SPRING GROVE AREA SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2026

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Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

To the Members of the Board:

We have performed the Single Audit of the Spring Grove Area School District for the fiscal year ended June 30, 2026 and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of the Uniform Guidance Compliance Supplement. It entailed: (1) an audit of the general purpose financial statements and our opinion thereon; (2) an examination of the Schedule of Federal Financial Assistance and our opinion thereon; (3) a study and evaluation of internal controls based on an evaluation of the federal financial assistance programs; (4) a review of compliance based on an audit of the general purpose financial statements in accordance with Government Auditing Standards; and (5) a review of compliance with laws and regulations related to the federal financial assistance programs and our opinion thereon.

As part of our report, we have also issued a management letter addressing recommendations we feel should be considered by the school district.

Kochenour, Earnest, Smyser, & Burg

Certified Public Accountants

York, Pennsylvania
November 18, 2026

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SPRING GROVE AREA SCHOOL DISTRICT
SPRING GROVE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2026

This Management Discussion and Analysis (MD&A) offers a comprehensive overview of the Spring Grove Area School District's financial activities for the fiscal year ended June 30, 2026. We encourage readers to review this analysis in conjunction with the basic financial statements and accompanying notes to gain a deeper understanding of the District's overall financial health. This report is prepared in Accordance with Governmental Accounting Standards Board (GASB) Statements No. 34 and 103 and includes required comparative data between the current and prior fiscal years.

SECTION 1: OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements provide two distinct perspectives on the District's finances: District-wide statements and Fund statements.

District-wide Statements

The district-wide statements provide a broad overview of the District's health, using accounting methods like those used by private-sector companies.

- **Statement of Net Position:** Reports all assets, liabilities, and deferred inflows/outflows. The "Net Position" (the difference between what the District owns and what it owes) serves as a key indicator of financial stability.
- **Statement of Activities:** Reports all current year revenues and expenses on an accrual basis, meaning transactions are recorded regardless of when cash is exchanged.

The two district-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets, liabilities deferred inflows, and deferred outflows, is one way to measure the District's financial health or position. Although net position is a key measure of financial condition, understanding the District's overall financial health requires examining both changes over time and the operational and economic factors that influence future performance.

- **Trends:** Monitoring changes in net position helps determine if the District's financial standing is improving or declining. To assess the overall health of the District, you need to consider additional non-financial factors, such as changes.
- **Non-financial Factors:** A complete assessment should also consider external factors, such as local property tax base, the physical condition of school facilities, and student enrollment and performance trends.

The District's government-wide financial statements are presented in two categories:

- **Governmental Activities** – These activities include the District's primary educational and support functions, such as instruction, student support, transportation, facility operations, and extracurricular activities. These programs are primarily funded through local taxes, state and federal aid, and grants.
- **Business-Type Activities** – These activities consist of the District's food service program, which is supported primarily through user charges and related revenues.

Fund Financial Statements

Fund financial statements provide more detailed information about the District's most significant funds and are intended to demonstrate accountability for specific resources and activities. Certain funds are required by state law or bond agreements.

- **Governmental Funds** – Governmental funds account for most District operations and focus on current financial resources available to support programs and services. The fund statements provide a short-term view of the District's financial position and operating results.

- **Proprietary Funds** – Proprietary funds account for activities that operate similarly to a business. The District's Food Service Fund is reported as a proprietary fund and provides additional information, including cash flows, related to food service operations.

- **Fiduciary Funds** – Fiduciary funds account for resources held by the District on behalf of others, such as scholarship funds. Because these resources are not available to support District operations, they are reported separately from the District's government-wide financial statements.

SECTION 2: FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position Summary

The statement of Net Position provides a snapshot of the District’s financial standing at the close of the fiscal year. By comparing current-year data to the prior year, we can identify trends in the District’s financial health.

Table A-1
Fiscal Year ended June 30, 2026
Net Position

	June 30, 2026	June 30, 2025	Change	% Change
Current and other assets	$33,671,482	$31,600,139	2,071,343.00	6.55%
Capital Assets	86,885,436	90,071,523	(3,186,087.00)	-3.54%
Deferred Outflows	14,155,519	14,878,908	(723,389.00)	-4.86%
Total Assets & Deferred Outflows	$134,712,437	$136,550,570	(1,838,133.00)	-1.35%
Current and other Liabilities	$14,243,872	$14,027,960	215,912.00	1.54%
Long-term Liabilities	122,085,327	134,254,276	(12,168,949.00)	-9.06%
Deferred Inflows	4,878,541	3,873,677	1,004,864.00	25.94%
Total Liabilities & Deferred Inflows	$141,207,740	$152,155,913	(10,948,173.00)	-7.20%
Invested in Capital Assets				
Net of related debt	47,785,046	47,409,091	376,315.00	0.79%
Unrestricted	(54,208,349)	(63,014,434)	8,806,085.00	-13.97%
Total Net Position	($6,495,303)	($15,605,343)	9,110,040.00	-58.38%

As of June 30, 2026, the District's financial position improved despite a slight decrease in total assets and deferred outflows. The decrease was primarily due to a $3.2 million reduction in capital assets, resulting from annual depreciation exceeding current-year capital additions and the prior year's one-time recognition of leased assets under GASB 87 and GASB 96.

Total liabilities and deferred inflows decreased by $10.9 million, driven largely by a $12.2 million reduction in long-term liabilities. As a result, the District's net position improved by $9.1 million during the year.

The unrestricted net position deficit improved by $8.8 million, primarily due to the continued repayment of debt and lease obligations and reductions in other long-term liabilities. While the District continues to report a deficit unrestricted net position, largely because of pension and OPEB-related liabilities, the significant year-over-year improvement reflects the District's strengthening financial position.

Statement of Activities: Revenues and Expenses

During the 2025-2026 fiscal year, Spring Grove Area School District’s total revenues reached $89,079,226, while total expenses were $79,969,186. This resulted in a total increase in net position of $9,110,040.

Table A-2
Year ended June 30
Statement of Activities

	2026	2025	Variance	% Change
Revenues:				
Charges for Services	$ 1,113,377	$ 906,575	$ 206,802	22.81%
Operating Grants & Contributions	12,085,956	12,243,283	(157,327)	-1.29%
Capital Grants & Contributions	0.00	0.00	0.00	
General Revenues	75,879,893	73,990,416	1,889,477	2.55%
Total Revenues	$ 89,079,226	$ 87,140,274	$ 1,938,952	2.23%
Expenses:				
Instruction	48,852,840	48,075,091	777,749	1.62%
Instructional Student Support	9,312,167	10,224,926	(912,759)	-8.93%
Administration & Financial Support	5,698,433	5,807,938	(109,505)	-1.89%
Operations & Maintenance of Plant	7,152,083	7,509,819	(357,736)	-4.76%
Pupil Transportation	6,185,533	5,985,944	199,589	3.33%
Student & Community Activities	1,583,814	1,597,184	(13,370)	-.84%
Interest on Long-term Debt	1,184,316	1,228,959	(44,643)	-3.63%
Food Service				
Total Expenses	$ 79,969,186	$ 80,429,861	(460,675)	-.57%
Change in Net Position	9,110,040	6,710,413	2,399,627	35.76%

The District's financial position improved during 2026, with total revenues increasing by 2.2% and total expenses decreasing by 0.6%, resulting in an increase in net position of $9.1 million.

The increase in revenues was primarily attributable to growth in general revenues, including the District's 3.90% real estate tax increase for 2025-26. While instructional and transportation costs increased, these increases were offset by reductions in several support functions and lower interest expense resulting from continued debt repayment.

Overall, the combination of increased local revenues, including the 3.90% tax increase, controlled expenditures, and reduced debt-related costs contributed to the District's improved financial results and an increase in net position during the fiscal year.

The Statement of Activities also provides details on how the District’s various functions are funded. It compares the total cost of our largest programs – such as Instruction and Maintenance – against the “Program Revenues” that those programs generate. This identifies the “Net Cost”, which represents the portion of the District’s operations that must be supported by general local taxes and other non-specific revenue.

The following table summarizes the total and net cost for the District's eight largest functions for the fiscal years ending June 30, 2026, and June 30, 2025.

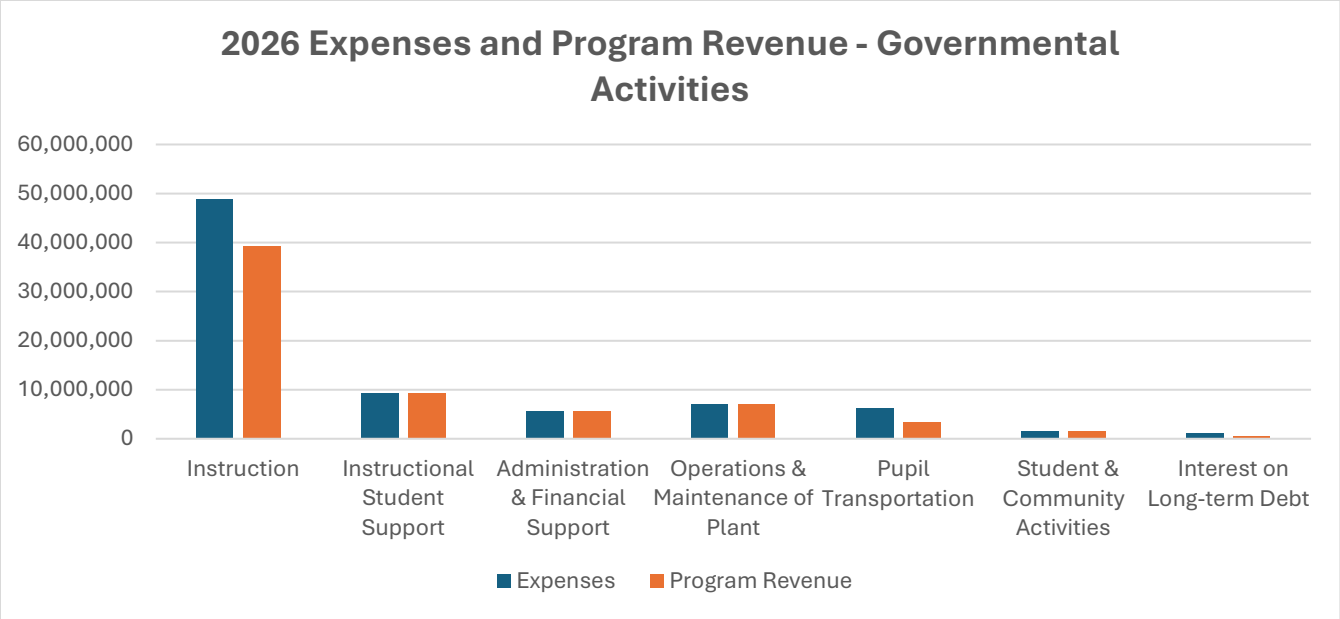
Table A-3
Year Ended June 30, 2026

	2026		2025	
	Total Cost of Services	**Net Cost of Services**	**Total Cost of Services**	**Net Cost of Services**
Instruction	48,852,840	39,286,620	48,075,091	39,082,626
Instructional Student Support	9,312,167	9,231,691	10,224,926	10,143,733
Administration & Financial Support	5,698,433	5,698,433	5,807,938	5,807,938
Operations & Maintenance of Plant	7,152,083	7,145,269	7,509,819	7,492,330
Pupil Transportation	6,185,533	3,386,268	5,985,944	2,684,264
Student & Community Activities	1,583,814	1,512,798	1,597,184	1,521,735
Interest on Long-term Debt	1,184,316	508,774	1,228,959	547,377
Total Governmental Activities	79,969,186	66,769,853	80,429,861	67,280,003
Less:				
Unrestricted grants & subsidies		22,247,789		21,865,555
Total needs from Local Taxes & other revenue		44,522,064		45,414,448

As Table A-3 demonstrates, the District's governmental activities are not intended to be self-supporting. This is standard for public education, whose services are provided for the public rather than for profit.

Key takeaways from this year's performance includes:

- Total governmental activities expenses were approximately $80.0 million, highlighting the significant cost of providing educational programs and support services.
- Program revenues funded only a portion of these costs, resulting in a net cost of services of $66.8 million that required support from other revenue sources.
- The District received approximately $22.2 million in unrestricted grants and subsidies, which helped offset the net cost of operations before local taxes and other general revenues were applied.
- After accounting for unrestricted grants and subsidies, the amount funded through local taxes and other general revenues decreased to approximately $44.5 million, down from $45.4 million in the prior year.
- The District continues to rely heavily on local tax revenues and state funding to support operations, as program revenues alone are insufficient to cover the cost of providing educational services.
- The decrease in the amount requiring support from local taxes and other revenues reflects a modest improvement in the District's overall funding position compared to the prior year.



