Audited Financial Statements

June 30, 2020

Big Spring School District

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED	4 - 17
FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of net position	18
Statement of activities	19
Fund Financial Statements	
Balance sheet - governmental funds	20
Reconciliation of the governmental funds balance sheet to the statement of net position	21
Statement of revenues, expenditures and changes in fund balances - governmental funds	22
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	23
Statement of net position - proprietary fund	24
Statement of revenues, expenses, and changes in fund net position – proprietary fund	25
Statement of cash flows - proprietary fund	26
Statement of fiduciary net position	27
Notes to Financial Statements	28 - 59
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule – general fund	60
Schedule of School District's proportionate share of net pension liability – Public School Employees' Retirement System	61
Schedule of School District's contributions – Public School Employees' Retirement System	62
Schedule of changes in the School District's total OPEB liability and related ratios – School District Plan	63
Schedule of School District's proportionate share of net OPEB liability – Public School Employees' Retirement System	64
Schedule of School District's OPEB contributions – Public School Employees' Retirement System	65
OTHER SUPPLEMENTARY INFORMATION	
Schedule of expenditures of federal awards	66
Notes to schedule of expenditures of federal awards	67
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	68 – 69
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	70 – 71
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	72 - 73
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	74

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Big Spring School District
Newville, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Big Spring School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Big Spring School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17, the budgetary comparison schedule on page 60, and pension and OPEB schedules on pages 61 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

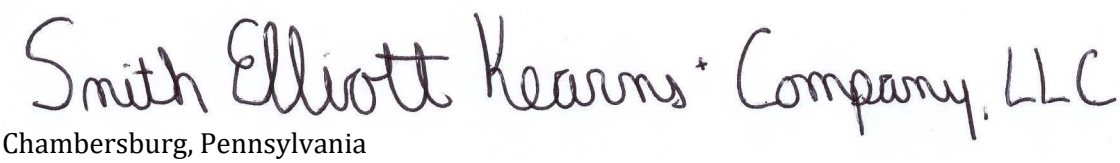
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Big Spring School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200 (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

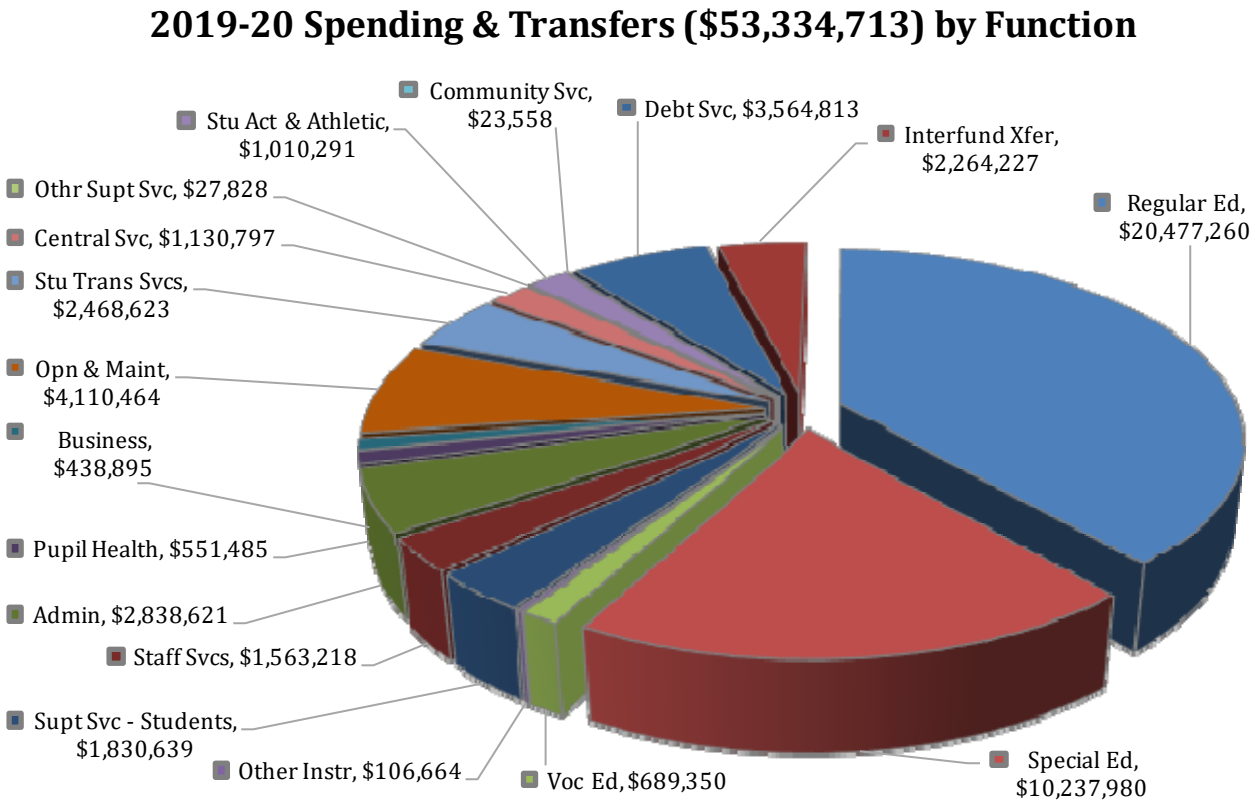
In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021, on our consideration of Big Spring School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Big Spring School District's internal control over financial reporting and compliance.



