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2017, the District's governmental funds reported a combined fund balance of \$48,883,681 which is an increase of \$5,816,603 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2017 and 2016 and the total 2017 change in governmental fund balances.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
General Fund	\$10,037,355	\$10,668,302	\$ (630,947)
Capital Projects Fund	<u>38,846,326</u>	<u>32,398,776</u>	<u>6,447,550</u>
	<u>\$48,883,681</u>	<u>\$43,067,078</u>	<u>\$5,816,603</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2016-2017 fiscal year, the General Fund fund balance was \$10,037,355 representing a decrease of \$630,947 in relation to the prior year. The decrease in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2016-2017 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 80.17% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$56,035,891	\$54,438,046	\$1,597,845	2.94
Intergovernmental revenues	13,336,043	12,551,424	784,619	6.25
Investment earnings	202,533	117,873	84,660	71.82
Other	<u>317,949</u>	<u>358,895</u>	<u>(40,946)</u>	<u>(11.41)</u>
	<u>\$69,892,416</u>	<u>\$67,466,238</u>	<u>\$2,426,178</u>	<u>3.60</u>

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

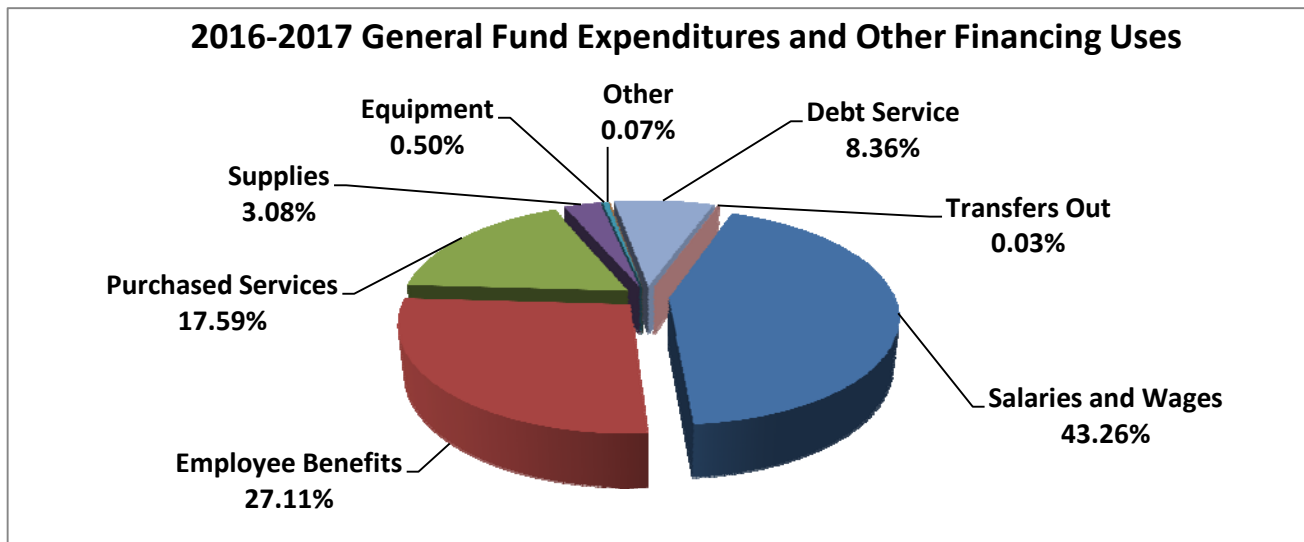
June 30, 2017

Net tax revenues increased by \$1,597,845 or 2.94% due to several factors. A millage increase of approximately 2.37% in 2016-2017, tax assessment base growth, increased delinquent tax collections and increases in real estate tax collections primarily in Springfield Township accounted for a majority of the current year increase in tax revenues. The following table summarizes changes in the District's tax revenues for 2017 compared to 2016:

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$53,372,901	\$51,936,388	\$1,436,513	2.77
Interim r/e tax	45,291	118,547	(73,256)	(61.79)
PURTA tax	59,592	60,363	(771)	(1.28)
Payments in lieu of tax	46,083	38,126	7,957	20.87
Transfer tax	634,415	583,777	50,638	8.67
Mercantile tax	882,127	856,418	25,709	3.00
Delinquent r/e tax	<u>995,482</u>	<u>844,427</u>	<u>151,055</u>	<u>17.89</u>
	<u>\$56,035,891</u>	<u>\$54,438,046</u>	<u>\$1,597,845</u>	<u>2.94</u>

Intergovernmental revenues increased primarily due to additional funding received for the state retirement subsidy which increased commensurate with the employer annual contribution percentage.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$30,506,970	\$29,349,911	\$ 1,157,059	3.94
Employee benefits	19,117,207	17,021,127	2,096,080	12.31
Purchased services	12,404,777	10,760,298	1,644,479	15.28
Supplies	2,170,670	2,212,361	(41,691)	(1.88)
Equipment	350,150	374,395	(24,245)	(6.48)
Other	54,074	62,216	(8,142)	(13.09)
Debt service	5,899,515	5,318,318	581,197	10.93
Transfers out	<u>20,000</u>	<u>1,910,752</u>	<u>(1,890,752)</u>	<u>(98.95)</u>
	<u>\$70,523,363</u>	<u>\$67,009,378</u>	<u>\$ 3,513,985</u>	<u>5.24</u>

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

Salaries and wages increased by \$1,157,059 or 3.94% in 2016-2017 as a result of contractually obligated pay increases for the various District union agreements in addition to salary increases for non-union employees.

Employee benefits increased by \$2,096,080 or 12.31% primarily due to the significant increase in the required annual retirement contribution to 30.03% in 2016-2017 from 25.84% in 2015-2016 along with an increase in the cost of District provided healthcare and prescription costs.

Purchased services increased by \$1,644,479 or 15.28% during 2016-2017 due to increased special education tuition, transportation and contracted service costs incurred during the year.

The increase in the debt service of \$581,197 or 10.93% was due to increased interest costs from the new series of bonds issued and the District's savings from prior year bond refinancings realized in prior years.

Transfers out in 2015-2016 primarily represent revenues over expenditures and budgeted appropriations to subsidize future capital projects needs.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. Transfers from the General Fund are made to this fund when available to minimize the need for additional debt borrowings. The District has been proactive in terms of preparing for unexpected and proposed capital projects each year and has developed a capital projects improvement plan which has created a priority list of capital facility needs. The District also uses this fund to support its five-year plan to update the District-wide technology plan and major equipment program. During 2016-2017, the Capital Projects Fund reported an increase in fund balance of \$6,447,550 due to the issuance of \$9.5 million of new general obligation debt offset by \$3.0 million of capital asset improvements made during the year. The remaining fund balance of \$38,846,326 as of June 30, 2017 is restricted for the high school master plan project and future capital expenditures.

GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1st each year. The most significant budgeted fund is the General Fund.

Actual revenues and other financing sources were \$219,951 more than budgeted amounts and actual expenditures and other financing uses were \$50,898 more than budgeted amounts resulting in a net overall positive variance of \$169,053. Major budgetary highlights for 2016-2017 were as follows:

- Actual state revenues received were \$205,395 more than budgeted amounts as a result of a higher allocation of basic education subsidy than budgeted amounts.
- Total actual expenditures and other financing uses were over budget by \$50,898 primarily due to unanticipated special education costs incurred during the year.

BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUND

The District's business-type activities and proprietary fund consist of the District's food services program. The District's food services program is managed by an outside third party contractor. During 2016-2017, the net position of the business-type activities and proprietary fund decreased by \$98,730. As of June 30, 2017, the business-type activities and proprietary fund had net position of \$339,001.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounted to \$54,095,704 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements and furniture and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$773,573 or 1.41%. The decrease was the result of current year depreciation expense and disposals in excess of current year capital additions.

Current year capital additions were \$2,832,083, disposals were \$6,123 and depreciation expense was \$3,599,533.

Major capital additions (including reclass from construction in progress) for the current fiscal year included the following:

- Sabold Elementary School classroom casework \$ 947,622
- High school master plan development \$ 1,345,773
- Capital leases – IT equipment \$ 407,719

Major capital disposals for the current fiscal year consisted primarily of obsolete IT equipment.

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$65,751,477 consisting of \$64,455,000 in bonds payable and net deferred credits of \$1,296,477. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt increased by \$5,195,645 or 8.58% during the fiscal year.

During 2016-2017, the District issued general obligation bonds, Series of 2017 in the amount of \$9,500,000, the proceeds from which are to be used for the construction of a new high school complex.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of \$65,751,477 is within the current debt limitation of the District which was \$153,211,751 as of June 30, 2017.

The District's general obligation debt rating is a Standard & Poor's AA/Stable underlying rating. Standard and Poor's notes that the AA/Stable rating reflects the District's stable financial performance, limited tax base and manageable debt position.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$109,917,000 as of June 30, 2017. The District's net pension liability increased by \$15,100,000 or 15.93% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for capital leases, compensated absences, early retirement incentive plans and post-employment benefits, which totaled \$1,709,297 as of June 30, 2017. These liabilities increased by \$349,368 or 25.69% during the fiscal year.

FACTORS BEARING ON DISTRICT'S FUTURE

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

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

- The District expects the historical trend for greater local tax effort to fund instructional programs and services to continue as state and federal funding for public education is expected to remain stagnant, as was seen during the 2017-2018 Commonwealth of Pennsylvania budget process. The Commonwealth of Pennsylvania only accounted for approximately 17.67% of total revenue sources to fund costs supporting the District's educational programs during fiscal 2016-2017. Local sources of revenue, primarily property taxes, now support approximately 81.04% of the costs of educational programs and services in the District.
 - The District adopted a 2017-2018 budget totaling \$74,054,069 which used \$1,500,000 of General Fund fund balance committed for employer retirement rate stabilization as of June 30, 2017 and the real estate tax millage rate was increased by approximately 2.50%.
 - In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the State level. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education from property owners. This new legislation has put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to seek approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:
 - ◆ That in the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state 2.5% for Springfield School District for 2017-2018, the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
 - ◆ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., special education and retirement system contributions) over which the school district has no control.
 - ◆ Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders. (Act 1 permitted slot machine gambling in Pennsylvania.)
 - On November 23, 2010, Governor Edward Rendell signed Pension Reform Legislation ("**House Bill 2497**") into law. The legislation is now known as Act 120 of 2010. House Bill 2497 includes a series of actuarial and funding changes to the public school employees' retirement system ("**PSERS**") and benefit reductions for individuals who become new members of PSERS on or after July 1, 2011. House Bill 2497 will not impact the pension benefits of current or retired PSERS members. As a result of the legislation the employer contribution rate for 2018-2019 is projected at 34.18%. Currently, the employer contribution rate for 2017-2018 is 32.57%, which is an increase of 8.46% from the 2016-2017 employer contribution rate of 30.03%. It is estimated that the increase in the employer contribution rate for 2017-2018 will increase the District's retirement expense by approximately \$930,940, of which the District's share is \$465,470.
 - The District is currently negotiating a new contract with the Springfield Education Association whose contract expired on June 30, 2017. In June 2016, the Springfield Educational Support Professionals Association agreed to a 3 year contract extension expiring on June 30, 2019.
 - The District has been working on a proposed high school master plan through its facilities committee over the last five years. The plan has reviewed the existing conditions of the high school which was constructed primarily in the mid-1950s and a significant addition added in the early 1970s. The proposed plan contemplated different alternatives for the high school campus which included renovating the existing building and different scenarios for construction of a new building.
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SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

The District presented a summary of the proposed master plan at a public school board meeting in May 2014 and to the community at six scheduled public town hall meetings starting in October 2014 to review the various components of the plan which included projected costs for building renovation and new construction scenarios and the projected financing projections and related real estate tax impact. In June 2015, the School Board approved the recommendation to pursue state and local approvals to construct a new high school and commence the financing plan required to construct the high school. The District has issued a new series of general obligation bonds in 2017 totaling approximately \$9.5 million to finance preliminary costs for the high school master plan.

- The District does not expect significant commercial business growth in the near future given the existing developed commercial and residential nature of the local economy and a lack of developable land remaining within the District. In fact, the District has experienced only a minor increase in the assessed value of commercial properties within the District, which limits growth in tax revenues for the District.
- Over the last five years, the District has experienced an increase of approximately 216 students attending the District's five schools - most notably at the elementary schools and Springfield High School. The elementary schools' increases are primarily attributed to the success of the Springfield Literacy Center and the District manages these increases by balancing the growth via redistricting the enrollment areas. The growth at Springfield High School seems to be a direct function of the high school, attracting students from local private and parochial schools into the public high school. The District is preparing for a slight continuation of this growth in student enrollment at Springfield High School. The existing building has the capacity to hold approximately 500 additional students, so additional space should not be needed to absorb this slight increase. In addition, should the increase of students continue at the elementary level, additional classroom space and faculty could be required for both the elementary and middle schools.
- The only other demographic fact that might impact enrollment could be the continued enrollment changes for non-public schools and the turnover in the District's citizenship census - as senior citizens move out and turn over their homes to younger families coming into District. Should the census change to increased numbers of families with school-age children, student enrollment could continue to increase in future years, possibly requiring additional staff and classroom space.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Operations, Springfield School District, 111 West Leamy Avenue, Springfield, Pennsylvania 19064.