Business-Type Activities: Net Cost of Services

In contrast to the Governmental Activities, the Business-type Activities are intended to be largely self-supporting. The District's business-type activities consist exclusively of the Food Service program. Unlike traditional educational services, this program is designed to recover most or all its costs through user fees, supplemented by state and federal reimbursements. The table below illustrates the relationship between the total cost of operating the Food Service program and the revenue it generated.

Table A-4
Business-Type Activities
Year Ended June 30, 2026

	2026		2025	
	Total Cost of Services	Net Income from Services	Total Cost of Services	Net Income from Services
Functions/Programs	3,121,497	(117,708)	3,112,960	(79,134)
Food Services				
Less:				
Miscellaneous income		7,286		5,131
Investment Earnings		41,471		47,631
Transfers		10,220		
Total Business-Type Activities		(58,731)		(26,372)

The District's business-type activities consist of the Food Service Fund. During 2025-26, total food service expenses were $3.12 million, compared to $3.11 million in the prior year. Food service operations reported a net loss from services of $117,708, compared to a net loss of $79,134 in 2024-25, reflecting increased operating costs that were not fully offset by program revenues.

Miscellaneous income, investment earnings, and transfers totaling $58,977 partially offset the operating loss. As a result, the Food Service Fund reported an overall decrease in net position of $58,731, compared to a decrease of $26,372 in the prior year.

A comprehensive analysis of the Statement of Activities, including year-over-year changes for both governmental and business-type activities, is provided in Section 3: Financial Analysis of the District's Funds.

SECTION 3: FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS

While the District-wide statements provide a long-term perspective, the Fund Financial Statements focus on the short-term flow of spendable resources. This is particularly important for the General Fund, which serves as the District's primary operating fund.

General Fund

At the conclusion of the 2025-2026 fiscal year, the General Fund reported a fund balance of $14,106,199, an increase of $1,801,875 from the prior year. This increase reflects the combined impact of operating revenues, expenditures, and other financing activities during the year. While total revenues and other financing sources remained relatively consistent with the prior year, the District's improved financial position was largely attributable to expenditure reductions and the absence of significant one-time financing activities recognized in the prior year under GASB Statements No. 87 and 96. The following analysis summarizes the major year-over-year changes in revenues and other financing sources that contributed to the District's overall operating results.

Table A-5
Revenue and Other Financing Sources

	2026 Actual	2025 Actual	Increase/(Decrease)	% Change
Local Sources	55,043,436	52,924,110	2,119,325	4.00%
State Sources	32,798,211	32,193,562	604,649	1.88%
Federal Sources	698,743	1,024,698	(325,954)	-31.81%
Other Sources	5,529	3,064,292	(3,058,763)	-99.82%
	88,545,919	89,206,662	(660,743)	-0.74%

Key Revenue Drivers:

Total revenues decreased by 660,743, or -.74%, compared to the prior year.

Local Revenue – The Board approved a millage rate of 25.4071 for the 2025-2026 fiscal year, an increase of 3.90% from the previous rate of 24.4535 in 2024-2025. The rate increase was expected to generate approximately $2.1 million in additional tax revenue. While collections increased, actual revenues were approximately $378,921 less than projected after accounting for tax appeal refunds and assessment adjustments. As a result, the District achieved a 95.69% collection rate, falling below the budgeted rate of 96.50% for the first time in several years.

Local revenues increased by approximately $2.1 million, primarily due to a 3.90% real estate tax increase implemented for the 2025-26 fiscal year.

State Revenues - State revenues increased by approximately $605,000 because of updates to state funding formulas and increases included in the Governor's proposed education funding initiatives. The largest increase in state funding was largely attributable to allocations through the Ready to Learn Block Grant, Foundation and Adequacy initiatives.

Federal Revenues - Federal revenues decreased by approximately $326,000 following the expiration of Elementary and Secondary School Emergency Relief (ESSER) funding.

Other financing sources – Other financing sources decreased by approximately $3 million. In 2024-25 the District recognized new lease and subscription financing arrangements in accordance with GASB Statements No. 87 and 96. During the year, the District recognized a new iPad lease with an initial lease liability of approximately $2.0 million and two new software subscription agreements with a combined subscription liability of approximately $513,000. Other financing sources also decreased by approximately $511,000 due to proceeds recognized in the prior year from the buyback of iPads associated with the District's K-12 replacement program. There was no similar activity occurring in the 2025-2026 fiscal year for the sale of assets or lease recognition.

Analysis of Major Variances by Function

Table A-6
Expenditures by Function

	2026 Actual	2025 Actual	Increase/Decrease	% Change
Instruction	52,668,912	50,143,066	2,525,846	5.04%
Support Services	26,662,237	29,553,490	(2,891,253)	-9.78%
Non-instructional Services	1,505,151	1,542,847	(37,696)	-2.44%
Capital Outlays	11,485	332,426	(310,941)	-96.44%
Debt Service	5,886,038	6,675,541	(789,503)	-11.83%
Transfer Out	10,220	0	10,220	
	86,774,043	88,237,370	(1,493,327)	-1.69%

Total governmental fund expenditures decreased by approximately $1.5 million, or 1.7%, from the prior year.

Instruction expenditures increased by $2.5 million (5.0%)**,** primarily due to contractual salary and benefit increases under the collective bargaining agreements as well as a significant increase in costs associated with out-of-district special education placements.

Support services expenditures decreased by $2.9 million (9.8%)**,** largely reflecting the recognition of new lease agreements under GASB Statements No. 87 and No. 96 in the prior fiscal year, with no comparable activity occurring in 2026. **Capital outlay** expenditures also decreased significantly as ESSER-funded projects and purchases that occurred in 2025 were substantially completed.

Debt service expenditures decreased in accordance with the District's debt repayment schedule and were also impacted by the lease obligations recognized under GASB 87 and GASB 96 in the prior year. In addition, transfers out increased due to a one-time transfer to the Food Service Fund for bad student debt, while no similar transfer occurred in 2025.

Analysis of Major Variances by Object

Table A-7
Expenditures by Object

		2026 Actual	2025 Actual	Increase/(Decrease)	% Change
100	Salaries	34,169,223	33,764,732	404,491	1.20%
200	Benefits	23,276,938	22,175,262	1,101,676	4.97%
300	Professional Services	4,282,461	4,237,212	45,249	1.07%
400	Purchased Property Services	1,508,565	1,951,095	(442,530)	-22.68%
500	Other Purchased Services	13,546,394	12,621,385	925,009	7.33%
600	Supplies	3,606,334	3,597,500	8,833	.25%
700	Property	379,245	3,133,424	(2,754,179)	-87.90%
800	Other Objects	1,315,868	1,366,496	(50,628)	-3.70%
900	Other Uses of Funds	4,659,016	5,390,264	(1,493,327)	-13.57%
		86,744,043	88,237,370	(1,493,327)	-1.69%

Expenditures by Object

Total expenditures decreased by approximately $1.49 million, or 1.69%, from fiscal year 2025 to fiscal year 2026. While several expenditure categories experienced increases due to ongoing operational and staffing pressures, these increases were offset by significant reductions related to lease activity recognized in the prior year under GASB standards.

Salaries (100 Series) increased by approximately $404,000, or 1.2%, despite the District providing an average salary increase of approximately 3% across all employee groups. The lower-than-expected growth was primarily attributable to unfilled staff vacancies throughout the year and the replacement of several retiring employees with less experienced staff at lower salary levels.

Employee Benefits (200 Series) increased by approximately $1.1 million, or 5.0%, reflecting continued growth in healthcare costs and higher claims experience within the District's health insurance program.

Professional Services (300 Series) increased slightly by approximately $45,000, or 1.1%. This category remained relatively consistent with the prior year and did not experience any significant operational changes.

Purchased Property Services (400 Series) decreased by approximately $443,000, or 22.7%. During fiscal year 2025, the District incurred significant repair costs associated with a water main break that required replacement of the gymnasium floor. Similar large-scale repair projects were not required during fiscal year 2026, resulting in lower expenditures in this category.

Other Purchased Services (500 Series) increased by approximately $925,000, or 7.3%. The increase was primarily driven by a higher number of out-of-district special education placements and increased costs associated with the District's transportation contract.

Supplies (600 Series) remained relatively stable, increasing by less than 1%, indicating consistent purchasing patterns between fiscal years.

Property (700 Series) decreased significantly by approximately $2.75 million, or 87.9%. The primary reason for this decrease was the recognition of new iPad leases under GASB 87 and software leases under GASB 96 during fiscal year 2025. No comparable lease activity occurred during fiscal year 2026.

Other Objects (800 Series) decreased modestly by approximately $51,000, or 3.7%, with no significant year-over-year changes.

Other Uses of Funds (900 Series) decreased by approximately $731,000, or 13.6%, primarily due to the reduction in lease-related financing activities associated with the GASB 87 and GASB 96 transactions recognized in fiscal year 2025 that did not recur in fiscal year 2026.

SECTION 4: SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital Assets

During the current fiscal year, the District invested in a variety of capital projects and technology upgrades designed to maintain and enhance its facilities, infrastructure, and educational resources. These investments are reflected in both governmental and business-type activities. The District's investment in capital assets as of June 30, 2026, is summarized below.

Table A-8
Governmental and Business Type Activities
Capital assets - net of depreciation

	Governmental Activities	Business-Type Activities	Total
Land, Buildings and Improvements	135,430,593	0	135,430,593
Equipment and other Capital Assets	20,042,068	477,449	20,519,517
Construction in Progress	1,270,159	0	1,270,159
Total	156,742,820	477,449	157,220,269
Accumulated Depreciation	(71,097,142)	(432,175)	(71,529,317)
Net	85,645,678	45,274	85,690,952

At June 30, 2026, the District reported $85.7 million in net capital assets. Significant additions during the year included facility and infrastructure improvements, technology upgrades, security enhancements, and construction projects. Notable investments included roof repairs at Paradise Elementary, an APC and server room upgrade, an access road and lighting project between Spring Grove Elementary and the High School, classroom technology refreshes, and security system improvements. The District also reported approximately $1.27 million in construction in progress, primarily related to the maintenance building project and walk-in cooler/freezer project.

Long Term Financing

The District continued to reduce its long-term debt obligations during 2025-26. Total outstanding bonds and notes decreased from $38.8 million to $34.8 million, reflecting scheduled principal repayments of approximately $4.0 million and no new debt issuances during the year. Interest expense decreased to $1.18 million, consistent with the declining debt balance.

The District's debt portfolio consists primarily of the 2018 General Obligation Bonds, 2020 General Obligation Notes, and the 2023 General Obligation Bonds and Notes, which were issued for refinancing and capital improvement purposes. Regular principal payments continue to reduce the District's outstanding obligations in accordance with the established repayment schedules.

In addition to bonded debt, the District reported lease and subscription liabilities totaling approximately $1.24 million related to equipment leases and software subscriptions recognized under GASB Statement No. 87 and GASB Statement No. 96. Significant obligations include the District's iPad lease program, copier leases, and various software subscription agreements.

Table A-9
Outstanding Long-term Financing

	2026
General Obligation Notes/Bonds	
Bond, Series 2018	400,000
Bond, Series 2020	623,000
Bond, Series 2020AAA	11,197,000
Bond, Series 2023	8,095,000
Bond, Series 2023A	8,155,000
Bond, Series 2023	6,377,000
Lease Obligations	1,239,756
Total	36,086,756

SECTION 5: ECONOMIC FACTORS AND FUTURE BUDGETS

The District continues to maintain a stable financial position; however, significant economic and legislative factors will influence future budgets. For the 2026-27 budget, total revenues are projected at approximately $89.9 million, while expenditures are projected at $90.6 million, resulting in a planned use of fund balance to support ongoing operations.

Local revenues remain the District's primary funding source. Current real estate tax collections have increased from $39.1 million in 2019-20 to $44.5 million in 2025-26**,** reflecting both assessment growth and annual tax increases. Earned Income Tax revenues have also grown from **$**3.5 million to $4.6 million during the same period. The District continues to benefit from strong local tax collections; however, future revenue growth remains constrained by the limitations of Pennsylvania's Act 1 Index, which restricts annual property tax increases unless specific exceptions are approved.

At the state level, the District continues to monitor discussions regarding Adequacy Funding, which may provide additional resources to public schools through Pennsylvania's Basic Education Funding formula. The District also continues to advocate for meaningful cyber charter school funding reform, as tuition payments to cyber charter schools remain a significant and unpredictable expenditure despite limited local control over enrollment and tuition rates. Future state policy decisions in these areas could have a substantial impact on the District's financial outlook.