Chambersburg, Pennsylvania
January 27, 2021

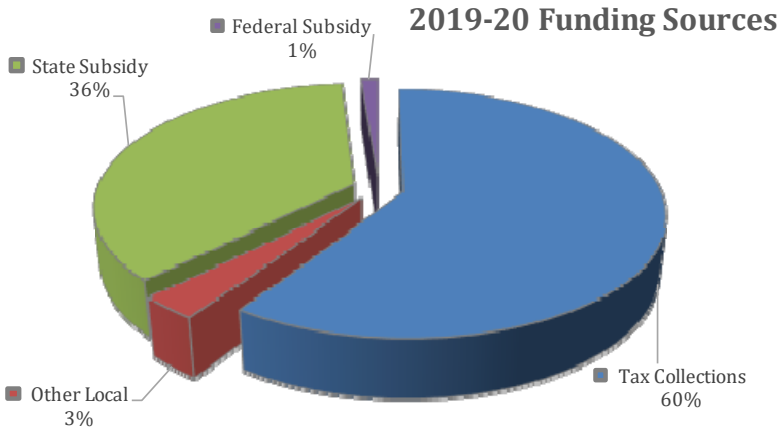
This discussion and analysis provides an overview of the School District's financial performance for the year ending June 2020. The report format is in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Management's Discussion and Analysis (MD&A) includes comparisons of financial position at June 30, 2020 and 2019. The MD&A also includes comparisons of current year financial activities to the previous year. The 2019 amounts come from our prior year MD&A and are otherwise not a part of the June 2020 financial statements. Please read our discussion and analysis in conjunction with the School District's financial statements, which begin on page 1. To preserve readability, dollar amounts in comparative tables derived from the financial statements are presented in millions. Some amounts may not add due to rounding.

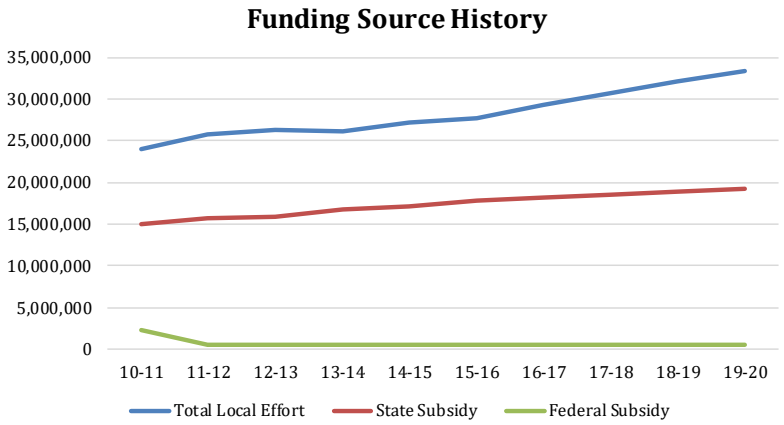
FINANCIAL HIGHLIGHTS



General Fund revenues increased 3.1% from $ 51,602,006 in 2018-19 to $ 53,192,458 in 2019-20; expenditures and other uses (sources) increased from $ 50,409,045 in 2018-19 to $ 53,334,713 in 2019-20, or 5.8% from the prior year. Included in that total, the School District transferred $ 2,239,777 from the General Fund to the Capital Project Reserve Fund and $ 24,450 to the Food Service Fund. At year end, the School District used $ 142,255 to balance. With the restatement from the prior year, uses, and transfers, the general fund balance at June 30, 2020 was $ 12,372,668. Of that total, $ 3,031,131 is prepaid employee health insurance, $ 554,000 is committed for PSERS expense and $ 6,025,005 is assigned for various uses, including PSERS, healthcare, special education, security, mental health and technology, leaving an unassigned balance of $ 2,762,532. The General Fund unassigned balance is 5.1% of the $ 54,156,086 contained in the 2020-21 Budget – well under the 8% maximum required under state law.