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2017 with summarized comparative totals for 2016

	Governmental Activities	Business-type Activities	Totals	
			2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 12,666,667	\$ 7,238	\$ 12,673,905	\$ 9,803,053
Investments	42,478,514	-	42,478,514	38,477,485
Taxes receivable	1,281,836	-	1,281,836	1,394,464
Due from other governments	1,643,772	37,660	1,681,432	1,813,771
Other receivables	244,686	-	244,686	331,274
Prepaid expenses	5,971	-	5,971	10,153
Inventories	-	4,405	4,405	7,970
Total current assets	58,321,446	49,303	58,370,749	51,838,170
NONCURRENT ASSETS				
Capital assets, net	53,736,351	359,353	54,095,704	54,869,277
Total assets	112,057,797	408,656	112,466,453	106,707,447
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on debt refunding	1,047,084	-	1,047,084	1,337,554
Deferred charges proportionate share pension	20,715,798	-	20,715,798	8,460,680
Total deferred outflows of resources	21,762,882	-	21,762,882	9,798,234
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	1,053,700	69,655	1,123,355	788,845
Due to other governments	389	-	389	-
Accrued salaries, payroll withholdings and benefits	7,181,614	-	7,181,614	6,654,538
Accrued interest payable	555,679	-	555,679	507,146
Total current liabilities	8,791,382	69,655	8,861,037	7,950,529
NONCURRENT LIABILITIES				
Due within one year	4,675,785	-	4,675,785	4,555,872
Due in more than one year	172,701,989	-	172,701,989	152,176,889
Total noncurrent liabilities	177,377,774	-	177,377,774	156,732,761
Total liabilities	186,169,156	69,655	186,238,811	164,683,290
DEFERRED INFLOWS OF RESOURCES				
Deferred credits proportionate share pension	3,180,604	-	3,180,604	3,602,910
NET POSITION (DEFICIT)				
Net investment in capital assets	15,554,749	359,353	15,914,102	14,027,264
Restricted	11,708,532	-	11,708,532	13,396,974
Unrestricted (deficit)	(82,792,362)	(20,352)	(82,812,714)	(79,204,757)
Total net position (deficit)	\$ (55,529,081)	\$ 339,001	\$ (55,190,080)	\$ (51,780,519)

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2017 with summarized comparative totals for 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges for	Operating	Capital	Governmental	Business-type	Totals	
		Services	Grants and Contributions	Grants and Contributions			Activities	Activities
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 46,197,256	\$ 10,983	\$ 6,342,451	\$ -	\$ (39,843,822)	-	\$ (39,843,822)	\$ (35,345,555)
Instructional student support services	6,209,331	-	547,088	-	(5,662,243)	-	(5,662,243)	(5,179,513)
Administrative and financial support services	7,223,416	-	576,998	-	(6,646,418)	-	(6,646,418)	(6,520,423)
Operation and maintenance of plant services	6,443,686	79,584	711,595	-	(5,652,507)	-	(5,652,507)	(6,103,105)
Pupil transportation	2,996,434	-	566,381	-	(2,430,053)	-	(2,430,053)	(2,272,895)
Student activities	1,757,805	29,813	233,194	-	(1,494,798)	-	(1,494,798)	(1,388,550)
Community services	66,669	-	-	-	(66,669)	-	(66,669)	(47,709)
Interest and amortization related to noncurrent liabilities	2,093,902	-	108,227	-	(1,985,675)	-	(1,985,675)	(1,374,388)
Total governmental activities	<u>72,988,499</u>	<u>120,380</u>	<u>9,085,934</u>	<u>-</u>	<u>(63,782,185)</u>	<u>-</u>	<u>(63,782,185)</u>	<u>(58,232,138)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	1,350,768	973,194	258,427	-	-	(119,147)	(119,147)	(167,290)
Total business-type activities	<u>1,350,768</u>	<u>973,194</u>	<u>258,427</u>	<u>-</u>	<u>-</u>	<u>(119,147)</u>	<u>(119,147)</u>	<u>(167,290)</u>
Total primary government	<u>\$ 74,339,267</u>	<u>\$ 1,093,574</u>	<u>\$ 9,344,361</u>	<u>\$ -</u>	<u>(63,782,185)</u>	<u>(119,147)</u>	<u>(63,901,332)</u>	<u>(58,399,428)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					54,369,332	-	54,369,332	53,068,128
Other taxes levied for general purposes					1,576,134	-	1,576,134	1,500,557
Grants and entitlements not restricted to specific programs					4,162,992	-	4,162,992	3,992,228
Investment earnings					388,019	417	388,436	118,029
Gain (loss) on sale of capital assets					(5,123)	-	(5,123)	5,297
TRANSFERS					<u>(20,000)</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>60,471,354</u>	<u>20,417</u>	<u>60,491,771</u>	<u>58,684,239</u>
CHANGE IN NET POSITION (DEFICIT)					<u>(3,310,831)</u>	<u>(98,730)</u>	<u>(3,409,561)</u>	<u>284,811</u>
NET POSITION (DEFICIT)								
Beginning of year					<u>(52,218,250)</u>	<u>437,731</u>	<u>(51,780,519)</u>	<u>(52,065,330)</u>
End of year					<u>\$ (55,529,081)</u>	<u>\$ 339,001</u>	<u>\$ (55,190,080)</u>	<u>\$ (51,780,519)</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017 with summarized comparative totals for 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
ASSETS				
Cash	\$ 3,483,437	\$ 9,183,230	\$ 12,666,667	\$ 9,786,057
Investments	12,311,784	30,166,730	42,478,514	38,477,485
Taxes receivable	1,281,836	-	1,281,836	1,394,464
Due from other funds	-	-	-	1,774,175
Due from other governments	1,643,772	-	1,643,772	1,776,082
Other receivables	244,686	-	244,686	331,274
Prepaid items	5,971	-	5,971	10,153
Total assets	<u>\$ 18,971,486</u>	<u>\$ 39,349,960</u>	<u>\$ 58,321,446</u>	<u>\$ 53,549,690</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 550,066	\$ 503,634	\$ 1,053,700	\$ 711,553
Due to other governments	389	-	389	-
Due to other funds	-	-	-	1,839,912
Accrued salaries, payroll withholdings and benefits	7,266,060	-	7,266,060	6,723,106
Total liabilities	<u>7,816,515</u>	<u>503,634</u>	<u>8,320,149</u>	<u>9,274,571</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	1,117,616	-	1,117,616	1,208,041
FUND BALANCES				
Nonspendable				
Prepaid items	5,971	-	5,971	10,153
Restricted for				
Capital projects	-	38,846,326	38,846,326	32,398,776
Committed to				
Employer retirement rate stabilization	3,769,053	-	3,769,053	4,400,000
Healthcare rate stabilization	2,600,000	-	2,600,000	2,600,000
Unassigned	3,662,331	-	3,662,331	3,658,149
Total fund balances	<u>10,037,355</u>	<u>38,846,326</u>	<u>48,883,681</u>	<u>43,067,078</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,971,486</u>	<u>\$ 39,349,960</u>	<u>\$ 58,321,446</u>	<u>\$ 53,549,690</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2017

TOTAL GOVERNMENTAL FUND BALANCES	\$ 48,883,681
<p>Amounts reported for governmental activities in the statement of net position (deficit) are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	53,736,351
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position.	1,047,084
Deferred outflows of resources and deferred inflows of resources related to pensions are not reported as assets and liabilities in the governmental funds balance sheet.	17,535,194
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	1,117,616
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(177,293,328)
Accrued interest payable on long-term liabilities is included in the statement of net position, but is excluded from the governmental funds balance sheet until due and payable.	<u>(555,679)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (55,529,081)</u>

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2017 with summarized comparative totals for 2016