On the expenditure side, the District continues to face significant cost pressures, particularly in areas largely outside local control. Salary and benefit costs remain the largest expenditure category, with salaries increasing from $33.8 million in 2024-25 to a budgeted $36.0 million in 2026-27 and employee benefits increasing from $22.2 million to $23.7 million over the same period. These increases are primarily driven by contractual obligations, PSERS retirement contributions, healthcare costs, and wage growth.

The District is also experiencing continued growth in special education costs, including tuition for out-of-district placements, specialized transportation services, and support services required to meet student needs. These costs continue to increase at a rate that exceeds growth in state special education funding.

Healthcare costs remain another area of concern. Like many employers, the District continues to experience inflationary pressures in healthcare premiums and prescription drug costs. In addition, the District has experienced several high-cost medical claims**,** which place additional pressure on future healthcare expenditures and can contribute to increased rates within the District's self-funded benefit programs. These costs are difficult to predict and remain a significant budgetary challenge.

Looking ahead, the District will continue to focus on balancing educational priorities with fiscal responsibility while monitoring state funding initiatives, legislative changes, healthcare trends, special education mandates, and other rising costs. Administration and the Board remain committed to maintaining the District's strong financial position while continuing to provide high-quality educational programs for students.

The comparison of revenue and expenditure categories is as follows:

	2026-2027	**2025-2026**	**2024-2025**
Budget Revenues			
Local	55,077,034	54,122,173	51,467,127
State	33,223,931	32,408,245	30,283,594
Federal	699,693	720,000	720,000
Other Sources	928,950	0	572,000
Total Revenue	89,929,608	87,250,418	83,042,721
Budgeted Expenditures			
Instruction	55,277,714	53,297,766	50,128,996
Support Services	27,674,279	27,020,450	29,659,704
Non-Instruction/Community	1,512,003	1,527,176	1,560,778
Debt/Budgetary Reserve	6,157,584	5,565,242	5,469,378
Total Expenditures	90,621,580	87,410,634	86,818,856

SECTION 6: CONCLUSION

The District remains committed to maintaining its long-term financial stability while providing high-quality educational opportunities for students. During 2025-26, the District's financial position strengthened, as net position increased and outstanding debt continued to decline. Strategic investments in facilities, technology, and infrastructure were made while maintaining overall financial stability.

Looking ahead, the District will continue to navigate rising special education, healthcare, pension, and cyber charter costs while monitoring developments related to adequacy funding, cyber charter reform, and Act 1 limitations. Through careful financial planning and responsible stewardship of resources, the

District remains committed to supporting student achievement while maintaining long-term fiscal sustainability.

Contacting the District's Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to demonstrate the School Board's accountability for the funding it receives. If you have questions about this report or wish to request additional financial information, please contact Dr. Daphne Kirkpatrick, Superintendent, or Jennifer Lepopo, Director of Finance at the Spring Grove Area School District, Educational Service Center, 1472 Roth Church Road, Suite 101, Spring Grove, PA 17362 or by telephone at (717) 225-4731.

KOCHENOUR, EARNEST, SMYSER & BURG
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Spring Grove Area School District as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Spring Grove Area School District as of June 30, 2026, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Spring Grove Area School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Spring Grove Area School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Spring Grove Area School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Spring Grove Area School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-10 and page 20 be presented to supplement the basic financial statements. Such information, is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Spring Grove Area School District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* , we have also issued our report dated November 18, 2026, on our consideration of the Spring Grove Area School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Spring Grove Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Spring Grove Area School District's internal control over financial reporting and compliance.

Kochenour, Earnest, Smyser & Burg

Certified Public Accountants

York, Pennsylvania
November 18, 2026

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 21,993,455	$ 1,001,030	$ 22,994,485
Investments	6,415,600	490,200	6,905,800
Taxes Receivable, Net	1,059,189	0	1,059,189
Internal Balances	379	0	379
Due from General Fund	0	0	0
Due From Other Governments	3,382,795	4,117	3,386,912
Other Receivables	648,927	34,643	683,570
Inventories	0	52,159	52,159
Bond Discount	0	0	0
Other Current Assets	159,975	0	159,975
Prepaid Expenses	11,162	0	11,162
Total Current Assets	33,671,482	1,582,149	35,253,631
Noncurrent Assets:			
Land	1,811,622	0	1,811,622
Right to use leased assets, net of amortization	1,239,757	0	1,239,757
Building & Building Improv. (Net of Acc. Depreciation)	77,914,929	0	77,914,929
Construction in Progress	1,270,159	0	1,270,159
Site Improvements (Net of Acc. Depreciation)	1,166,838	0	1,166,838
Furniture & Equipment (Net of Acc. Depreciation)	3,482,131	45,274	3,527,405
Total Noncurrent Assets	86,885,436	45,274	86,930,710
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amounts related to OPEB	1,328,464	0	1,328,464
Deferred amounts related to pensions	12,827,055	0	12,827,055
TOTAL ASSETS	$ 134,712,437	$ 1,627,423	$ 136,339,860
LIABILITIES			
Current Liabilities:			
Internal Balances	$ 0	$ 0	$ 0
Accounts Payable	1,461,134	3,632	1,464,766
Current Portion of Long-Term Debt	3,325,000	0	3,325,000
Lease Obligations	576,636	0	576,636
Due to Other Governments	0	0	0
Accrued G.O. Bond Interest Payable	309,280	0	309,280
Accrued Salaries and Benefits	5,559,398	9,113	5,568,511
Payroll Deductions & Withholdings	2,981,556	0	2,981,556
Deferred Revenues	30,868	70,807	101,675
Total Current Liabilities	14,243,872	83,552	14,327,424
Noncurrent Liabilities:			
Bonds/Notes Payable	31,522,000	0	31,522,000
Lease Obligations	663,121	0	663,121
Long-Term Portion of Compensated Absences	1,452,788	21,486	1,474,274
G.O. Bond Premium	341,901	0	341,901
Net Pension Liability	79,574,000	0	79,574,000
OPEB Liability	8,531,517	0	8,531,517
Total Noncurrent Liabilities	122,085,327	21,486	122,106,813
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts related to OPEB	2,210,541	0	2,210,541
Deferred amounts related to pensions	2,668,000	0	2,668,000
TOTAL LIABILITIES	141,207,740	105,038	141,312,778
NET POSITION			
Invested in Capital Assets Net of Related Debt	47,785,046	0	47,785,046
Unrestricted	(54,280,349)	1,522,385	(52,757,964)
TOTAL NET POSITION	(6,495,303)	1,522,385	(4,972,918)
TOTAL LIABILITIES AND NET POSITION	$ 134,712,437	$ 1,627,423	$ 136,339,860

The accompanying notes are an integral part of these financial statements.

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:								
Instruction	$ 48,852,840	$ 0	$ 1,035,547	8,530,673	$ 0	$ (39,286,620)	$ 0	$ (39,286,620)
Instructional Student Support	9,312,167	0	0	80,476	0	(9,231,691)	0	(9,231,691)
Admin. & Finl Support Services	5,698,433	0	0	0	0	(5,698,433)	0	(5,698,433)
Op & Main of Plant Svcs	7,152,083	0	6,814	0	0	(7,145,269)	0	(7,145,269)
Pupil Transportation	6,185,533	0	0	2,799,265	0	(3,386,268)	0	(3,386,268)
Student Activities	1,562,793	0	71,016	0	0	(1,491,777)	0	(1,491,777)
Community Services	21,021	0	0	0	0	(21,021)	0	(21,021)
Interest on Long-Term debt	1,184,316	0	0	675,542	0	(508,774)	0	(508,774)
Total Governmental Activities	79,969,186	0	1,113,377	12,085,956	0	(66,769,853)	0	(66,769,853)
Business-type activities:								
Food Service	3,121,497	0	923,601	2,080,188	0	0	(117,708)	(117,708)
Total primary government	$ 83,090,683	$ 0	$ 2,036,978	$ 14,166,144	$ 0	(66,769,853)	(117,708)	(66,887,561)
General revenues:								
Taxes:								
Property taxes, levied for general purposes, net						45,976,764	0	45,976,764
Taxes levied for Specific Purposes, net						6,153,842	0	6,153,842
Grants, subsidies, & contributions not restricted						22,247,789	0	22,247,789
Investment Earnings						1,362,869	41,471	1,404,340
Sale of Fixed Assets						5,529	0	5,529
Miscellaneous Income						143,320	7,286	150,606
Transfers						(10,220)	10,220	0
Total general revenues, special items, extraordinary items and transfers						75,879,893	58,977	75,938,870
Change in Net Position						9,110,040	(58,731)	9,051,309
Net Position—beginning						(15,605,343)	1,581,116	(14,024,227)
Net Position—ending						$ (6,495,303)	$ 1,522,385	$ (4,972,918)

The accompanying notes are an integral part of these financial statements.

SPRING GROVE AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	General Fund	Major Fund Capital Reserve	Major Fund Construction	Total Governmental Funds
ASSETS				
Cash & Cash Equivalents	$ 19,552,751	$ 1,029,007	$ 1,411,697	$ 21,993,455
Investments	0	490,100	5,925,500	6,415,600
Taxes Receivable (Net)	1,059,189	0	0	1,059,189
Due from Other Funds	379	0	0	379
Due from Other Governments	3,382,795	0	0	3,382,795
Other Receivables	648,676	0	251	648,927
Inventories	0	0	0	0
Prepaid Expenses/Expenditures	11,162	0	0	11,162
Other Current Assets	0	0	0	0
TOTAL ASSETS	$ 24,654,952	$ 1,519,107	$ 7,337,448	$ 33,511,507
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 1,073,112	$ 0	$ 388,022	$ 1,461,134
Due to Other Funds	0	0	0	0
Due to other Governments	0	0	0	0
Accrued Salaries and Benefits	5,559,398	0	0	5,559,398
Payroll Deductions & Withholdings	2,981,556	0	0	2,981,556
TOTAL LIABILITIES	9,614,066	0	388,022	10,002,088
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue	934,687	0	0	934,687
FUND BALANCES				
Committed - Capital Reserve & Construction	0	1,519,107	6,949,426	8,468,533
Assigned - Technology	1,000,000	0	0	1,000,000
Assigned - Capital Reserve	3,000,000	0	0	3,000,000
Assigned - PSERS	500,000	0	0	500,000
Assigned - Healthcare Costs	3,000,000	0	0	3,000,000
Assigned - Charter School	1,000,000	0	0	1,000,000
Unassigned	5,606,199	0	0	5,606,199
TOTAL FUND BALANCES	14,106,199	1,519,107	6,949,426	22,574,732
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 24,654,952	$ 1,519,107	$ 7,337,448	$ 33,511,507

The accompanying notes are an integral part of these financial statements.

SPRING GROVE AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2026

Total Fund Balances - Governmental Funds		$	22,574,732
Amounts reported for governmental activities in the statement of net position are different because:			
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $156,742,819 and the accumulated depreciation is $71,097,141.			85,645,678
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.			903,820
Bond Discount is recorded as an asset on the Statement of Net Position, but is not reported as an asset in governmental funds.			159,975
Prepaid Interest is recorded as an asset on the Statement of Net Position, but is not reported as an asset in governmental funds.			0
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Right to use assets at historical cost			4,718,198
Accumulated amortization			(3,478,441)
Bond Issue Premium is recorded as a liability on the Statement of Net Position, but is not reported as a liability in governmental funds.			(341,901)
OPEB Liability costs are recorded as a liability on the Statement of Net Position, but are not reported as a liability in governmental funds.			(8,531,517)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore are not reported in the funds.			
Deferred outflows of resources related to pensions			12,827,055
Deferred inflows of resources related to pensions			(2,668,000)
Deferred outflows of resources related to OPEB			1,328,464
Deferred inflows of resources related to OPEB			(2,210,541)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Bonds/Notes Payable	(34,847,000)		
Accrued Interest on the Bonds	(309,280)		
Net Pension Liability	(79,574,000)		
Lease Liability	(1,239,757)		
Compensated Absences	(1,452,788)		(117,422,825)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$	(6,495,303)

The accompanying notes are an integral part of these financial statements.