The funding source graphs at right show the trend of increasing dependence on local taxes and decreasing subsidy support from both the State and Federal Dept. of Education. Local effort continues to be the biggest portion of the revenue pie; in 2006-07 it was 53% of revenues and this year it is 63% of revenues. In 2010-11 the Federal portion of total revenue was 6% due to American Recovery and Reinvestment Act (ARRA) funding. Nine years later, in 2019-20, Federal revenue continues at the pre-ARRA 1% of total revenues. The Commonwealth's contribution was 36% on 2019-20, down from 37% in 2018-19.





Going forward, the uncertainty of medical expense and increasing PSERS rates creates a challenge for the School District. As the Commonwealth struggles to meet their obligation of 50% subsidy of the PSERS contributions, the School District absorbs the full cost of healthcare plus its share of the PSERS payment.

The COVID economy effect has been mixed. Overall taxes levied increased from $ 29,721,166 in 2018-19 to $ 30,705,307. A substantial amount of that was approximately $ 650,000 increase due to a new warehouse. EIT revenue decreased from $ 5,599,527 to $ 5,506,710. Investment income in the General Fund increased from $ 225,788 in 2017-18 to $ 410,412 in 2018-19; however, COVID depressed the 2019-20 investment total to $ 293,328 and the outlook for next year is 10% of that due to falling interest rates on the School District's invested fund balance.

In April 13, 2017 the School District closed on $ 12,635,000 in General Obligation Bonds, Series of 2017 for the Newville Projects Fund. The Newville project completed in 2018, with the remaining funds transferred to the summer 2019 projects (Phase 2). The School District contracted with Crabtree, Rohrbaugh & Associates for the design of the phase 2 of the Mt Rock renovation along with associated projects at the Middle School, High School and some minor work at Oak Flat Elem. Based on the plan developed with Crabtree, on April 3, 2018 the School District closed on bonds resulting in $ 9,820,943 deposited into the Mt. Rock 2018 Projects Fund. The Standard & Poor's rating for the issue was again AA-/Stable. A summary of the construction in progress that was put into service is:

	2018-19	2019-20	End Date
BSSD Phase 2 Reno	$ 2,261,116	$ 4,447,132	6/23/2020
BSSD Phase 2 Tech	915,997	914,726	2/4/2020

The Capital Reserve Fund ending balance was $ 8,235,139 at June 2018 and fell to $ 7,652,997 on June 30, 2019. After transfers in and payables, the fund increased to $ 8,636,016 at June 30, 2020.

During 2019-20 the School District initiated several projects with the Capital Projects Fund, including:

Capital Projects Fund

Project	2019-20 Spend
Pedestrian Safety Improvements	$ 482,248
Associated Construction and Furniture	121,984
Playground and Fitness Equipment	66,981
OF/NV Fiber Project	62,298
Total	**$ 733,511**

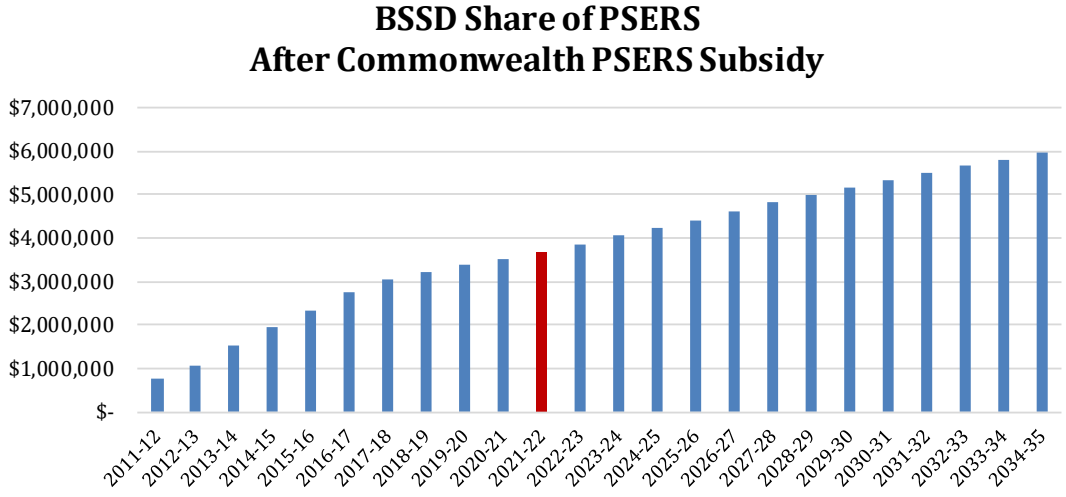
On September 10, 2018, the Board and the Big Spring Education Association signed a new collective bargaining agreement maintaining the high deductible health plan with its included Health Savings Account as of July 1, 2019 through June 3, 2022.