	General Fund	Capital Projects Fund	Totals	
			2017	2016
REVENUES				
Local sources	\$ 56,642,491	\$ 185,393	\$ 56,827,884	\$ 55,075,649
State sources	12,351,013	-	12,351,013	11,572,411
Federal sources	897,912	-	897,912	881,555
Total revenues	<u>69,891,416</u>	<u>185,393</u>	<u>70,076,809</u>	<u>67,529,615</u>
EXPENDITURES				
Current				
Instruction	42,065,748	-	42,065,748	38,407,103
Support services	20,869,870	140,805	21,010,675	20,221,504
Operation of noninstructional services	1,668,230	-	1,668,230	1,565,312
Facilities acquisition, construction and improvement services	-	3,372,363	3,372,363	2,053,458
Debt service	5,899,515	-	5,899,515	5,427,204
Total expenditures	<u>70,503,363</u>	<u>3,513,168</u>	<u>74,016,531</u>	<u>67,674,581</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(611,947)</u>	<u>(3,327,775)</u>	<u>(3,939,722)</u>	<u>(144,966)</u>
OTHER FINANCING SOURCES (USES)				
Sale of/compensation for capital assets	1,000	-	1,000	5,297
Refund of prior year receipts	-	-	-	(586)
Issuance of debt	-	9,500,000	9,500,000	19,760,000
Issuance of debt - refunding	-	-	-	7,410,000
Payment of debt - refunding	-	-	-	(7,680,000)
Bond premiums	-	-	-	503,818
Bond discounts	-	(132,394)	(132,394)	(95,485)
Proceeds from extended term financing	-	407,719	407,719	439,639
Transfers in	-	-	-	1,774,175
Transfers out	(20,000)	-	(20,000)	(1,910,752)
Total other financing sources (uses)	<u>(19,000)</u>	<u>9,775,325</u>	<u>9,756,325</u>	<u>20,206,106</u>
NET CHANGE IN FUND BALANCES	<u>(630,947)</u>	<u>6,447,550</u>	<u>5,816,603</u>	<u>20,061,140</u>
FUND BALANCES				
Beginning of year	<u>10,668,302</u>	<u>32,398,776</u>	<u>43,067,078</u>	<u>23,005,938</u>
End of year	<u>\$ 10,037,355</u>	<u>\$ 38,846,326</u>	<u>\$ 48,883,681</u>	<u>\$ 43,067,078</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,816,603

Amounts reported for governmental activities in the statement of activities are different because:

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 and reported as depreciation expense. This is the amount by which depreciation expense and disposals exceeded capital outlays in the current period.

Capital outlay expenditures	\$ 2,832,083	
Net book value of disposed assets	(6,123)	
Depreciation expense	<u>(3,572,255)</u>	(746,295)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount this year.

Deferred inflows of resources June 30, 2016	(1,208,041)	
Deferred inflows of resources June 30, 2017	<u>1,117,616</u>	(90,425)

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 the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is 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.

Repayment of bonds payable	3,785,000	
Issuance of debt	(9,500,000)	
Payment of bond discounts	132,394	
Proceeds from extended term financing	(407,719)	
Repayment of extended term financing	418,253	
Amortization of discounts, premiums and deferred amounts on refunding	<u>96,491</u>	(5,475,581)

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.

Change in net pension liability and related deferred inflows and outflows	(2,422,576)	
Current year change in accrued interest payable	(48,533)	
Current year change in long-term early retirement incentive	(151,380)	
Current year change in compensated absences	36,843	
Current year change in net post-employment benefit (OPEB) obligation (obligation) asset	<u>(229,487)</u>	<u>(2,815,133)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES **\$ (3,310,831)**

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUND

June 30, 2017 with summarized comparative totals for 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 7,238	\$ 16,996
Due from other governments	37,660	37,689
Due from other funds	-	65,737
Inventories	4,405	7,970
Total current assets	<u>49,303</u>	<u>128,392</u>
NONCURRENT ASSETS		
Capital assets, net	<u>359,353</u>	<u>386,631</u>
Total assets	<u>408,656</u>	<u>515,023</u>
LIABILITIES AND NET POSITION (DEFICIT)		
LIABILITIES		
Accounts payable	<u>69,655</u>	<u>77,292</u>
Total liabilities	<u>69,655</u>	<u>77,292</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	359,353	386,631
Unrestricted (deficit)	<u>(20,352)</u>	<u>51,100</u>
Total net position (deficit)	<u>\$ 339,001</u>	<u>\$ 437,731</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND

Year ended June 30, 2017 with summarized comparative totals for 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for services	\$ 973,194	\$ 975,787
OPERATING EXPENSES		
Purchased professional and technical services	93,233	93,123
Purchased property services	102,340	136,384
Purchased services	571,900	561,802
Supplies	556,017	574,004
Depreciation	27,278	27,278
Total operating expenses	<u>1,350,768</u>	<u>1,392,591</u>
Operating loss	<u>(377,574)</u>	<u>(416,804)</u>
NONOPERATING REVENUES		
Earnings on investments	417	156
State sources	15,077	14,905
Federal sources	243,350	234,609
Total nonoperating revenues	<u>258,844</u>	<u>249,670</u>
Net loss before transfers	(118,730)	(167,134)
Transfers in	<u>20,000</u>	<u>136,577</u>
CHANGE IN NET POSITION	(98,730)	(30,557)
NET POSITION		
Beginning of year	<u>437,731</u>	<u>468,288</u>
End of year	<u>\$ 339,001</u>	<u>\$ 437,731</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended June 30, 2017 with summarized comparative totals for 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 973,194	\$ 975,787
Cash payments to suppliers for goods and services	<u>(1,217,699)</u>	<u>(1,335,563)</u>
Net cash used for operating activities	<u>(244,505)</u>	<u>(359,776)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	15,200	16,099
Federal sources	199,130	202,407
Transfers in	<u>20,000</u>	<u>136,577</u>
Net cash provided by noncapital financing activities	<u>234,330</u>	<u>355,083</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	<u>417</u>	<u>156</u>
Net decrease in cash	(9,758)	(4,537)
CASH		
Beginning of year	<u>16,996</u>	<u>21,533</u>
Ending of year	<u>\$ 7,238</u>	<u>\$ 16,996</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	\$ (377,574)	\$ (416,804)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	27,278	27,278
Donated commodities used	44,126	43,999
(Increase) decrease in		
Inventories	3,565	4,637
Due from other funds	65,737	(65,737)
Increase (decrease) in		
Accounts payable	(7,637)	46,860
Due to other funds	<u>-</u>	<u>(9)</u>
Net cash used for operating activities	<u>\$ (244,505)</u>	<u>\$ (359,776)</u>
SUPPLEMENTAL DISCLOSURE		
Noncash noncapital financing activity		
USDA donated commodities	<u>\$ 44,126</u>	<u>\$ 43,999</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUND

Year ended June 30, 2017 with summarized comparative totals for 2016

	<u>Agency Fund</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 185,502	\$ 174,111
LIABILITIES		
Due to student groups	\$ 185,502	\$ 174,111

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Springfield School District (the "***District***") operates three elementary schools, a middle school and a high school to provide education and related services to the residents in the Township of Springfield and the Borough of Morton. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the "***School Board***").