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

	General Fund	Major Fund Capital Reserve	Major Fund Construction	Total Governmental Funds
REVENUES				
Local Sources:				
Real Estate Taxes and Penalties	$ 45,856,372	$ 0	$ 0	$ 45,856,372
Other Taxes	6,153,842	0	0	6,153,842
Interest	939,732	72,041	351,096	1,362,869
Revenue Received from Other LEAS	836,792	0	0	836,792
Tuition	1,035,547	0	0	1,035,547
Other Revenue	221,150	0	0	221,150
Total Local Sources	55,043,435	72,041	351,096	55,466,572
State Sources	32,798,211	0	0	32,798,211
Federal Sources	698,743	0	0	698,743
Total Revenues	88,540,389	72,041	351,096	88,963,526
EXPENDITURES				
Current:				
Instruction	52,668,912	0	0	52,668,912
Support Services	26,662,237	0	0	26,662,237
Non-Instructional Services	1,505,151	0	0	1,505,151
Total Current Expenditures	80,836,300	0	0	80,836,300
Capital Outlay:				
Facilities Acquisition, Construction and Improvements	11,485	15,349	1,222,613	1,249,447
Total Capital Outlay	11,485	15,349	1,222,613	1,249,447
Debt Service:				
Principal	4,648,796			4,648,796
Interest	1,237,242	0	0	1,237,242
Total Debt Service	5,886,038	0	0	5,886,038
TOTAL EXPENDITURES	86,733,823	15,349	1,222,613	87,971,785
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,806,566	56,692	(871,517)	991,741
OTHER FINANCING SOURCES (USES)				
Proceeds from Refunding of Bonds/Notes	0	0	0	0
Face Value of Bonds/Notes Issued	0	0	0	0
Proceeds from Lease and Other Right To Use Arrangements	0	0	0	0
Bond/Notes Premiums	0	0	0	0
Interfund Transfers	0	0	0	0
Sale/Compensation for Fixed Assets	5,529	0	0	5,529
Debt Service-Refunded Bond Issues	0	0	0	0
Refunds of Prior Years Receipts	0	0	0	0
Operating Transfers Out	(10,220)	0	0	(10,220)
TOTAL OTHER FINANCING SOURCES (USES)	(4,691)	0	0	(4,691)
Net Change in Fund Balances	1,801,875	56,692	(871,517)	987,050
FUND BALANCE - JULY 1, 2025	12,304,324	1,462,415	7,820,943	21,587,682
FUND BALANCE - JUNE 30, 2026	$ 14,106,199	$ 1,519,107	$ 6,949,426	$ 22,574,732

The accompanying notes are an integral part of these financial statements.

SPRING GROVE AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

Total net change in fund balances - governmental funds		$ 987,050
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 as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period. Depreciation Expense	$(4,283,443)	
Capital Outlays	1,768,149	(2,515,294)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year.		120,392
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Activities.		3,978,000
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension related benefits earned net of employee contributions is reported as pension expense.		
District pension contributions		11,287,662
Cost of pension benefits earned, net of employee contributions		(4,365,648)
OTHER - items expensed on the statement of activities but not expensed in governmental funds		
Compensated Absences		(346,113)
Bond Discount Amortization		
Accrued Interest Expense Adjustment for G.O. Bonds		9,718
Interest Expense on Bond Refinancing		
Bond Proceeds recorded as revenue in governmental funds, not recorded on Statement of Net Assets as revenue		
Bond Discount recorded as expenditure in governmental funds, not recorded on Statement of Net Assets as expenditure		(8,887)
Right to use leased assets capital outlay expenditures which were capitalized		670,796
Accumulated amortization		(670,796)
Bond Premium Amortization		52,095
OPEB expense		(88,935)
Change in net position of governmental activities		$ 9,110,040

The accompanying notes are an integral part of these financial statements.

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026

	Budgeted Amounts		Actual	Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
REVENUES				
Local Sources:				
Real Estate Taxes and Penalties	$ 45,166,173	$ 45,166,173	$ 45,856,372	$ 690,199
Other Taxes	6,720,000	6,720,000	6,153,842	(566,158)
Interest	550,000	550,000	939,732	389,732
Revenue Received from Other LEAS	951,500	951,500	836,792	(114,708)
Tuition	565,000	565,000	1,035,547	470,547
Other Revenue	169,500	169,500	221,150	51,650
Total Local Sources	54,122,173	54,122,173	55,043,435	921,262
State Program Revenues	32,408,245	32,408,245	32,798,211	389,966
Federal Program Revenues	720,000	720,000	698,743	(21,257)
TOTAL REVENUES	87,250,418	87,250,418	88,540,389	1,289,971
EXPENDITURES				
Current:				
Regular Programs	35,853,266	35,853,266	34,566,326	1,286,940
Special Programs	14,075,387	14,075,387	15,307,140	(1,231,753)
Vocational Programs	2,691,980	2,691,980	2,563,387	128,593
Other Instructional Programs	629,700	629,700	169,910	459,790
Non Public School Programs	10,000	10,000	12,255	(2,255)
Support Services:				
Pre-Kindergarten	43,000	43,000	49,894	(6,894)
Pupil Personnel Services	3,152,275	3,152,275	3,386,513	(234,238)
Instructional Staff Services	4,185,540	4,185,540	3,602,950	582,590
Administrative Services	4,039,643	4,039,643	4,048,772	(9,129)
Pupil Health	1,288,437	1,288,437	1,338,315	(49,878)
Business Services	724,968	724,968	757,863	(32,895)
Operation & Maintenance of Plant Services	7,111,821	7,111,821	7,048,671	63,150
Student Transportation Services	5,853,444	5,853,444	5,874,184	(20,740)
Central & Other Support Services	658,256	658,256	604,969	53,287
Operation of Noninstructional Services:				
Student Activities	1,490,366	1,490,366	1,484,130	6,236
Community Services	37,309	37,309	21,021	16,288
Facilities Acquisition and Construction	0	0	11,485	(11,485)
Debt Service	5,215,242	5,215,242	5,886,038	(670,796)
Refund of Prior Year Receipts	0	0	0	0
TOTAL EXPENDITURES	87,060,634	87,060,634	86,733,823	326,811
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	189,784	189,784	1,806,566	1,616,782
OTHER FINANCING SOURCES (USES)				
Proceeds From Refunding of Bonds/Notes	0	0	0	0
Proceeds From Lease and Other Right To Use Arrangement	0	0	0	0
Bond/Notes Premiums	0	0	0	(0)
Interfund Transfers	0	0	0	(0)
Refund of Prior Year Receipts	0	0	0	0
Sale/Compensation for Fixed Assets	0	0	5,529	5,529
Debt Service-Refunded Bond Issues	0	0	0	(0)
Fund Transfers	0	0	(10,220)	(10,220)
Budgetary Reserve	(350,000)	(350,000)	0	350,000
TOTAL OTHER FINANCING SOURCES (USES)	(350,000)	(350,000)	(4,691)	345,309
Net change in fund balances	$ (160,216)	$ (160,216)	1,801,875	$ 1,962,091
FUND BALANCE - JULY 1, 2025			12,304,324	
FUND BALANCE - JUNE 30, 2026			$ 14,106,199	

The accompanying notes are an integral part of these financial statements.

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2026

	Food Service
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 1,001,030
Investments	490,200
Due From Other Governments	4,117
Due from General Fund	0
Other Receivables	34,643
Other Current Assets	0
Inventories	52,159
Total Current Assets	1,582,149
Noncurrent Assets:	
Machinery & Equipment (Net of Accum. Depreciation)	45,274
Total Noncurrent Assets	45,274
TOTAL ASSETS	$ 1,627,423
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 3,632
Accrued Salaries and Benefits	9,113
Deferred Revenue	70,807
Due to Other Funds	0
Total Current Liabilities	83,552
Non-Current Liabilities:	
Compensated Absences	21,486
Total Non-Current Liabilities	21,486
TOTAL LIABILITIES	$ 105,038
NET POSITION	
Unrestricted	1,522,385
TOTAL NET POSITION	1,522,385
TOTAL LIABILITIES AND NET POSITION	$ 1,627,423

The accompanying notes are an integral part of these financial statements.

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
JUNE 30, 2026

	Food Service
OPERATING REVENUES:	
Food Service Revenue	$ 913,347
Other Operating Revenue	10,254
TOTAL OPERATING REVENUES	923,601
OPERATING EXPENSES:	
Salaries	832,931
Employee Benefits	612,085
Purchased Professional and Technical Service	10,939
Purchased Property Service	21,827
Other Purchased Service	1,050
Supplies	1,600,167
Depreciation	8,884
Dues and Fees	33,614
TOTAL OPERATING EXPENSES	3,121,497
OPERATING INCOME(LOSS)	(2,197,896)
NONOPERATING REVENUES (EXPENSES):	
Earnings on Investments	41,471
Interfund Transfers	10,220
Contributions & Donations	7,286
State Sources	588,734
Federal Sources	1,491,454
TOTAL NONOPERATING REV(EXP)	2,139,165
CHANGE IN NET POSITION	(58,731)
TOTAL NET POSITION - JULY 1, 2025	1,581,116
TOTAL NET POSITION - JUNE 30, 2026	$ 1,522,385

The accompanying notes are an integral part of these financial statements.

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2026

	Food Service
Cash Flows From Operating Activities	
Cash Received from Users	$ 923,644
Cash Received from Other Operating Revenues	0
Cash Payments to Employees for Services	(1,443,489)
Cash Payments to Suppliers for Goods and Services	(1,670,411)
Cash Payments for Other Operating Expenses	0
Net Cash Provided by (Used for) Operating Activities	(2,190,256)
Cash Flows From Non-Capital Financing Activities	
Local Sources	7,286
State Sources	587,079
Federal Sources	1,488,993
Operating Transfers In (Out) Primary Government	10,220
Net Cash Provided by (Used for) Non-Capital Financing Activities	2,093,578
Cash Flows From Capital and Related Financing Activities	
Facilities Acquisition/Construction/Improvements	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	0
Cash Flows From Investing Activities	
Earnings on Investments	41,471
Purchase of Inv Securities/Deposits to Inv Pools	(490,200)
Net Cash Provided by (Used for) Investing Activities	(448,729)
Net Inc (Dec) in Cash and Cash Equivalents	(545,407)
Cash and Cash Equivalents Beginning of Year	1,546,437
Cash and Cash Equivalents at Year End	$ 1,001,030
Operating Income (Loss)	$ (2,197,896)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	8,884
Increase (Decrease) in Other Non-Current Liabilities	0
(Increase) Decrease in Other Receivables	(8,751)
(Increase) Decrease in Inventories	(5,212)
(Increase) Decrease in Advances to Other Funds	1,105
Increase (Decrease) in Accounts Payable	1,721
Increase (Decrease) in Advances from Other Funds	(428)
Increase (Decrease) in Accrued Salaries Benefits	3,355
Increase (Decrease) in Deferred Revenue	8,794
Increase (Decrease) in Compensated Absences	(1,828)
Total Adjustments	7,640
Net Cash Provided by (Used for) Activities	$ (2,190,256)

The accompanying notes are an integral part of these financial statements.

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2026

	Private Purpose Trust	Agency
ASSETS		
Cash and Cash Equivalents	$ 0	$ 174,530
Other Receivables	0	0
TOTAL ASSETS	0	174,530
LIABILITIES		
Accounts Payable	0	0
Due to Other Funds		379
TOTAL LIABILITIES	0	379
NET POSITION		
Unrestricted	0	174,151
TOTAL LIABILITIES AND NET POSITION	$ -	$ 174,530

The accompanying notes are an integral part of these financial statements.

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

	Student Activities
ADDITIONS	
Receipts from Student Groups	$ 271,498
Transfer from General Fund	-
Interest	1,871
	273,369
DEDUCTIONS	
Student Activity Disbursements	255,428
	255,428
CHANGE IN NET POSITION	17,941
NET POSITION - JULY 1, 2025	156,210
NET POSITION - JUNE 30, 2026	$ 174,151

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Spring Grove Area School District, York County, Pennsylvania operates a high school, a middle school, an intermediate school and three elementary schools.

The accounting policies of the Spring Grove Area School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.* Certain of the significant changes in the Statement include the following:

A Management's Discussion and Analysis (MD & A) providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the District's activities.

A change in the fund financial statements to focus on the major funds.

These changes are reflected in the accompanying financial statements (including notes to financial statements). The District has implemented GASB Statement No. 34, *Basic Financial statements-and Management's Discussion and Analysis-for State and Local Governments* , for the year ended June 30, 2026.

A. REPORTING ENTITY

The Spring Grove Area School District Board of Directors is the basic level of government which has oversight responsibility and control over all activities related to public school education in the Spring Grove Area School District. The District receives funding from local, state and federal government sources and must comply with their accompanying requirements. However, the Board is not included in any other governmental "reporting entity" as defined by the GASB Pronouncement, since Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement No. 14 which are included in the District's reporting entity.

The reporting entity for Spring Grove Area School District consists only of those funds, functions and activities controlled by the School Board and required or allowed by State laws and regulations.