The School District self-funds its healthcare using the South Central Trust (SCT). With several years of moderate claims experience the School District's experience was less than the established premiums and the School District took elected to not pay several months of premiums in those years.

Due to a prior year restatement, the net balance in the trust decreased from $ 2,925,587 on June 30, 2019 to $ 2,890,472 on June 30, 2020.

Actual healthcare expense was $ 3,099,158 in 2017-18 and increased slightly to $ 3,155,866 in 2018-19; in 2019-20 the total operating expense increased significantly to $ 3,771,521. While 2019/20 premiums decreased -- for the fourth year in a row – by 2.33%, that trend did not continue into 2020-21 as premiums increased 5.75% to meet the rising experience.

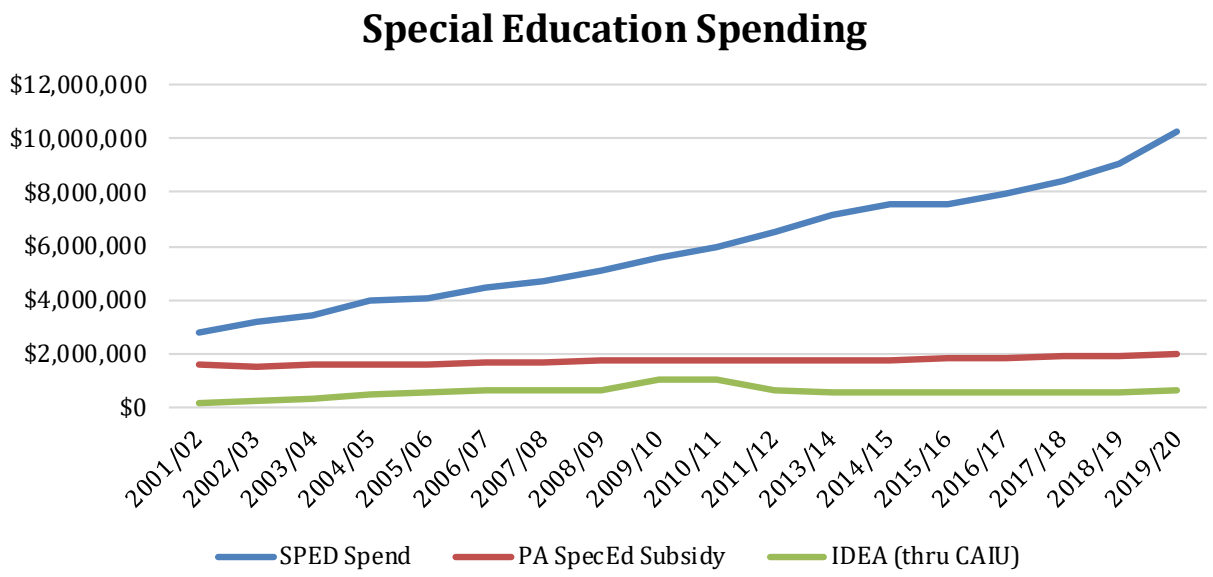
The School District continues under the restrictions of Act 1 which limits future increases in the School District's real estate taxes and displaces a selected amount of local real estate taxes with gaming funds. The School District was allotted gaming funds in the amount of $ 770,685 in 2019-20, a decrease of $ 32 from the $ 770,717 allocated in 2018-19; these funds were distributed in equal amounts to each qualified taxpayer of $ 132.84 per homestead/farmstead.