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("***GAAP***") as applied to governmental units. The Governmental Accounting Standards Board ("***GASB***") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following major proprietary fund:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

These 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 proprietary fund are charges for services. Operating expenses for the District's proprietary fund include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in an agency fund. The agency fund accounts for funds held on behalf of the students of the District. The measurement focus and basis of accounting for agency fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

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 stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

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

July 1 – August 31	- Discount period, 2% of gross levy
September 1 – October 31	- Face period
November 1 to collection	- Penalty period, 10% of gross levy
February 28	- Lien date

The County Board of Assessments determines assessed valuations of property, and the District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal 2016-2017 was 31.4212 mills (\$31.42 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	- August 31
Installment Two	- September 30
Installment Three	- October 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Prepaid Items and Inventories

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

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 15-40 years, and furniture and equipment – 5-15 years.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2017.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for example, as a result of employee resignation and retirements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Administrator or (b) an appointed body (e.g., finance committee) or (c) an official to whom the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The School Board has set a General Fund maximum unassigned fund balance of 8% of the following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Implementation of New Accounting Pronouncements

Effective July 1, 2016, the District adopted the provisions of GASB Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not with the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, GASB Statement No. 74 *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, GASB Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, GASB Statement No. 77, *"Tax Abatement Disclosures"*; GASB Statement No. 78, *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"* and GASB Statement No. 79, *"Certain External Investment Pools and Pool Participants"*.

The objective of GASB Statement No. 76 is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 77 is intended to improve financial reporting by requiring governments that enter into tax abatement agreements to disclose certain information about the agreements. The implementation of GASB Statement No. 77 had no impact on the financial statements of the District for the year ended June 30, 2017.

GASB Statement No. 78 amends the scope and applicability of GASB No. Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting certain criteria. The implementation of GASB Statement No. 78 had no impact on the financial statements of the District for the year ended June 30, 2017.

The objective of GASB Statement No. 79 is to address for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. The implementation of GASB Statement No. 79 had no impact on the financial statements of the District for the year ended June 30, 2017.

GASB Statement No. 73 establishes requirement for defined benefit pensions that are not within the scope of GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions"*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *"Financial Reporting for Pension Plans"*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 74 replaces GASB Statements No. 43, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, as amended, and GASB Statement No. 57, *"OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans"*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statement No. 25, *"Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans"*, as amended, GASB Statement No. 43, and GASB Statement No. 50, *"Pension Disclosures"*.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

New Accounting Pronouncements

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" will be effective for the District for the year ended June 30, 2018. GASB Statement No. 75 replaces the requirements of GASB Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 80 "Blending Requirements for Certain Component Units-amendment of GASB Statement No. 14" will be effective for the District for the year ended June 30, 2018. GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units".

GASB Statement No. 81 "Irrevocable Split-Interest Agreements" will be effective for the District for the year ended June 30, 2018. GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, GASB Statement No. 81 requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB Statement No. 81 requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB Statement No. 82 "Pension Issues-an amendment of GASB Statements No. 67, No. 68 and No. 73" will be effective for the District for the year ended June 30, 2018. GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices 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 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the Housing Education Committee and the Senate Education Committee by September 15.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. 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.

Excess of Expenditures Over Appropriations

The following general fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2017:

Instruction – regular programs	\$ 27,641
Instruction – special programs	\$940,617
Instruction – higher education programs	\$ 600
Pupil support services	\$ 19,606
Administrative services	\$ 19,772
Pupil health	\$ 3,326
Student transportation services	\$155,445
Student activities	\$270,076

The excess of expenditures over appropriations was financed with current year savings in other budget appropriation line items, revenues in excess of anticipated amounts and the use of committed employer retirement rate stabilization fund balance.

(3) DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2017, the carrying amount of the District's deposits was \$12,859,407 and the bank balance was \$13,136,249. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$575,512 was covered by federal depository insurance, and \$9,176,400 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net assets value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to independent annual audit. As of June 30, 2017, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Investments

At June 30, 2017, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities (In Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Certificates of deposit	\$41,495,194	\$28,201,085	\$13,294,109
U.S. Treasury strips	983,320	-	983,320
	<u>\$42,478,514</u>	<u>\$28,201,085</u>	<u>\$14,277,429</u>

U.S. Treasury strips were valued using Level 2 inputs.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The District had no investment subject to custodial credit risk as of June 30, 2017.

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal and state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 6,988,474	\$ -	\$ -	\$ 6,988,474
Construction in progress	863,929	2,293,395	25,027	3,132,297
Total capital assets not being depreciated	<u>7,852,403</u>	<u>2,293,395</u>	<u>25,027</u>	<u>10,120,771</u>
Capital assets being depreciated				
Land improvements	2,076,886	-	140,952	1,935,934
Buildings	147,961,189	25,027	78,450	147,907,766
Furniture and equipment	2,414,205	538,688	468,392	2,484,501
Total capital assets being depreciated	<u>152,452,280</u>	<u>563,715</u>	<u>687,794</u>	<u>152,328,201</u>
Less accumulated depreciation for				
Land improvements	(1,550,580)	(65,417)	(134,829)	(1,481,168)
Buildings	(102,907,334)	(3,002,124)	(78,450)	(105,831,008)
Furniture and equipment	(1,364,123)	(504,714)	(468,392)	(1,400,445)
Total accumulated depreciation	<u>(105,822,037)</u>	<u>(3,572,255)</u>	<u>(681,671)</u>	<u>(108,712,621)</u>
Total capital assets being depreciated, net	<u>46,630,243</u>	<u>(3,008,540)</u>	<u>6,123</u>	<u>43,615,580</u>
Governmental activities, net	<u>\$ 54,482,646</u>	<u>\$ (715,145)</u>	<u>\$ 31,150</u>	<u>\$ 53,736,351</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Business-type activities

Machinery and equipment	\$ 635,994	\$ -	\$ 10,100	\$ 625,894
Less accumulated depreciation	<u>(249,363)</u>	<u>(27,278)</u>	<u>(10,100)</u>	<u>(266,541)</u>
Business-type activities, net	<u>\$ 386,631</u>	<u>\$ (27,278)</u>	<u>\$ -</u>	<u>\$ 359,353</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities

Instruction	\$2,216,222
Instructional student support	297,190
Administrative and financial support services	369,476
Operation and maintenance of plant services	455,665
Pupil transportation	149,324
Student activities	<u>84,378</u>

Total depreciation expense – governmental activities \$3,572,255

Business-type activities

Food service	<u>\$ 27,278</u>
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As of June 30, 2017, the District had outstanding construction projects to be completed. Construction commitments and the amounts completed as of June 30, 2017 are as follows:

	<u>Project Amount</u>	<u>Completed Through June 30, 2017</u>	<u>Remaining Commitments</u>
High School SLEP/master plan	\$131,749,024	\$2,184,675	\$129,564,349
Sabold Casework	<u>995,999</u>	<u>947,622</u>	<u>48,377</u>
	<u>\$132,745,023</u>	<u>\$3,132,297</u>	<u>\$129,612,726</u>

(5) INTERNAL TRANSFERS

A summary of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Food Service Fund	<u>\$20,000</u>	General Fund	<u>\$20,000</u>

Transfers from the General Fund to the Food Service Fund represent transfers to subsidize costs associated with food service operations.