The financial statements of the School District include all funds and activities that are controlled by or dependent on the School District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of advisors.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. FUND ACCOUNTING

The accounts of the Spring Grove Area School District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

GOVERNMENTAL FUNDS

GENERAL FUND - The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

SPECIAL REVENUE FUNDS - Special Revenue Funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditures for specific purposes.

CAPITAL PROJECT FUNDS - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Reserve Fund is also a classified in this category.

PROPRIETARY FUNDS

ENTERPRISE FUNDS - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - when the intent of the governing body is that costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The Food Service Fund is a Modified Enterprise Fund because most food service funds in Pennsylvania's Public School System depend on support from the General Fund of the District as well as state and federal subsidization in order to operate.

FIDUCIARY FUNDS

TRUST & AGENCY FUNDS - Agency Funds are used to account for assets held by the District as an agent for school organizations or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Activities Fund is an Agency Fund. Nonexpendable Trusts are accounted for in essentially the same manner as proprietary funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION

Government-wide Financial Statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the school district. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements are also provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the school district. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the school district's enterprise fund are food service charges. Operating expenses for the school district's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports the following major governmental funds:

The general fund is the district's primary operating fund. It accounts for all financial resources except those required to be in another fund.

The capital reserve fund accounts for transfers from other funds and related investment earnings for capital outlays not accounted for in another fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged against current operations and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

E. INVENTORY

Inventory in the General Fund is recorded as an expenditure at the time of purchase.

Inventory in the Proprietary Fund is valued at cost, except government donated food which is priced at fair market value at date of receipt.

F. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

G. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

H. PREPAID EXPENSES

In both government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. CAPITAL ASSETS

Capital assets which include land, property, plant and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the school district as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year.

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.

All capital assets except for land are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Assets:	Years
Buildings & Portable Classrooms	25 - 50
Building Improvements	15 - 30
Land Improvements	20
Machinery & Equipment	5 - 15
Vehicles	5 - 8
Furniture and Fixtures	10 - 20

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 5 to 25 years.

J. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

K. NET POSITION

Net Position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvement of those assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. NEW ACCOUNTING PRONOUNCEMENT ADOPTED:

GASB Statement No. 101, Compensated Absences - As of July 1, 2024, the School District adopted GASB Statement No. 101, Compensated Absences. This Statement establishes how state and local governments should account for and report employee leave, such as vacation and sick leave. It requires a liability to be recognized when the leave is more likely than not to be used or paid out.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents consist of the following as of June 30, 2026:

Name of Bank	Book Balance	Rate	Bank Balance
Governmental Funds:			
Major Funds			
General Fund			
Checking-ACNB Bank	$ 2,347,776	Various	$ 2,617,642
PSDLAF	1,080,024		1,080,024
Savings-PLGIT PLUS	0	Various	0
Class-PLGIT	16,124,951		16,124,951
Petty Cash-On Hand	0		0
Total Major Fund / General Fund	19,552,751		19,822,617
Capital Reserve Fund			
Checking-ACNB Bank	166,260		166,260
PSDLAF	862,747	Various	1,352,847
Total Major Fund / Capital Reserve Fund	1,029,007		1,519,107
Construction Fund			
Checking-ACNB Bank	479,012		509,538
PSDLAF	932,685	Various	6,858,185
Total Major Fund / Construction Fund	1,411,697		7,367,723
Total Governmental Funds:	$ 21,993,455		$ 28,709,447
Business-type Activities			
Checking-ACNB Bank	$ 401,289	Various	$ 402,241
PSDLAF	599,691		1,089,892
Petty Cash	50		
	$ 1,001,030		$ 1,492,133

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Fiduciary Funds Activities Fund	Book Balance	Rate	Bank Balance
Checking - ACNB Bank	$ 174,530		$ 175,249
Checking - M & T Bank	0		0
Total Activity Funds	$ 174,530		$ 175,249

Investments consist of the following as of June 30, 2026

Type	Bank	Amount	Rate
Governmental Funds:			
General Fund			
Max Account	PSDLAF	$ 0	Various
Full Flex Account	PSDLAF	0	Various
Class and Prime Accounts	PLGIT	0	Various
		$ 0	
Capital Reserve Fund			
Certificates of Deposit	PSDLAF	$ 490,100	Various
Construction Fund			
Max Account	PSDLAF	$ 0	Various
Certificates of Deposit	PSDLAF	5,925,500	Various
Treasury Security	PSDLAF	0	Various
		$ 5,925,500	
Proprietary Funds:			
Food Service Fund			
Certificates of Deposit	PSDLAF	$ 490,200	Various
Fiduciary Funds:			
Activity Fund			
Certificates of Deposit	BB & T	$ 0	Various
Trust Fund			
Certificates of Deposit	Susquehanna Bank	$ 0	Various
Certificates of Deposit	Sovereign Bank	0	Various
		$ 0	

All of the School District's investments and cash deposits are covered by FDIC or FSLIC or collateralized in accordance with Act 72.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2026, $23,221,029 of the Districts bank balance of $23,471,029 was exposed to custodial credit risk as:

Uninsured and Uncollateralized	$	0
Collateralized with securities held by the pledging financial institution		23,221,029
Uninsured and collateral held by the pledging bank's trust department not in the District's name		0
	$	23,221,029

Reconciliation to Financial Statements:

Collateralized with securities held by the pledging financial institution	$	23,221,029
Plus: Insured Amount		250,000
Plus: Deposits in Transit		0
Less: Outstanding Checks		(302,064)
Carrying Amount - Bank Balances		23,168,965
Plus: Petty Cash		50
Total Cash per Financial Statements	$	23,169,015

Cash Summary per Respective Funds:

Statement of Net Position - Cash - Governmental Funds	$	21,993,455
Statement of Net Position - Cash - Proprietary Funds		1,001,030
Statement of Net Position - Cash - Fiduciary Funds		174,530
Total Cash per Financial Statements	$	23,169,015

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

INVESTMENTS:

Credit Risk - risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below are the actual ratings for each investment as of the end of the year:

		Ratings as of Year End		
Investment Type	Amount	S & Ps AAAm	S & Ps AAm	Moody's Baa2
PSDLAF - Treasury Security	$ 0	$ 0	$ 0	$ 0
PSDLAF Max Account	0	0		
PSDLAF Full Flex Account	0	0		
PSDLAF Certificates of Deposits	6,905,800	6,905,800		
PLGIT - Class and Prime Account	0	0		
Total	$ 6,905,800	$ 6,905,800	$ 0	$ 0

Concentration of Credit Risk - risk of loss attributed to the magnitude of an entity's investment in a single issuer. Disclosure occurs by issuer and amount of investments in any one issuer that represent 5% or more of total investments for the entity:

Investment Type	Amount	Percentage
PSDLAF - Treasury Security	$ 0	0.00%
PSDLAF Max Account	0	0.00%
PSDLAF Full Flex Account	0	0.00%
PSDLAF Certificates of Deposits	6,905,800	100.00%
PLGIT - Class and Prime Account	0	0.00%
Total	$ 6,905,800	100.00%

Interest Rate Risk - is the risk that changes in interest rates demanded by the market will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the entity's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Entity's investments by maturity:

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

		Investment Maturities (In Years)	
Investment Type	**Amount**	**Less than 1**	**1 and 5**
PSDLAF - Treasury Security	$ 0	$ 0	$ -
PSDLAF Max Account	0	0	
PSDLAF Full Flex Account	0	0	
PSDLAF Certificates of Deposits	6,905,800	6,905,800	
PLGIT - Class and Prime Account	0	0	
Total	$ 6,905,800	$ 6,905,800	$ -

NOTE 3 - DELINQUENT TAXES RECEIVABLE

This account represents unpaid real estate taxes from preceding years returned to the Tax Claims Bureau for collections, and certain interim taxes not yet collected. This account is offset by real estate tax revenues on the statement of activities for the government-wide financial statement presentation and offset by deferred revenues in the liability section of the balance sheet for the fund financial statement presentation.

NOTE 4 - GENERAL LONG-TERM DEBT

On July 18, 2018, Spring Grove Area School District issued General Obligation Bonds, Series of 2018, for the purpose of : (1) the current refunding of the School Districts General Obligation Bonds, Series of 2013, and (2) paying costs of issuing the General Obligation Bonds of 2018.

Date of Issue	Final Maturity	Rate	Issue Amount
2018	October 1, 2026	1.95 - 2.90%	$ 9,750,000

A summary of the maturity dates of the General Obligation Issue of 2018 is as follows:

Year	Amount	Year	Amount
		2027	400,000
TOTAL			$ 400,000

NOTE 4 - GENERAL LONG-TERM DEBT (CONTINUED)

On December 31, 2020, Spring Grove Area School District issued General Obligation Notes, Series of 2020, for the purpose of : (1) currently refunding the School Districts General Obligation Bonds, Series AA of 2012, and (2) paying costs of issuing the General Obligation Notes Series of 2020.

Date of Issue	Final Maturity	Rate	Issue Amount
2020	February 15, 2028	0.91500	$ 7,142,500

A summary of the maturity dates of the General Obligation Issue of 2020 is as follows:

Year	Amount	Year	Amount
		2027	623,000
TOTAL			$ 623,000

On December 22, 2020, Spring Grove Area School District issued General Obligation Note, Series AA of 2020, for the purpose of : (1) refunding the District's outstanding General Obligation Notes, Series of 2017, and (2) paying costs of issuing the General Obligation Note Series AA of 2020.

Date of Issue	Final Maturity	Rate	Issue Amount
2020	February 15, 2026	0.835%	$ 6,676,000

A summary of the maturity dates of the General Obligation Issue of 2020AA is as follows:

Year	Amount
2026	-
TOTAL	$ -

NOTE 4 - GENERAL LONG-TERM DEBT (CONTINUED)

On December 22, 2020, Spring Grove Area School District issued General Obligation Notes, Series AAA of 2020, for the purpose of : (1) the current refunding of the School Districts General Obligation Bonds, Series A of 2015, and (2) paying costs of issuing the General Obligation Notes of 2020. These Notes are federally taxable.

Date of Issue	Final Maturity	Rate	Issue Amount
2020	October 1, 2028	1.175%	$ 20,970,000

A summary of the maturity dates of the General Obligation Issue of 2020 is as follows:

Year	Amount	Year	Amount
2027	2,910,000	2028	4,118,000
		2029	4,169,000
TOTAL			$ 11,197,000

On November 29, 2023, Spring Grove Area School District issued General Obligation Bonds, Series of 2023, for the purpose of : (1) the current refunding a portion of the School Districts General Obligation Note, Series of 2020, General Obligation Note, Series AA of 2020 and General Obligation Notes, Series AAA of 2020 and (2) paying costs of issuing the General Obligation Bonds, Series of 2023.

Date of Issue	Final Maturity	Rate	Issue Amount
2023	October 1, 2033	Various	$ 8,105,000

A summary of the maturity dates of the General Obligation Bonds, Series of 2023 is as follows:

Year	Amount	Year	Amount
2027	5,000	2031	1,530,000
2028	5,000	2032	1,615,000
2029	5,000	2033	1,695,000
2030	1,460,000	2034	1,780,000
TOTAL			$ 8,095,000

On November 29, 2023, Spring Grove Area School District issued General Obligation Bonds, Series A of 2023, for the purpose of : (1) financing capital projects of the School District and (2) paying costs of issuing the General Obligation Bonds, Series A of 2023.

Date of Issue	Final Maturity	Rate	Issue Amount
2023	October 1, 2033	Various	$ 8,165,000

NOTE 4 - GENERAL LONG-TERM DEBT (CONTINUED)

A summary of the maturity dates of the General Obligation Bonds, Series of 2023 is as follows:

Year	Amount	Year	Amount
2027	5,000	2036	610,000
2028	5,000	2037	635,000
2029	5,000	2038	665,000
2030	5,000	2039	695,000
2031	5,000	2040	725,000
2032	5,000	2041	760,000
2033	5,000	2042	800,000
2034	5,000	2043	835,000
2035	585,000	2044	880,000
		2045	925,000
TOTAL			$ 8,155,000

On November 29, 2023, Spring Grove Area School District issued and sold to JP Morgan Chase Bank its General Obligation Note, Series of 2023, for the purpose of : (1) currently refunding of a portion of the General Obligation Bonds, Series of 2018and (2) paying costs of issuing the General Obligation Note, Series of 2023.