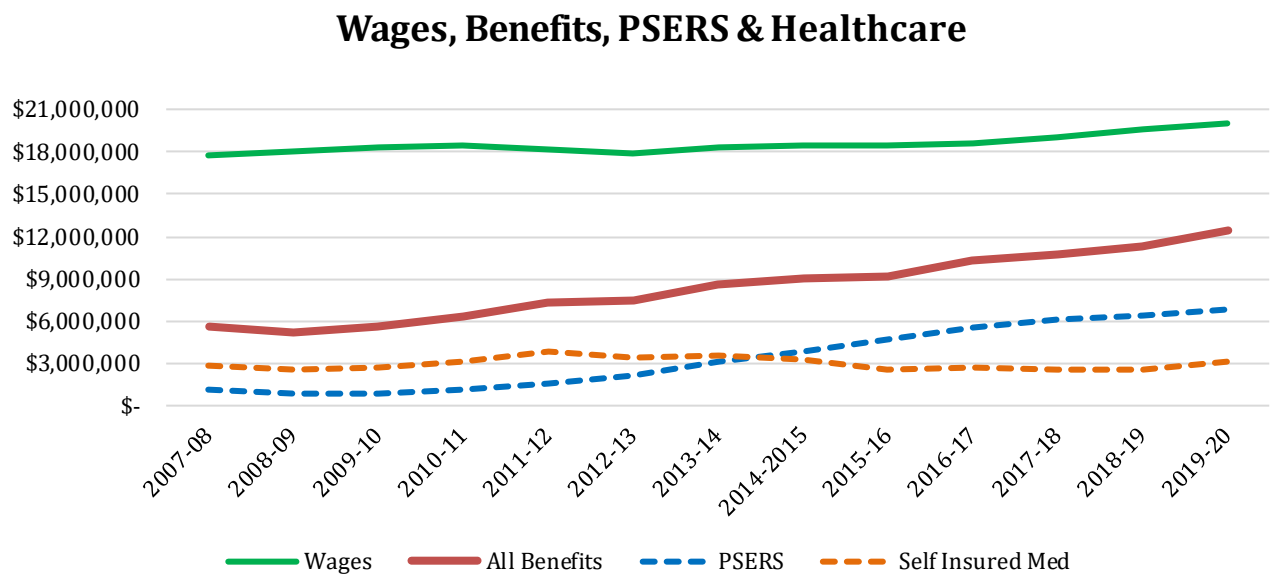
In November 2010 Act 120 reformed the PA State Employees Retirement System (PSERS) by implementing steep increases in employer contributions. As shown below, BSSD's total PSERS payment shot up from $ 1,543,501 in 2011-12 to $ 6,811,173 in 2019-20 with the Commonwealth returning approximately half that as a PSERS subsidy payment.

The steep rise in PSERS retirement contributions is remarkable as increases of this magnitude will continue into the foreseeable future. With a corresponding trend increase in healthcare and continued pressure on wages, it is not apparent how the School District, or other subsidy dependent School Districts in Pennsylvania, will survive without some governmental leadership.

This School District is also squeezed by the continuously increasing cost of Special Education services. Over the last ten years, special education has increased at an average of 7% per year. The 2019-20 increase was above average at 13.1%. In contract, the PDE/State subsidy went up only 3.1 % and federal IDEA support increased by 4.7%. The School District continues to struggle with increasing demands from families, the courts, and widening mandates from both the state and federal level. The expanding mandates contrast dramatically with the small funding increases from the Commonwealth the tiny Federal IDEA program (see red line in chart at below).



The chart below shows the relationship between wages and benefits for the budget dollar. Due to the quickly rising cost of retirement contributions, the uncertain future of healthcare and the unknown of the COVID operations, the School District continues to restrain spending in other areas in order to offset personnel expenses.



In order to meet the rising cost of wages and benefits, the Board raised millage by 3.1% in 2016-17 and 2.5% in 2017-18. In June 2018 the Board voted to increase millage by 2% for the 2018-19 tax year, well under the adjusted index of 3%. In June 2019 the Board raised the millage for the 2019-20 year by 2.5%, again under index of 3.2%

USING THESE FINANCIAL STATEMENTS –

This report contains a series of financial statements. The Statement of Net Position and the Statement of Activities are on pages 18 - 19. These statements provide information about the School District as a whole and present a longer-term view of School District finances than fund financial statements. Fund financial statements are on pages 20, 22 and 24 through 27. For governmental funds, the statements show how School District services have been financed in the short-term, as well as the amount remaining for future spending. Proprietary fund statements provide information about non-governmental operations, in this case food service. The fiduciary funds statement reports amounts held in trust by the School District for student activities.

Page 21 reconciles total governmental fund balances to total net position of governmental activities. Page 23 reconciles the total net change in governmental fund balances to the change in net position of governmental activities.

District–wide Financial Statements

District-wide statements present financial activities and the results of those activities in two categories, governmental and business-type. Capital assets (land, buildings, improvements, furniture and equipment) are included with all other assets. Long-term debt is included with all other liabilities. Also included are the net pension liability, and related deferred outflows and inflows of resources. This is distinctly different from the fund statements in which assets and liabilities are separated into various funds such as General and Capital Reserve.

In the district-wide statements, the approach to measurement of revenues and expenses is similar to that used in the private sector and is referred to as the accrual basis of accounting. This is disclosed further in the notes to financial statements.

Fund Financial Statements

Fund statements provide financial information about the School District's funds rather than the School District as a whole. There are three types of funds, Governmental, Proprietary and Fiduciary. The use of each type of fund is disclosed in the notes to financial statements. Unlike district-wide statements that report revenues on the accrual basis, the fund statements report revenues only to the extent cash has been received or is expected to be received in the near future.

THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Position

Net position (deficit) equals total assets plus deferred outflows of resources less liabilities and deferred inflow of resources and represents resources that may be used to pay for future operations and capital assets.

The School District's total net position was a deficit of $ 15.2 million on June 30, 2019 and a deficit of $ 15.7 million at June 30, 2019. The June 2020 and 2019 deficits result from the requirement to include pension related debt of $ 65 million and a $ 6.7 million other postemployment benefits liability, as a result of the adoption of GASB 68 as of July 1, 2017. The following summarizes the Statement of Net Position (page 18).

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	$ 27.4	$ 35.2	$ 0.4	$ 0.8	$ 27.8	$ 36.0
Capital assets	72.5	69.8	0.8	0.8	73.3	70.6
Total assets	99.9	105.0	1.2	1.6	101.1	106.6
Deferred outflows for OPEB	8.8	0.5	0.0	0.0	8.8	0.5
Deffered outflows for pension	0.5	10.2	0.0	0.0	0.5	10.2
Total deferred outflows of resources	$ 9.3	$ 10.7	$ 0.0	$ 0.0	$ 9.3	$ 10.7
Current and other liabilities	$ 9.3	$ 8.2	$ 0.0	$ 0.0	$ 9.3	$ 8.2
Long-term liabilities	109.8	120.2	0.1	0.1	109.9	120.3
Total liabilities	119.1	128.4	0.1	0.1	119.2	128.5
Deferred inflows for OPEB	4.1	1.0	0.0	0.0	4.1	1.0
Deferred inflows for pension	1.1	1.9	0.0	0.0	1.1	1.9
Deferred refunding charges	0.0	0.0	0.0	0.0	0.0	0.0
Total deferred inflows of resources	5.2	2.9	0.0	0.0	5.2	2.9
Capital assets (net of related debt)	31.7	25.9	0.8	0.8	32.5	26.7
Restricted for capital projects	8.7	5.5	0.0	0.0	8.7	5.5
Unrestricted	(55.6)	(47.1)	0.3	0.6	(55.3)	(46.6)
Total net position	$ (15.2)	$ (15.7)	$ 1.1	$ 1.3	$ (14.1)	(14.4)

Beginning July 1, 2014, the School District is required to report the net pension liability, pension expense, and deferred outflows and inflows of resources related to pensions. This new Governmental Accounting Standards Board Statement 68 (GASB 68) requirement significantly and negatively affects the Net Position (Deficit) of the School District's financial statements beginning with 2014-15 and continuing this year.

Statement of Activities

The following summarizes the Statement of Activities (page 19). It shows that total net position increased by $ 382,722 in 2020 and $ 1,652,607 in 2019.

	Governmental Activities		Business-type Activities		Totals	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Program revenues						
Charges for services	$ 0.8	$ 0.5	$ 0.5	$ 0.6	$ 1.3	$ 1.1
Operating grants and contributions	9.9	9.2	0.6	0.6	10.5	9.8
Capital grants and contributions	0.6	0.6	0.0	0.0	0.6	0.6
General revenues						
Taxes	30.9	30.6	0.0	0.0	30.9	30.6
Earnings on investments	0.4	0.8	0.0	0.0	0.4	0.8
Gain/loss on sale of capital assets	(0.1)	(0.0)	0.0	0.0	(0.1)	(0.0)
General subsidies	10.4	10.2	0.0	0.0	10.4	10.2
Total revenues	**53.0**	**52.0**	**1.0**	**1.2**	**54.0**	**53.2**
Direct expenses	**52.4**	**50.2**	**1.2**	**1.3**	**53.6**	**51.5**
Excess revenues (expenses) before transfers	0.6	1.7	(0.2)	(0.1)	0.4	1.6
Transfers between activities	(0.0)	(0.8)	0.0	0.8	0.0	0.0
Change in net position	**$ 0.5**	**$ 0.9**	**$ (0.1)**	**$ 0.7**	**$ 0.4**	**$ 1.6**

The change in net position is the difference between revenues and expenses using the accrual basis of accounting.

The following summarizes expense information from the Statement of Activities (page 19). Direct expenses represent the actual cost of providing the services while the net expense represents the amount of cost that is not recovered through program revenues, meaning user charges, grants and contributions. The net expense must be recovered through general revenues, primarily taxes and state general subsidies. Amounts not recovered reduce funds available for future years.