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 58,740,000	\$ 9,500,000	\$3,785,000	\$ 64,455,000	\$3,905,000
Bond premiums	2,036,159	-	423,823	1,612,336	423,823
Bond discounts	<u>(220,327)</u>	<u>(132,394)</u>	<u>(36,862)</u>	<u>(315,859)</u>	<u>(36,862)</u>
Total general obligation debt	<u>60,555,832</u>	<u>9,367,606</u>	<u>4,171,961</u>	<u>65,751,477</u>	<u>4,291,961</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Other noncurrent liabilities					
Capital leases	625,537	407,719	418,253	615,003	299,378
Early retirement incentive	290,490	213,000	45,742	457,748	84,446
Compensated absences	522,806	-	36,843	485,963	-
OPEB obligation (asset)	(78,904)	491,169	261,682	150,583	-
Net pension liability (See Note 7)	<u>94,817,000</u>	<u>15,100,000</u>	<u>-</u>	<u>109,917,000</u>	<u>-</u>
Total other noncurrent liabilities	<u>96,176,929</u>	<u>16,211,888</u>	<u>762,520</u>	<u>111,626,297</u>	<u>383,824</u>
Total noncurrent liabilities	<u>\$156,732,761</u>	<u>\$25,579,494</u>	<u>\$4,934,481</u>	<u>\$177,377,774</u>	<u>\$4,675,785</u>

Noncurrent liabilities are generally liquidated by the General Fund.

General Obligation Debt

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2017 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 2012	2.00% - 4.00%	\$11,275,000	03/15/2021	\$ 9,345,000
Series A of 2012	2.00% - 4.00%	\$8,665,000	10/01/2023	7,965,000
Series B of 2012	2.00% - 4.00%	\$9,210,000	10/01/2024	8,075,000
Series of 2013	2.00% - 4.00%	\$8,615,000	03/15/2018	2,480,000
Series of 2015	2.00% - 3.75%	\$9,995,000	10/01/2042	9,995,000
Series of 2016	2.00% - 4.00%	\$7,410,000	09/01/2022	7,330,000
Series A of 2016	2.00% - 3.30%	\$9,765,000	03/01/2043	9,765,000
Series of 2017	2.00% - 3.55%	\$9,500,000	03/01/2043	<u>9,500,000</u>
Total general obligation debt				<u>\$64,455,000</u>

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2018	\$ 3,905,000	\$ 2,133,848	\$ 6,038,848
2019	3,890,000	2,106,112	5,996,112
2020	4,075,000	1,958,613	6,033,613
2021	4,255,000	1,774,737	6,029,737
2022	4,465,000	1,569,063	6,034,063
2023-2027	17,245,000	5,489,696	22,734,696
2028-2032	6,910,000	3,942,691	10,852,691
2033-2037	8,065,000	2,788,549	10,853,549
2038-2042	8,825,000	1,321,770	10,146,770
2043	<u>2,820,000</u>	<u>60,410</u>	<u>2,880,410</u>
	<u>\$64,455,000</u>	<u>\$23,145,489</u>	<u>\$87,600,489</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Series of 2017 General Obligation Bonds

On June 14, 2017, the District issued \$9,500,000 of general obligation bonds, Series of 2017, the proceeds from which are to be used to fund a capital project of the District including but not limited to constructing a new high school complex and to pay for the costs of issuance.

Capital Leases

The District has entered into long-term lease agreements for computer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception dates. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments as of June 30, 2017 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$299,378	\$24,843	\$324,221
2019	211,833	12,220	224,053
2020	<u>103,792</u>	<u>4,021</u>	<u>107,813</u>
	<u>\$615,003</u>	<u>\$41,084</u>	<u>\$656,087</u>

Early Retirement Incentive

The District from time to time offers additional retirement incentives known as early retirement incentive plans ("**ERIP**") to senior professional staff and administrators contemplating retirement. There is no contractual requirement for the District to offer ERIP incentives. An ERIP is formally approved by School Board action in the year an ERIP plan is implemented.

In order for an employee to retire and participate in a District sponsored ERIP, the District must first decide whether or not to offer an ERIP in the year the employee is retiring and a specified minimum number of employees must opt into the ERIP. The District's ERIP plan provides for the payment of a specific dollar amount to be applied toward participating retiree healthcare premiums for a specified number of years.

The District's liability for its ERIP plans has been reported at the discounted present value of expected future benefit payments in the government-wide financial statements. For the year ended June 30, 2017, 14 retirees received benefits under the District's ERIP plans and the District paid \$45,742 in ERIP benefits to retirees.

As of June 30, 2017, the District had one ERIP plan in effect. The number of participants and the present value of those benefits as of June 30, 2017 are summarized below:

<u>ERIP Began</u>	<u>Participants</u>	<u>Present Value of ERIP Benefits</u>
Prior to March 2000	1	\$ 6,644
July 1, 2007	15	255,834
July 1, 2016	<u>1</u>	<u>195,270</u>
	<u>17</u>	<u>\$457,748</u>

Other Post-Employment Benefits

The District's other post-employment benefits include a single-employer defined benefit plan that provides medical insurance to certain eligible retirees and their spouses. The School Board has the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

Annual OPEB Cost and Net OPEB (Obligation) Asset

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("**ARC**"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB (obligation) asset as of June 30, 2017, 2016 and 2015 were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB (Obligation) Asset</u>
2017	\$491,169	53.28%	\$ 150,583
2016	\$330,503	40.81%	\$ (78,904)
2015	\$334,338	53.89%	\$(274,544)

The following table shows the components of the District's OPEB cost for the year, the amount actually contributed by the District and changes in the District's net OPEB (obligation) asset:

Annual required contribution	\$ 488,742
Interest on net OPEB obligation	(3,156)
Adjustment to annual required contribution	<u>5,583</u>
Annual OPEB expense	491,169
Contributions made	<u>(261,682)</u>
Increase in net OPEB obligation (asset)	229,487
Net OPEB obligation (asset) – beginning of year	<u>(78,904)</u>
Net OPEB obligation (asset) – end of year	<u>\$ 150,583</u>

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation, the actuarial accrued liability for benefits was \$3,853,319, all of which was unfunded. The covered payroll (annual payroll of active employees receiving benefits) was \$26,428,447 and the ratio of the unfunded actuarial accrued liability ("**UAAL**") to the covered payroll was 14.58%.

Actuarial valuations involve 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 benefit cost trends. Amounts determined regarding the funded status and the annual required contribution of the District 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 following the notes to the financial statements, presents information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Actuarial Methods and Assumptions

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

In the most recent actuarial valuation, the entry age normal method was used. The actuarial assumptions include a 4.00% discount rate and an annual healthcare cost trend rate of 8.00%, decreasing 1.00% per year to an ultimate rate of 5.00% in 2019 and later. The UAAL is being amortized based on the level dollar, 30-year open period.

(7) PENSION PLAN

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.