Date of Issue	Final Maturity	Rate	Issue Amount
2023	October 1, 2033	4.380%	$ 6,387,000

A summary of the maturity dates of the General Obligation Note, Series of 2023 is as follows:

Year	Amount	Year	Amount
2027	5,000	2031	1,216,000
2028	5,000	2032	1,270,000
2029	5,000	2033	1,327,000
2030	1,163,000	2034	1,386,000
TOTAL			$ 6,377,000

During the fiscal year ended June 30, 2026, general long-term debt activity is summarized as follows:

Balance - July 1, 2025	$ 38,825,000
Note/Bond Proceeds - New Issues	0
Principal Repayments	(3,978,000)
Bond Refunding	0
Balance - June 30, 2026	$ 34,847,000
Interest Paid	$ 1,184,316

NOTE 4 - GENERAL LONG-TERM DEBT (CONTINUED)

LEASE OBLIGATIONS - RIGHT TO USE ASSETS:

Spring Grove Area School District has recorded leased assets as a result of implementing GASB # 87. The right to use assets are initially measured at an amount equal to the measurement of the related lease liability as of July 1, 2021.

Spring Grove Area School District entered into a four year lease agreement on June 1, 2024 for 4,350 Apple iPADS. The lease requires four payments of $409,983 and one payment of $400,000. The lease was recorded by the District in the financial statements as a right to use asset with a net book value of $1,229,792 at 6/30/26.

Spring Grove Area School District entered into a lease agreement on July 1, 2023 for Toshiba and Lexmark Copiers . The lease requires 60 monthly payments of $3,967.86. The lease was recorded by the District in the financial statements as a right to use asset with a net book value of $142,843 at 6/30/26.

Right to Use Lease Asset Activity Charts:

	Beginning Balance	Lease Additions	Amortization	Ending Balances
Apple iPADS	1,229,949	-	409,983	819,966
Toshiba and Lexmark Copiers	142,843	-	47,614	95,229
		-		-
	1,372,792	-	457,597	915,195

Future Minimum Payments:

Year ending June 30	Principal Payments
2027	457,597
2028	457,598
	915,195

NOTE 4 - GENERAL LONG-TERM DEBT (CONTINUED)

LEASE OBLIGATIONS - RIGHT TO USE ASSETS:

Spring Grove Area School District has recorded subscription assets as a result of implementing GASB # 96. The right to use assets are initially measured at an amount equal to the measurement of the related lease liability as of July 1, 2022.

Spring Grove Area School District entered into a subscription agreement for Central Susquehanna Intermediate Software which expires on 6/30/26. The remaining contract left on the subscription is at 6/30/26 is $0.

Spring Grove Area School District entered into a subscription agreement for Finalsite / Blackboard Software which expires on 6/30/27. The remaining contract left on the subscription is at 6/30/26 is $16278.

Spring Grove Area School District entered into a subscription agreement for Lincoln Intermediate Unit # 12 Software which expires on 6/30/29. The remaining contract left on the subscription is at 6/30/26 is $67,583.

Spring Grove Area School District entered into a subscription agreement for Microsoft Software which expires Software which expires on 7/31/29. The remaining contract left on the subscription is at 6/30/26 is $240,600.

Spring Grove Area School District entered into a subscription agreement for Lincoln Intermediate Unit # 12 Software Sentinellone Software which expires on 6/30/26. The remaining contract left on the subscription is at 6/30/26 is $0.

Spring Grove Area School District entered into a subscription agreement for 11:11 System Backup and Disaster recovery Software which expires on 6/30/26. The remaining contract left on the subscription is at 6/30/26 is $0.

Right to Use Lease Asset Activity Charts:

	Beginning Balance	Lease Additions	Amortization	Ending Balances
CSIU	37,400	0	37,400	0
Finalsite/Blackboard	32,555	0	16,277	16,278
LIU Internet	90,245	-	22,562	67,683
Microsoft	321,277	-	80,677	240,600
Sentinellone Workstation	27,390	0	27,390	0
System - Backup and Recovery	28,893	0	28,893	0
	537,760	0	213,199	324,561

Future Minimum Payments:

Year ending June 30	Principal Payments
2027	119,039
2028	102,761
2029	102,761
	324,561

NOTE 5 - CHANGES IN CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2026 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balances
Land	$ 1,811,622	$ 0	$ 0	$ 1,811,622
Buildings & Improvements	132,973,930	645,041	0	133,618,971
Machinery & Equipment	17,779,400	474,638	0	18,254,038
Site Improvements	1,651,446	136,584	0	1,788,030
Construction in Progress	758,272	1,270,159	758,272	1,270,159
Total Capital Assets	$ 154,974,670	$ 2,526,422	$ 758,272	$ 156,742,820

Accumulated Depreciation activity for the year ended June 30, 2026 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Buildings & Improvements	$ 52,637,531	$ 3,066,512	$ 0	$ 55,704,043
Machinery & Equipment	13,693,330	1,078,575	0	14,771,905
Site Improvement	482,838	138,356	0	621,194
	$ 66,813,699	$ 4,283,443	$ 0	$ 71,097,142
Governmental Activities Capital Assets, Net	$ 88,160,971	$ (1,757,021)	$ 758,272	$ 85,645,678

Business-type Activities:

Capital Asset activity for the year ended June 30, 2026 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Food Service Equipment	$ 477,449	$ 0	$ 0	$ 477,449

Accumulated Depreciation activity for the year ended June 30, 2026 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Food Service Equipment	$ 423,290	$ 8,885	$ 0	$ 432,175
Business-type Activities Capital Assets, Net	$ 54,159	$ (8,885)	$ 0	$ 45,274

NOTE 6 - ACCUMULATED COMPENSATED ABSENCES

It is the School District's policy to permit employees to accumulate a limited amount of earned but unused sick leave, which will be paid to employees upon separation from the School District's service. For the government-wide financial statement presentation, the amount, $1,474,274 of compensated absences is recorded as a liability on the statement of net position. In the fund financial statement presentation, the cost of sick leave is recognized when payments are made to employees.

NOTE - 7 - PENSION PLAN

1. Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System included all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues 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 of credited service; (b) age 60 with 30 or more years of credited service; or 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 new 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 1% or 2.5%, depending upon membership class, of the members' 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 members' final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service 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

NOTE - 7 - PENSION PLAN (CONTINUED)

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 6.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who are active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.5% (Membership Class T-D) of the member's qualifying compensation.

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the members qualifying compensation. All new hires after June 30, 2011, who elect Class T - F membership, contribute at 10.3% (base rate) of the members qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9,5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Members who joined the System on or after July 1, 2019, contribute according to Membership Class T-G - 5.50% base rate with shared risk provision and 2.75% direct contribution rate, T-H - 4.50% base rate with shared risk provision and 3.00% direct contribution rate. Code DC has only a direct contribution rate of 7.50%.

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2026 was 34.00% 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 $11,287,662 for the year ended June 30, 2026.

2. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2026 the School reported a liability of $79,574,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024 to June 30, 2025. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2026, the School's proportion was .2050%, which was a decrease of .005 from its proportion measured as of June 30, 2025 which was .2100%.

NOTE - 7 - PENSION PLAN (CONTINUED)

For the year ended June 30, 2026, the District recognized pension expense of $4,053,000. At June 30, 2026, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	1,342,000	670,000
Net difference between projected and actual investment earnings		279,000
Changes in proportions	55,000	1,719,000
Changes in assumptions		
Difference between employer contributions and proportionate share of total contributions	142,393	
Contributions subsequent to the measurement date	11,287,662	
	12,827,055	2,668,000

$11,287,662 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. 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:	
2027	1,337,000
2028	(597,000)
2029	(1,187,000)
2030	(824,000)

Actuarial assumptions

The total pension liability as of June 30, 2025 was determined by rolling forward the System's total pension liability as of June 30, 2024 actuarial valuation to June 30, 2025 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, 2025.

The Investment Rate of Return was 7.00%, includes inflation of 2.50%.
Salary growth changed from an effective average of 4.50%, which comprised of inflation of 2.50%, and 2.00% for real wage growth and for merit or seniority increases.

NOTE - 7 - PENSION PLAN (CONTINUED)

Demographic and economic assumptions approved by the Board for use effective with the June 30, 2024 actuarial valuation:

- Salary growth rate - decreased from 5.00% to 4.50%.
- Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
- Mortality rates - Previously based on 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scales.

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study that was performed for the five year period the period ending June 30, 2020.

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	32.0%	4.2%
Fixed Income	34.0%	3.5%
Commodities	4.0%	3.9%
Absolute return	0.0%	0.0%
Infrastructure/MLPs	10.0%	5.9%
Real estate	8.0%	6.4%
Cash	0.0%	0.0%
Private equity	12.0%	6.8%
Financing Leverage	0.0%	0.0%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2025.

Sensitivity of the School's Proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage

NOTE - 7 - PENSION PLAN (CONTINUED)

Discount rate

The discount rate used to measure total pension liability was 7.00%. 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 School's Proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
School's proportionate share of the net pension liability	107,368,000	79,574,000	56,091,000

Pension plan fiduciary net position

Detailed information about 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.

NOTE 8 - EARNED INCOME TAX

The York County Earned Income Tax Bureau is audited by other independent auditors. Our examination was limited to tracing general ledger receipts to bank deposits.

NOTE 9 - BUDGET

The School follows these procedures in establishing the budgetary data reflected in the financial statements.

(a) Formal budgetary integration is employed as a management control device during the year for the general fund. This budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

(b) The Board of Directors approves the total budget appropriations and authorizes budget transfers. The level of budgetary responsibility is by total appropriation.

(c) The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

(d) Unexpended appropriations at year-end lapse.

NOTE 10 - REVENUE RECOGNITION - PROPERTY TAXES

Property taxes are recognized in the year received. For fund financial statement presentation, property taxes outstanding are recorded as an asset and offset in the liability section as a deferred revenue, for government-wide financial statement presentation, property taxes outstanding are recorded as an asset and offset by real estate tax revenues on the statement of activities.

Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

Property taxes attach as an enforceable lien on property as of January 15. Taxes are levied on July 1 and are due and payable at that time. All unpaid taxes levied on July 1 become delinquent November 1.

NOTE 11 - CONTINGENCIES

The District is from time to time subject to routine litigation incidental to School District activities. While the final resolution of any matter may have an impact on the District's financial results for a particular reporting period, the District believes the ultimate disposition of any such litigation would not have a materially adverse effect upon the financial position of the District.

NOTE 12 - OTHER INFORMATION

Lincoln Benefit Trust

The School District is a member of Lincoln Benefit Trust. The trust is a claims servicing pool which pays claims for hospital benefits, medical coverage for physicians' services, certain dental coverage, major medical coverage, and certain other benefits submitted by employees of the seventeen participating School Districts. Each participating employer contributes to the trust amounts determined by actuarial principles which will be adequate to cover annual claim costs, operating costs, and reserves sufficient to provide stated benefits.

Because Lincoln Benefit Trust acts as a claim-servicing pool, the School District remains responsible for the economic risk of providing stated benefits to employees. However, claims incurred between $50,000 and $150,000 are paid from the Trust minipool. Claims incurred for $150,000 to $2,000,000 are paid from a stop loss insurance policy purchased by the Trust.

Under provisions of GASB No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, the School District must record a liability for claims when the loss is probable, it can be reasonably estimated, and it exceeds cumulative contributions. The contingent liability, if any, cannot be fully determinable until such time that the School District withdraws from the trust. As of June 30, 2026, a liability is not required because the School District's cumulative contributions to the Trust exceed the accrued and incurred claims.

Changes in net assets for the School District's account were as follows for the year ended:

	June 30, 2026
Net position - July 1, 2025	$ 1,964,121
Contributions and interest income	9,879,432
Claims paid	(9,480,075)
Stop-loss insurance	(1,272,320)
PA trust insurance premium	(587,265)
PA trust reimbursement	394,777
PA trust experience refund	37,405
Stop-loss experience refund	1,915,406
Other deductions	(13,050)
Administrative fees	(427,591)
Net position - June 30, 2026	$ 2,410,840

Overall, the Lincoln Benefit Trust had net assets of $69,877,240 at July 1, 2025 and $60,647,786 at June 30, 2026, which resulted in a decrease in net assets of $9,229,454. Financial Statements for Lincoln Benefit Trust are available at the school district.

NOTE 13 - ALLOCATION OF DEPRECIATION EXPENSE ON THE STATEMENT OF ACTIVITIES

Instruction	$ 2,791,604
Instructional Student Support	441,396
Admin. & Finl. Support Services	286,831
Op. & Maint. Of Plant Svcs.	373,600
Pupil Transportation	311,349
Student Activities	78,663
	$ 4,283,443

NOTE 14 - POSTEMPLOYMENT BENEFITS PLAN

The Spring Grove Area School District Postemployment Benefits plan is administered by Lincoln Benefit Trust. This Trust is a cost-sharing multiple-employer plan which issues its own financial report.