	Governmental Activities					
	Direct Expenses		Program Revenues		Net Expense	
	2020	2019	2020	2019	2020	2019
Instruction	$ 33.9	$ 32.2	$ 7.3	$ 6.6	$ 26.6	$ 25.6
Instructional student support	4.3	3.8	0.5	0.6	3.8	3.2
Administrative and financial support	4.9	4.6	0.4	0.4	4.5	4.2
Operation and maintenance of plant	4.5	4.5	0.7	0.3	3.7	4.2
Pupil transportation	2.6	2.5	1.6	1.6	1.0	0.9
Student activities	1.1	1.2	0.2	0.2	0.9	1.1
Community services	0.0	0.0	0.0	0.0	0.0	0.0
Interest on long-term debt	1.1	1.4	0.6	0.6	0.6	0.7
Total	$ 52.4	$ 50.2	$ 11.3	$ 10.3	41.1	39.9
Transfers to business-type activities					-	0.8
Total governmental activities					41.1	40.7
State general subsidies revenues					10.4	10.2
Total needs from taxes and other local sources					$ 30.7	$ 30.5

	Business-type Activities					
	Direct Expenses		Program Revenues		Net Expense	
	2020	2019	2020	2019	2020	2019
	$ 1.2	$ 1.3	$ 1.0	$ 1.2	$ (0.2)	$ (0.1)
Transfers from govt activities and investment earnings					0.4	0.8
					$ 0.3	$ 0.7

THE SCHOOL DISTRICT'S FUNDS

Governmental Funds – fund balances

Governmental Funds - Fund Balances

	2020	2019	Change
General fund - nonspendable	$ 3.0	$ 2.9	$ 0.1
General fund - committed	0.6	0.6	(0.0)
General fund - assigned	6.0	4.8	1.2
General fund - unassigned	2.8	4.2	(1.4)
Capital reserve fund - restricted	8.6	7.6	1.0
Capital projects fund - restricted	0.1	5.5	(5.4)
Governmental fund balances	$ 21.1	$ 25.6	$ (4.5)
Total nonspendable	$ 3.0	$ 2.9	$ 2.9
Total restricted	8.7	5.5	3.2
Total committed	0.6	8.2	(7.6)
Total assigned	6.0	4.8	1.2
Total unassigned	2.8	4.2	(1.4)
Total governmental funds	$ 21.1	$ 25.6	$ 14.6

Changes from 2019 to 2020

With a change in auditors, there were restatements for the general fund ending June 30, 2019 including $ 725,587 in IBNR claims increasing the general fund balance from $ 11,789,336 to $ 12,514,923. The 2019-20 General Fund Budget required $ 1,175,005 from fund balance to balance. In March of 2020 COVID struck and at year end June 30, 2020 the restated general fund balance decreased by $ 142,255. This was after transferring $ 2,239,777 to the Capital Reserve in the event the COVID crisis were to continue.

General Fund Balance

Balance at June 30, 2019	**$ 4,185,336**	**$ 2,925,587**	**$ 4,850,000**	**$ 554,000**	**$ 12,514,923**

	Unassigned	Nonspendable	Assigned	Committed	Total
General Fund Balance	$ 2,762,532	$ -	$ -	$ -	$ 2,762,532
Employee Health Insurance	-	3,031,131	-	-	3,031,131
FY21 Budget Deficit	-	-	1,175,005	-	1,175,005
PSERS	-	-	650,000	554,000	1,204,000
Healthcare	-	-	350,000	-	350,000
Technology	-	-	2,300,000	-	2,300,000
Special Education	-	-	550,000	-	550,000
Student Info Sy/Financial Software	-	-	200,000	-	200,000
Safety/Security/SRO	-	-	400,000	-	400,000
Student Services and Mental Health	-	-	400,000	-	400,000
Balance at June 30, 2020	**$ 2,762,532**	**$ 3,031,131**	**$ 6,025,005**	**$ 554,000**	**$ 12,372,668**

Changes from 2018 to 2019

The 2018-19 General Fund budget used $ 219,647 from fund balance to cover the projected deficit. However, at year end June 30, 2019, the General Fund increased by $ 1,192,961 after a $ 500,000 transfer to capital reserve. The increase to fund balance included an additional $ 200,000 of nonspendable fund balance in South Central Trust due to medical claims that were less than projected. In addition to the nonspendable total of $ 2,200,000, the School District has $ 554,000 in committed for PSERS with assigned amounts of $ 650,000 for PSERS, $ 350,000 for Healthcare, $ 2,300,000 for Technology (student devices & associated support), $ 550,000 for Special Education and $ 200,000 for upgrade of the Student and Financial Information Systems, $ 400,000 each for Safety/Security/SRO and Student Services and Mental Health for a total of $ 11,789,336. Due to supplemental construction activity, the Capital Reserve fund decreased by $ 582,142 from $ 8,235,139 in 2018 to $ 7,652,997 at June 30, 2019.