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 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.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 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 of 3 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 upon 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.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

Member Contributions

Active members who joined the system prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

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

Members who joined the system after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% 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 pension plan from the District were \$8,649,393 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$109,917,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. The 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, 2016, the District's proportion was 0.2218 percent, which was an increase of 0.0029 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,422,576. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ -	\$ 915,604
Changes in assumptions	3,967,767	-
Net difference between projected and actual investment earnings	6,126,272	-
Changes in proportions	1,951,200	2,265,000
Difference between employer contributions and proportionate share of total contributions	21,166	-
Contributions subsequent to the measurement date	<u>8,649,393</u>	<u>-</u>
	<u>\$20,715,798</u>	<u>\$3,180,604</u>

\$8,649,393 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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 ended June 30:

2018	\$1,708,679
2019	1,708,679
2020	2,905,807
2021	<u>2,562,636</u>
	<u>\$8,885,801</u>

Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the system's total pension liability as the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

- The Investment Rate of Return was adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.00% to 2.75%
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumptions changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective with the June 30, 2016 actuarial valuation.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

The long-term expected rate of return on pension 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 pension 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 pension 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>
Global public equity	22.5 %	5.3%
Fixed income	28.5 %	2.1%
Commodities	8.0 %	2.5%
Absolute return	10.0 %	3.3%
Risk parity	10.0 %	3.9%
Infrastructure/MLPs	5.0 %	4.8%
Real estate	12.0 %	4.0%
Alternative investments	15.0 %	6.6%
Cash	3.0 %	0.2%
Financing (LIBOR)	(14.0)%	0.5%
	<u>100.0 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	\$134,458,000	\$109,917,000	\$89,295,000

Pension Plan Fiduciary Net Position

Detailed information about the PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the system's website at www.psers.state.pa.us.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(8) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Delaware County Vocational Technical School and Delaware Vocational Technical School Authority

The District and the other fourteen Delaware County school districts participate in the Delaware County Vocational Technical School (the "**DCVTS**"). The DCVTS provides vocational-technical training and education to students of the participating school districts. The DCVTS is controlled by a joint Board comprised of representative school board members of the participating school districts. District oversight of the DCVTS operations is the responsibility of the joint board. The District's share of operating costs for the DCVTS fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2016-2017 was \$455,939.

The District and the other fourteen Delaware County school districts also participate in a joint venture for the operation of the Delaware County Vocational-Technical School Authority (the "**DCVTSA**"). The DCVTSA oversees acquiring, holding, constructing, improving and maintaining the DCVTSA school buildings. The DCVTSA is controlled by a joint board comprised of representative school board members of the participating school districts in the DCVTS. During 2016-2017, the District did not have any financial transactions with the DCVTSA.

Both the DCVTS and the DCVTSA prepare financial statements that are available to the public from their administrative offices located at 200 Yale Avenue Morton, Pennsylvania 19070.

Delaware County Community College

The District and twelve other Delaware County schools sponsor the Delaware County Community College (the "**DCCC**"). The DCCC provides higher education programs to the residents of southeastern Pennsylvania. Sponsoring school districts pay a share of the DCCC's operating and debt service costs which fluctuate based on each District's certified market values and in return residents of each of the sponsoring school districts pay a reduced cost to participate in DCCC higher education programs. The sponsoring school districts have entered into a long-term lease agreement with the DCCC to provide rental payments sufficient to retire the DCCC's outstanding debt obligations. The lease agreement expires in 2034-2035 unless the debt is retired earlier. The District's share of operating costs and rent expense for 2016-2017 was \$718,691.

The DCCC prepares financial statements that are available to the public from their administrative offices located at 901 South Media Line Road, Media, Pennsylvania 19063.

The District's future annual lease payments to the DCCC are as follows:

Year ending June 30,

2018	\$ 151,851
2019	151,784
2020	151,581
2021	151,344
2022	145,987
2023-2027	661,109
2028-2032	650,455
2033-2035	<u>196,196</u>
	<u>\$2,260,307</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Delaware County Intermediate Unit

The District and the other Delaware County school districts are participating members of the Delaware County Intermediate Unit (the "DCIU"). The DCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the DCIU but the participating districts have no ongoing fiduciary interest or responsibility to the DCIU. The DCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services.

(9) OPERATING LEASES

The District leases office and computer equipment under non-cancelable operating leases expiring at various dates through June 2022. Rent expense for the office and computer equipment including additional operating costs, was \$174,915 for 2016-2017.

Future minimum lease payments under these leases are as follows:

Year ending June 30,

2018	\$ 98,680
2019	98,680
2020	98,680
2021	95,350
2022	<u>94,241</u>
	<u>\$485,631</u>

(10) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(11) 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 including workers compensation and employee health accident insurance. For insured programs, there were no significant reductions in insurance coverages during the 2016-2017 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

The District participates in a consortium with the Chester County Intermediate Unit to provide a self-insurance program for health insurance and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third party administrator, who approves and processes all claims.

The District has recorded a liability in the General Fund for claims incurred through June 30, 2017. The following table presents the components of the self-insurance medical claims liability and the related changes in the claims liability for the year ended June 30, 2017:

Insurance claims liability – beginning of year	\$ 536,417
Current year insurance claims and changes in estimates	5,254,043
Insurance claims and fees paid	<u>(5,170,881)</u>
Insurance claims liability – end of year	<u>\$ 619,579</u>

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 5, 2017 the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2017 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SPRINGFIELD SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 56,681,189	\$ 56,681,189	\$ 56,642,491	\$ (38,698)
State sources	12,145,108	12,145,108	12,351,013	205,905
Federal sources	844,168	844,168	897,912	53,744
Total revenues	<u>69,670,465</u>	<u>69,670,465</u>	<u>69,891,416</u>	<u>220,951</u>
EXPENDITURES				
Instruction				
Regular programs	29,189,593	29,189,593	29,217,234	(27,641)
Special programs	10,709,983	10,709,983	11,650,600	(940,617)
Vocational programs	455,939	455,939	455,939	-
Other instructional programs	245,028	245,028	175,209	69,819
Higher education programs	566,166	566,166	566,766	(600)
Total instruction	<u>41,166,709</u>	<u>41,166,709</u>	<u>42,065,748</u>	<u>(899,039)</u>
Support services				
Pupil support services	3,075,936	3,075,936	3,095,542	(19,606)
Instructional staff services	1,929,978	1,929,978	1,848,365	81,613
Administrative services	3,908,518	3,908,518	3,928,290	(19,772)
Pupil health	693,690	693,690	697,016	(3,326)
Business services	846,242	846,242	805,572	40,670
Operation and maintenance of plant services	5,318,156	5,318,156	5,276,544	41,612
Student transportation services	2,678,858	2,678,858	2,834,303	(155,445)
Support services - central	2,333,143	2,333,143	2,316,098	17,045
Other support services	73,475	73,475	68,140	5,335
Total support services	<u>20,857,996</u>	<u>20,857,996</u>	<u>20,869,870</u>	<u>(11,874)</u>
Operation of non-instructional services				
Student activities	1,331,485	1,331,485	1,601,561	(270,076)
Community services	72,000	72,000	66,669	5,331
Total operation of non-instructional services	<u>1,403,485</u>	<u>1,403,485</u>	<u>1,668,230</u>	<u>(264,745)</u>
Debt service				
	<u>5,908,240</u>	<u>5,908,240</u>	<u>5,899,515</u>	<u>8,725</u>
Total expenditures	<u>69,336,430</u>	<u>69,336,430</u>	<u>70,503,363</u>	<u>(1,166,933)</u>
Excess (deficiency) of revenues over (under) expenditures				
	<u>334,035</u>	<u>334,035</u>	<u>(611,947)</u>	<u>(945,982)</u>
OTHER FINANCING SOURCES (USES)				
Sale of/compensation for capital assets	2,000	2,000	1,000	(1,000)
Transfers out	(1,136,035)	(1,136,035)	(20,000)	1,116,035
Total other financing sources (uses)	<u>(1,134,035)</u>	<u>(1,134,035)</u>	<u>(19,000)</u>	<u>1,115,035</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ (800,000)</u>	<u>\$ (800,000)</u>	<u>(630,947)</u>	<u>\$ 169,053</u>
FUND BALANCE				
Beginning of year			<u>10,668,302</u>	
End of year			<u>\$ 10,037,355</u>	