Summary of Plan Provisions:

Group	Eligibility	Coverage and Premium Sharing	Duration
I. Act 93 and Contracted Administrators	Subsidized-30 years of PSERS service and 10 years of district service (5 as an administrator) Unsubsidized-Act 110/43	Coverage: Medical, Prescription Drug, and Dental benefits for Retiree Premium Sharing: If Retiree is eligible for subsidized coverage, retiree pays 30% of Medical, Prescription Drug, and Dental premiums after being reduced by the PSERS supplement for up to 10 years. After 10 years or if Retiree is not eligible for subsidized coverage, Retiree may continue coverage under Act 110/43 by providing payment equal to the premium determined for the purpose of COBRA. Retiree may continue Dental coverage under Act 110/43 by paying 100% of the premium. Dependent Coverage: Available if fully paid by Retiree. Grandfathered retiree: One retiree is allowed to receive benefits without reaching the 30 years of service needed. Assistant superintendent pays 75% of Medical, Prescription Drug, and Dental premiums after being reduced by the PSERS supplement for up to 10 years.	Coverage is provided until Retiree is eligible for Medicare or until Retiree's death, whichever is earlier. Spouse coverage ends at spouse Medicare eligibility if earlier than above.

NOTE 14 - POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Summary of Plan Provisions:

Group	Eligibility	Coverage and Premium Sharing	Duration
II. All Other Employees	Act 110/43	Act 110/43: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement. Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.	Same as I

NOTE 14 - POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Actuarial Assumptions and Methods

Interest Rate

4.61%

Salary

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.

Withdrawal

Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 25.93% for both men and 27.46% for women and decrease with age and service.

Age	Male Rate	Female Rate	Age	Male Rate	Female Rate
25	4.5500%	3.9000%	45	1.4100%	1.6000%
30	4.5500%	3.9000%	50	1.8900%	2.0800%
35	1.6800%	2.8300%	55	3.6300%	3.6600%
40	1.4200%	1.6700%	60	5.4900%	5.9400%

Mortality

PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees.

Disability

No disability was assumed.

Retirement

Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

	Special Early Retirement		TC & TD Superannuation		TE,TF,TG & TH Superannuation	
Age	Male	Female	Male	Female	Male	Female
55	14.5%	14.5%	25.0%	16.0%	16.3%	19.5%
56	14.5%	14.5%	25.0%	20.0%	16.3%	19.5%
57	14.5%	15.0%	28.0%	28.0%	16.3%	19.5%
58	14.5%	15.0%	28.0%	30.0%	16.3%	19.5%
59	21.6%	20.7%	28.0%	30.0%	16.3%	19.5%
60	14.5%	15.0%	29.0%	31.0%	16.3%	19.5%
61	29.0%	29.0%	29.0%	31.0%	16.3%	19.5%
62	29.0%	29.0%	36.0%	31.0%	16.3%	19.5%
63	29.0%	29.0%	21.0%	20.0%	16.3%	19.5%

NOTE 14 - POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

	Special Early Retirement		TC & TD Superannuation		TE,TF,TG & TH Superannuation	
Age	Male	Female	Male	Female	Male	Female
64	29.0%	29.0%	22.0%	25.0%	16.3%	19.5%
65	29.0%	29.0%	23.0%	28.0%	16.3%	19.5%
66	29.0%	29.0%	23.0%	27.0%	16.3%	19.5%
67	29.0%	29.0%	20.0%	23.0%	16.3%	19.5%
68	29.0%	29.0%	20.0%	22.0%	16.3%	19.5%
69	29.0%	29.0%	20.0%	23.0%	16.3%	19.5%
70	29.0%	29.0%	20.0%	23.0%	16.3%	19.5%
71-73	29.0%	29.0%	20.0%	20.0%	16.3%	19.5%
74-79	29.0%	29.0%	25.0%	25.0%	16.3%	19.5%
80+	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Percent of Eligible retirees Electing Coverage in Plan

100% of employees eligible for a district subsidy and 65% of eligible only eligible for Act 110/43 are assumed to elect coverage. 10% of retirees deferring coverage are assumed to elect coverage at age 62, or age on valuation date, if older.

Percent married at Retirement

35% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age

Wives are assumed to be two years younger than their husbands.

Per Capita Claims Cost

The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental costs are assumed to not vary with age or gender. The resulting costs are as follows:

	Medical and Rx Combined	
Age	Males	Females
45-49	$ 9,104	$ 13,148
50-54	12,057	14,860
55-59	14,686	15,549
60-64	19,164	17,862

Retiree Contributions

Retiree Contributions are assumed to increase the same rate as the Health Care Cost Trend Rate. However, the first year trend assumption was adjusted to account for short-term reserve applications.

Health Care Cost Trend Rate

7.0% in 2024 and 2025 with .5% decrease per year until 5.5% in 2028. Rates gradually decrease from 5.4% in 2029 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

NOTE 14 - POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Actuarial Value of Assets

Equal to the Market Value of Assets

Actuarial Cost Method - Entry Age Normal

Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Plan Participant Information

Active Participants	437
Vested Former Members	23
Retired Participants	24
Total	484

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

COST SHARING MULTIPLE- EMPLOYER DEFINED BENEFIT OPEB PLAN

1. Summary of Significant Accounting Policies

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 are recognized when due and payable in accordance with the benefit term. Investments are reported at fair value.

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost-sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who quality and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2024 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria
Retirees of the System can participate in the Premium Assistance Program if they satisfy the following criteria:
Have 24 1/2 or more years of service or
Are a disability retiree, or
Have 15 or more years of service and retired after reaching superannuation age, and
Participate in the HOP or employer-sponsored health insurance program.

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria: Attain Medicare eligibility with 24 1/2 or more eligibility points, or have 15 or more eligibility points and terminated after age 67, and have received all or part of their distributions.

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 included all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues publicly available financial report that can be obtained at www.psers.state.pa.us.

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

Participating eligible retirees are entitle to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2026 was 0.62% 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 OPEB plan from the District were $0 for the year ended June 30, 2026.

2. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2026, the District reported a liability of $3,378,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2024 to June 30, 2025. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2026, the District's proportion was .2054 percent, which was a decrease of .0049 from its proportion measured as of June 30, 2025.

For the year ended June 30, 2026, the District recognized OPEB expense of $84,000. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	8,000	62,000
Net difference between projected and actual investment earnings	2,000	
Changes in proportions	26,000	99,000
Changes in assumptions	135,000	580,000
	171,000	741,000

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

$ 0 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2027	(165,000)
2028	(188,000)
2029	(81,000)
2030	(76,000)
2031	(61,000)
Thereafter	-

3. Actuarial Assumptions

The Total OPEB Liability as of June 30, 2025, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2024 to June 30, 2025 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method - Entry Age Normal - level % of pay.
Investment return - 4.81% - S & P 20 Year Municipal Bond Rate
Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
Premium Assistance reimbursement is capped at $1,200 per year.
Assumed Healthcare cost trends were applied to retirees with less that $1,200 in premium assistance per year.
Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

Participation rate:
Eligible retirees will elect to participate Pre age 65 at 50%
Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

The results of the actuarial valuation as of June 30, 2023 determined the employer contribution rate for fiscal year 2025.
Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
Asset Valuation method: Market Value
Participation rate:63% of eligible retirees are assumed to elect premium assistance.
Mortality Tables for males and females, adjusted to reflect PSERS experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.0%	1.70%

The above was the Board's adopted asset allocation policy and bet estimates of geo metric real rates of return for each major asset class as of June 30, 2025.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.81%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefits payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.81% which represents the S & P 20 year Municipal Bond Rate at June 30, 2025, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than $1,200 in annual Premium Assistance. As of June 30, 2025, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of $1,200. As of June 30, 2025, 91,034 retirees were receiving the maximum amount allowed of $1,200 per year. As of June 30, 2025, 487 members were receiving less than the maximum amount allowed of $1,200 per year. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the District's Proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the discount rate of 4.81%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.81%) or 1-percentage-point higher (5.81%) than the current rate:

	1% Decrease 3.81%	Current Discount Rate 4.81%	1% Increase 5.81%
School's proportionate share of the net pension liability	3,799,000	3,378,000	3,023,000

Pension plan fiduciary net position

Detailed information about 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.

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Single Employer Defined Benefit OPEB Plan

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

Funding Policy

The District's contributions are funded on a pay-as-you go basis.

OPEB Liability

The District's change in its OPEB liability for the year ended June 30, 2026 was as follows

Balances as of July 1, 2025	5,035,849
Differences between expected and actual experience	0
Service cost	243,067
Interest on total OPEB liability	220,615
Benefit payments	(251,737)
Changes of assumptions	(94,277)
Net Charges	117,668
Balances as of June 30, 2026	5,153,517

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	514,109	62,604
Net difference between projected and actual investment earnings		
Changes in proportions		
Changes in assumptions	441,124	1,406,937
Benefit payments subsequent to the Measurement Date	202,231	
	1,157,464	1,469,541

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2027	(44,516)
2028	(44,516)
2029	(44,516)
2030	(44,516)
2031	(44,516)
Thereafter	(291,722)

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for June 30, 2026, calculated using current healthcare cost trends as well as what OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Trend Rate	1% Increase
OPEB liability	4,557,984	5,153,517	5,852,618

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability for June 30, 2026, calculated using the discount rate of 4.81%, as well as what OPEB liability would be if the discount rate were 1-percentage point lower (3.81%) or 1-percentage point higher (5.81%) than the current rate:

	1% Decrease 3.81%	Current Discount Rate 4.81%	1% increase 5.81%
OPEB liability	5,566,399	5,153,517	4,764,585

NOTE 16 - GASB # 54 FUND BALANCE IMPLEMENTATION

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable - include fund balance amounts that cannot be spent either because it not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end. The Capital Reserve Fund is included here.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Manager.
The following have been assigned:

Technology Upgrades	$	1,000,000
Capital Reserve		3,000,000
PSERS		500,000
Healthcare Costs		3,000,000
Charter School		1,000,000
Total Designated Fund Balances:	$	8,500,000

Unassigned includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds. The amount of the unassigned fund balance for Spring Grove Area School District is $5,606,199 for the year ending June 30, 2026.

NOTE 17 - SUBSEQUENT EVENTS

Management of the School District has evaluated subsequent events through the date of the audit report. No subsequent events were noted.

SPRING GROVE AREA SCHOOL DISTRICT

SUPPLEMENTAL

INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 62 through 76 is presented for purposes of additional analysis and is not a required part of the basic general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kochenour, Earnest, Smyser, & Burg

Certified Public Accountants

York, Pennsylvania
November 18, 2026

SPRING GROVE AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2026

	June 30, 2026	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
District's proportion of the net pension liability (asset)	0.2050%	0.2100%	0.2107%	0.2102%	0.2108%	0.2095%	0.2068%	0.1992%
District proportionate share of the net pension liability (asset)	79,574,000	87,895,000	93,733,000	93,452,000	86,548,000	103,156,000	96,746,000	95,626,000
District's covered-employee payroll	34,041,053	33,390,284	32,401,923	31,015,567	29,974,868	29,409,927	28,522,879	26,825,824
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	233.76%	263.24%	289.28%	301.31%	288.74%	350.75%	339.19%	356.47%
Plan fiduciary net position as a percentage of the total pension liability	68.04%	64.63%	61.85%	63.67%	63.67%	54.32%	55.66%	54.00%

Amounts were determined as of the cost-sharing plan's June 30, 2025 fiscal year.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

SPRING GROVE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS PENSION PLAN
YEAR ENDED JUNE 30, 2026

	June 30, 2026	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Contractually required contribution	11,145,269	11,026,817	11,033,462	10,477,373	10,017,813	9,787,187	9,260,992	8,452,709
Contributions in relation to the contractually required contribution	11,145,269	11,026,817	11,033,462	10,477,373	10,017,813	9,787,187	9,260,992	8,452,709
Contribution deficiency (excess)	0	0	0	0	0	0	0	0
District's covered-employee payroll	34,041,053	33,390,284	32,401,923	28,910,089	29,974,868	29,409,927	28,522,879	26,825,824
Contributions as a percentage of covered-employee payroll	32.74	33.02	34.05	36.24	33.42	33.28	32.47	31.51

Amounts were determined as of the cost-sharing plan's June 30, 2025 fiscal year.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