SPRINGFIELD SCHOOL DISTRICT

OTHER POST-EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS

Year ended June 30, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
07/01/2016	\$ -	\$3,853,319	\$3,853,319	0.00%	\$26,428,447	14.58%
07/01/2014	\$ -	\$2,406,284	\$2,406,284	0.00%	\$24,404,684	9.86%
07/01/2012	\$ -	\$2,619,256	\$2,619,256	0.00%	\$26,434,883	9.91%
07/01/2010	\$ -	\$3,376,678	\$3,376,678	0.00%	\$25,120,110	13.44%
07/01/2008	\$ -	\$4,156,741	\$4,156,741	0.00%	\$24,637,450	16.87%

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year ended June 30

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.2218%	0.2189%	0.2278%
District's proportionate share of the net pension liability (asset)	\$109,917,000	\$94,817,000	\$90,165,000
District's covered-employee payroll	\$ 28,731,573	\$28,167,194	\$29,069,946
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	383%	337%	310%
Plan fiduciary net position as a percentage of the total pension liability	50%	54%	57%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS

Year ended June 30

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,056,000	\$ 5,652,000	\$ 4,538,000
Contributions in relation to the contractually required contribution	<u>7,068,467</u>	<u>5,666,997</u>	<u>4,543,258</u>
Contribution deficiency (excess)	(12,467)	(14,997)	(5,258)
District's covered-employee payroll	\$28,731,573	\$28,167,194	\$29,069,946
Contributions as a percentage of covered-employee payroll	25%	20%	16%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2017</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-160415	07/01/15 - 09/30/16	\$ 196,905	\$ 14,065	14,065	\$ -	\$ -	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-170415	07/01/16 - 09/30/17	205,083	130,280	-	167,681	167,681	37,401	-
Total CFDA #84.010						144,345	14,065	167,681	167,681	37,401	-
Title II - Improving Teacher Quality	I	84.367	020-150415	07/01/14 - 09/30/15	84,464	(108)	(108)	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-160415	07/01/15 - 09/30/16	85,576	30,486	30,486	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-170415	07/01/16 - 09/30/17	84,281	84,670	-	84,281	84,281	(389)	-
Total CFDA #84.367						115,048	30,378	84,281	84,281	(389)	-
Passed Through the Delaware County I.U.											
I.D.E.A. - Part B, Section 611	I	84.027	062-160013	07/01/15 - 06/30/16	588,506	80,164	80,164	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-170013	07/01/16 - 06/30/17	613,850	613,850	-	613,850	613,850	-	-
Total CFDA #84.027						694,014	80,164	613,850	613,850	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-170013	07/01/16 - 06/30/17	2,878	2,878	-	2,878	2,878	-	-
Total U.S. Department of Education						956,285	124,607	868,690	868,690	37,012	-
U.S. Department of Agriculture											
Passed-Through the Pennsylvania Department of Education											
State Matching Share	S	N/A	N/A	07/01/15 - 06/30/16	N/A	2,741	2,741	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/16 - 06/30/17	N/A	12,459	-	15,077	15,077	2,618	-
Total State Matching						15,200	2,741	15,077	15,077	2,618	-
Breakfast Program	I	10.553	N/A	07/01/15 - 06/30/16	N/A	537	537	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/16 - 06/30/17	N/A	2,550	-	3,132	3,132	582	-
Total CFDA #10.553						3,087	537	3,132	3,132	582	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2017</u>	<u>Passed Through to Subrecipients</u>
Passed-Through the Pennsylvania Department of Education (cont'd)											
National School Lunch Program	I	10.555	N/A	07/01/15 - 06/30/16	N/A	34,411	34,411	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/16 - 06/30/17	N/A	161,632	-	196,092	196,092	34,460	-
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/16 - 06/30/17	N/A	44,126	-	44,126	44,126	-	-
Total CFDA #10.555						240,169	34,411	240,218	240,218	34,460	-
Total U.S. Department of Agriculture						<u>243,256</u>	<u>34,948</u>	<u>243,350</u>	<u>243,350</u>	<u>35,042</u>	<u>-</u>
Total Federal Awards and Certain State Grants						<u>\$ 1,214,741</u>	<u>\$ 162,296</u>	<u>\$ 1,127,117</u>	<u>\$ 1,127,117</u>	<u>\$ 74,672</u>	<u>\$ -</u>
Total Federal Awards						\$ 1,199,541	\$ 159,555	\$ 1,112,040	\$ 1,112,040	\$ 72,054	\$ -
Total State Awards						15,200	2,741	15,077	15,077	2,618	-
Total Federal Awards and Certain State Grants						<u>\$ 1,214,741</u>	<u>\$ 162,296</u>	<u>\$ 1,127,117</u>	<u>\$ 1,127,117</u>	<u>\$ 74,672</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						<u>\$ 696,892</u>	<u>\$ 80,164</u>	<u>\$ 616,728</u>	<u>\$ 616,728</u>	<u>\$ -</u>	<u>\$ -</u>
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						<u>\$ 243,256</u>	<u>\$ 34,948</u>	<u>\$ 243,350</u>	<u>\$ 243,350</u>	<u>\$ 35,042</u>	<u>\$ -</u>

Source Codes

- D - Direct Funding
- I - Indirect Funding
- S - State Share

SPRINGFIELD SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2017

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2016-2017 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2017 was \$29,222.

(5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. No indirect costs were charged to the District's Federal awards for the year ended June 30, 2017.

SPRINGFIELD SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2017

There were no audit findings for the year ended June 30, 2016.



**INDEPENDENT AUDITOR'S 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**

**Board of School Directors
Springfield School District
Springfield, Pennsylvania**

We have audited, in accordance with the 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 Springfield School District, Springfield, Pennsylvania, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Springfield School District's basic financial statements, and have issued our report thereon dated October 5, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Springfield 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 Springfield School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Springfield 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Springfield 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.

BBD, LLP

**Philadelphia, Pennsylvania
October 5, 2017**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

**Board of School Directors
Springfield School District
Springfield, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited Springfield School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Springfield School District's major federal programs for the year ended June 30, 2017. Springfield School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Springfield 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("**Uniform Guidance**"). Those standards and the Uniform Guidance 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 Springfield 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 Springfield School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Springfield 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, 2017.

Report on Internal Control over Compliance

Management of Springfield 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 Springfield 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 to determine the 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 the Uniform Guidance, 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 Springfield 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BBD, LLP

**Philadelphia, Pennsylvania
October 5, 2017**

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2017

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Springfield School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the Springfield School District are reported in the independent auditor's 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 Springfield School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Springfield School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
 - Special Education Cluster:
 - I.D.E.A. – Part B, Section 611 – CFDA Number 84.027
 - I.D.E.A. – Part B, Section 619 – CFDA Number 84.173
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Springfield School District was determined to be a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None