SPRING GROVE AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN
YEAR ENDED JUNE 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019
Total OPEB Liability								
Service cost	$ 243,067	$ 247,984	$ 231,474	$ 368,784	$ 370,872	$ 267,719	$ 269,322	$ 244,206
Interest on total OPEB liability	220,615	205,671	188,982	126,558	100,652	143,455	123,257	119,485
Benefit payments	(251,737)	(156,000)	(201,436)	(160,381)	(146,799)	(120,805)	(133,113)	(161,529)
Differences between expected and actual experience	0	(73,986)	0	368,893	-	149,926	-	403,784
Changes in assumptions	(94,277)	(4,259)	65,054	(1,440,365)	(175,908)	612,552	(131,178)	(327,741)
Net change in total OPEB liability	117,668	219,410	284,074	(736,511)	148,817	1,052,847	128,288	278,205
Total OPEB Liability, Beginning	5,035,849	4,816,439	4,532,365	5,268,876	5,120,059	4,067,212	3,938,924	3,660,719
Total OPEB Liability, Ending	$ 5,153,517	$ 5,035,849	$ 4,816,439	$ 4,532,365	$ 5,268,876	$ 5,120,059	$ 4,067,212	$ 3,938,924
Covered Employee Payroll	$ 32,039,460	$ 33,390,284	$32,401,923	$28,910,089	$27,436,763	$ 27,436,763	$ 25,402,199	$25,402,199
Total OPEB Liability as a percent of covered employee payroll	16.08%	15.08%	14.86%	15.68%	19.20%	18.66%	16.01%	15.51%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SPRING GROVE AREA SCHOOL DISTRICT
SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS COST SHARING PLAN
YEAR ENDED JUNE 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019
School's proportion of the net OPEB liability	0.2054%	0.2103%	0.2115%	0.2109%	0.2114%	0.2095%	0.2068%	0.1992%
School's proportionate share of the net OPEB liability	$ 3,378,000	$ 3,736,000	$ 3,827,000	$ 3,882,000	$ 5,011,000	$ 5,120,059	$ 4,398,000	$ 4,153,000
School's covered-employee payroll	34,041,053	$ 33,390,284	$ 32,401,923	$ 28,910,089	$ 29,974,868	$ 27,436,763	$ 25,402,199	$ 25,402,199
School's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	9.92%	11.19%	11.81%	13.43%	16.72%	18.66%	17.31%	16.35%
Plan fiduciary net position as a percentage of the total OPEB liability	7.50%	7.13%	7.22%	5.30%	5.30%	5.69%	5.56%	5.56%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SPRING GROVE AREA SCHOOL DISTRICT
SCHEDULE OF SCHOOL'S OPEB CONTRIBUTIONS -
PSERS COST SHARING PLAN
YEAR ENDED JUNE 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019
Contractually required contribution	$ 211,000	$ 214,000	$ 242,000	$ 246,000	$ 246,000	$ 247,000	$ 237,000	$ 223,000
Contributions in relation to the contractually required contribution	(211,000)	(214,000)	(242,000)	(246,000)	(246,000)	(247,000)	(237,000)	(223,000)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 33,390,284	$ 33,390,284	$ 32,401,923	$ 28,910,089	$ 29,974,868	$ 27,436,763	$ 25,402,199	$ 25,402,199
Contributions as a percentage of covered-employee payroll	0.63%	0.64%	0.75%	0.85%	0.82%	0.90%	0.93%	0.88%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

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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

To the Board of Directors
Spring Grove Area School District
Spring Grove, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Spring Grove Area School District, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 18, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Spring Grove Area School District's internal control over financial reporting (internal control) as a basis for designing 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 Spring Grove Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Spring Grove Area School District's internal control.

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

Our consideration of internal control 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 or significant deficiencies may exist that were not identified.

To the Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Spring Grove Area School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. 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.

Kochenour, Earnest, Smyser & Burg

Certified Public Accountants

York, Pennsylvania
November 18, 2026

SPRING GROVE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FOOD NUTRITION SERVICE
FOR THE YEAR ENDED JUNE 30, 2026

Federal Grantor/ Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's No.	Grant Period Begin	End	Program Or Award Amt.	Total Rec. For Year 06/30/26	Accrued/ (Deferred) Revenue At 07/01/25	Revenue Recognized	Expenditures	Accrued/ (Deferred) Revenue At 06/30/26
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH PA DEPARTMENT OF EDUCATION:											
Title I 10-8514	I	84.010	013-260413	7/1/25	9/30/26	558,242	398,831	0	557,221	557,221	158,390
Title I c/o 10-8514	I	84.010	013-250413	7/1/24	9/30/25	564,102	74,864	74,864	0	0	(0)
sub-total Title I							473,695	74,864	557,221	557,221	158,390
Title II Improv Teacher Qual 10-8515	I	84.367	020-260413	7/1/25	9/30/26	99,178	85,010	0	99,178	99,178	14,168
Title II Improv Teacher Qual c/o 10-8515	I	84.367	020-250413	7/1/23	9/30/25	99,010	13,007	13,007	0	0	0
sub-total Title II							98,017	13,007	99,178	99,178	14,168
Title IV Student Support & Academic E	I	84.424	144-240413	7/1/24	6/30/26	43,105	36,090	0	42,105	42,105	6,015
Title IV Student Support & Academic E c/o	I	85.424	144-250414	7/1/23	6/30/25	43,028	5,737	5737	0	0	0
sub-total Title IV 10-8517							41,827	5,737	42,105	42,105	6,015
TOTAL DEPARTMENT OF EDUCATION-PDE							613,539	93,608	698,504	698,504	178,573
PASSED THROUGH PENNSYLVANIA COMMISSION ON CRIME AND DELINQUENCY											
COVID-SFR School Menatl Health Grant	I	21.027	2023-CM-01-42753	7/1/25	12/31/26	150,932	41,369	0	125,263	125,263	83,894
COVID-SFR School Menatl Health Grant	I	21.027	2023-CM-01-42753	1/1/24	12/31/25	150,932	12,668	12,668	0	0	0
							54,037	12,668	125,263	125,263	83,894
PASSED THROUGH LIU #12:											
Idea-Part B 10-6832	I	84.027	062-10-012A	7/1/25	6/30/26	744,402	744,402	0	744,402	744,402	0
Idea-Sec 619 10-6832	I	84.173	062-10-012A	7/1/25	6/30/26	8,360	8360	0	8,360	8,360	0
sub-total LIU #12 Speccial Education Cluster							**752,762**	0	**752,762**	**752,762**	0
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH PA DEPARTMENT OF AGRICULTURE:											
National School Lunch- Donated Commodities	I	10.555	N/A	7/1/25	6/30/26	N/A (a)	144,334 (b)	0	144,334 (c)	144,334 (d)	0
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH PA DEPARTMENT OF EDUCATION:											
National School Lunch Program											
- Federal-Lunch HI/Low	I	10.555	362	7/1/25	6/30/26	N/A	985,594	0	985,594	985,594	0
- Federal - Ndy Brkfst	I	10.553	365	7/1/25	6/30/26	N/A	359,064	0	359,064	359,064	0
sub-total U.S. Department of Agriculture-Cluster Total							**1,488,992**	-	**1,488,992**	**1,488,992**	**0**
TOTAL FEDERAL ASSISTANCE							**2,909,330**	**106,276**	**3,065,521 #**	**3,065,521**	**262,467**
State:											
- State-Lunch	I	N/A	510	7/1/25	6/30/26	N/A	59,962	0	60,015	60,015	53
- State - Brkfst-Needy	I	N/A	511	7/1/25	6/30/26	N/A	23,197	0	23,241	23,241	44
-State - Brkfst Initiative	I	N/A	521	7/1/25	6/30/26	N/A	310,327	0	310,570	310,570	243
TOTAL STATE ASSISTANCE							393,486	0	393,826	393,826	340

Source Codes: D = Direct Funding
I= Indirect Funding

(a) Total Amount of Commodities Received from Department of Agriculture.
(b) Beginning Inventory at July 1
(c) Total Amount of Commodities Used.
(d) Ending Inventory at June 30

f: Auditors/fedasst

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2026

NOTE 1 - ORGANIZATION AND SCOPE

Spring Grove Area School District, York County, Pennsylvania operates a high school, a middle school, an intermediate school and three elementary schools.

The district received federal funds to operate the programs for the benefit of some of the students as detailed on the schedule of Federal Awards, which covers the period from July 1, 2025 to June 30, 2026.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District reports federal programs in its financial statements and on the Schedule of Federal Awards on the accrual basis.

NOTE 3 - REPORTING ENTITY

The Spring Grove Area School District Board of Directors is the basic level of government which has oversight responsibility and control over all activities related to public school education in the Spring Grove Area School District. The District receives funding from local, state and federal government sources and must comply with their accompanying requirements. However, the Board is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

The reporting entity for Spring Grove Area School District consists only of those funds, functions, and activities controlled by the School Board and required or allowed by State laws and regulations.

The financial statement of the School District includes all funds and activities that are controlled by or dependent on the School District. Control or dependence is determined on the basis of budget adoption, taxing authority, and funding and appointment of advisors.

Note 4 - Indirect Cost Rate

The School has elected not to use the ten-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5 - Non-Monetary Assistance

NSLP - Value of USDA Donated Commodities (CFDA #10.555) - The School received commodities from the Pennsylvania Department of Agriculture valued at fair market value.

NOTE 6 - FEDERAL AWARDS

Total Federal Expenditures	3,065,521	
	20%	
	$ 613,104	

Percentage of Coverage Rule

Spring Grove Area School District falls under the 20% rule for testing federal programs.

Federal Program Tested

National School Lunch	$ 985,594	
Breakfast Program	359,064	
Donated Commodities	144,334	
	$ 1,488,992	49%

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

To the Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Spring Grove Area School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Spring Grove Area School District's major federal programs for the year ended June 30, 2026. Spring Grove Area 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.

In our opinion, Spring Grove Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2026.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Spring Grove Area School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Spring Grove Area School District's compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Spring Grove Area School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Spring Grove Area School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* , and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered

material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Spring Grove Area School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* , and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Spring Grove Area School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Spring Grove Area School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Spring Grove Area School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weakness in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Kochenour, Earnest, Smyser & Burg

Certified Public Accountants

York, Pennsylvania
November 18, 2026

SPRING GROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2026

A. Summary of the Auditors' Results:

1 . An unmodified opinion was issued on the District's financial statements at June 30, 2026.

2 . There was no significant deficiencies or material weaknesses in internal control disclosed by the audit of the general purpose financial statements.

3 . There was no noncompliance disclosed during our audit which was material to the financial statements.

4 . There were no significant deficiencies or material weaknesses disclosed in internal control over the federal programs tested.

5 . An unmodified opinion was issued on the compliance of the federal programs tested.

6 . There were no audit findings for the fiscal year ended June 30, 2026.

7 . The federal programs tested as major programs were the National School Lunch, Donated Commodities, and Breakfast Programs which accounted for 49% of the federal expenditures. Spring Grove Area School District falls under the 20% rule for testing federal programs.

8 . Federal expenditures are $750,000 or more but less than $25 million. Type A programs are the programs with total program expended funds of $750,000 or more. The National School Lunch, Donated Commodities, and Breakfast Programs are Type A programs. All other programs are Type B.

9 . Spring Grove Area School District was determined to be a low-risk auditee for Single Audit purposes only.

B. Findings relating to the financial statements which are required to be reported under generally accepted government auditing standards issued by the Comptroller General of The United States.

There were no findings in the Spring Grove Area School District for the fiscal year ending June 30, 2026.

C. Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs for Federal Awards in fiscal year ending June 30, 2026.

SPRING GROVE AREA SCHOOL DISTRICT
STATUS OF PRIOR YEAR'S FINDINGS
JUNE 30, 2026

There were no findings or questioned costs for federal awards in fiscal year ending June 30, 2025.

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Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

November 18, 2026

Re: Management Letter

Board of Directors:

We have completed our audit of Spring Grove Area York School District for the year ended June 30, 2026.

We have audited the accompanying basic financial statements of the Spring Grove Area School District as of and for the year ended June 30, 2026. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our audit report in accordance with the above standards stating that the basic financial statements present fairly in all material respects the financial position of the Spring Grove Area School District.

In planning and performing our audit, we considered Spring Grove Area School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Spring Grove Area School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Spring Grove Area School District's internal control over financial reporting.

We have also audited the compliance of Spring Grove Area School District with the types of compliance requirements described in the Uniform Guidance Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2026.

We did not have any findings or questioned costs for the year ended June 30, 2026.

We would like to take this opportunity to thank Mark Czapp, Jennifer Leppo and their staff for the cooperation and assistance we received during the course of our audit.

Sincerely,

Kochenour, Earnest, Smyser & Burg

Certified Public Accountants