General Fund Budget

The following summarizes the budgetary comparison information presented on page 60, along with comparisons to the previous year.

General Fund Budget

	Final Budget		Actual Amount		Variance	
	2020	2019	2020	2019	2020	2019
Total revenues	$ 51.9	$ 50.2	$ 53.2	$ 51.6	$ 1.3	$ 1.4
Total expenditures	51.9	50.2	51.1	49.8	0.9	0.4
Excess revenues (expenditures)	(0.0)	-	2.1	1.8	2.2	1.8
Other financing sources (uses)	0.4	(0.2)	(2.3)	(0.6)	(2.7)	(0.4)
Net change in fund balance	$ 0.4	$ (0.2)	$ (0.1)	$ 1.2	$ 0.5	$ 1.4

In 2020 actual revenues exceeded expenses by $ 2,121,972. At year end, actual expenditures were $ 864,749 under the final budgeted amount. However, in April 2020 the School District chose to pay $ 1,152,111 in debt service from capital reserve anticipating a deficit due to COVID – creating the underbudget spend. Contrary to prediction at the start of COVID, actual revenues were $ 1,294,139 more than budgeted amount mostly due to $ 662,483 over budget in interim taxes due to warehouse development. In the prior year (2019) actual revenues exceeded the actual expenditures by $ 1,770,060.

Under the modified accrual basis of accounting, the School District considers taxes unavailable to be recognized as revenue unless they are received within 2 months after the fiscal year. The School District's unavailable tax revenue (deferred inflow) was $ 1.1 million at June 2020 – under the $ 1.7 million at June 2019.

CAPITAL ASSETS

In 2019-20 the School District purchased $ 18.3 million in assets with $ 5.4 million as construction in progress at the Middle School and Mt. Rock Elementary, $ 149 thousand in furniture and $ 2.5 million in technology equipment.

During 2018-19 the School District purchased $ 11.8 million in capital assets. Of that, approximately $ 10.9 million was for construction in progress projects including expansion & renovation of Newville Elementary, roof work at the High School and Mt. Rock and various projects at the Middle School and Mt. Rock and $ .90 million was for other capital assets.

	Capital Assets (Net of Depreciation)		
	2020	**2019**	**Change**
Governmental activities			
Land	$ 0.9	$ 0.9	$ (0.0)
Construction in progress	0.0	6.8	(6.8)
Buildings and improvements	66.5	58.9	7.6
Furniture and equipment	1.3	1.2	0.0
Technology Equipment	3.9	2.0	1.8
	$ 72.5	$ 69.9	$ 2.6
Business-type activities			
Furniture and equipment	$ 0.8	$ 0.8	$ 0.0

Capital assets in the governmental activities were $ 72.5 million at June 30, 2020, $ 69.9 million at June 30,2019 and $ 61.7 million at June 2018. In 2020 the School District purchased more than $ 18.3 million in assets against $ 3.4 million in depreciation resulting in an increase of $ 14.9 million in capital assets. In 2019 the School District purchased more than $ 11.8 million in assets against $ 3.2 million in depreciation resulting in an increase of $ 8.6 million in capital assets.

LONG-TERM LIABILITIES

The following summarizes the long-term liabilities note to financial statements (starting at page 42). Most of the debt is general obligation bonds and notes issued to pay for capital improvements. The School District's ability to raise future funds through the issuance of debt depends on how existing bonds are rated by the investment community.

	2020	**2019**	**Change**
Governmental activities			
General obligation bonds and notes	$ 39.9	$ 43.3	$ (3.4)
Bond premiums	0.9	1.1	(0.2)
Compensated absences	1.0	0.9	0.1
NET OPEB Liability	6.7	7.2	(0.5)
Net pension liability	65.0	68.0	(3.0)
Total liabilities	$ 113.5	$ 120.5	$ (7.0)

Each year the School District pays interest on the debt and a portion of the outstanding bonds and notes, referred to as redemption. In 2019-20 the School District paid $ 4,716,934 in regular debt payments. During 2018-19 the School District made regularly scheduled payments of $ 4,675,285 and $ 4,433,778 in 2017-18.

The School District did not take out any additional debt in 2019-20. On April 3, 2018 the School District closed on its most recent bond of $ 9,505,000; resulting in $ 9,820,943 deposited into the Mt. Rock 2018 Projects Fund. The Standard & Poor's rating for the issue was again AA-/Stable. Depending on the economy, the School District is looking at a possible refinancing in 2021 but no new debt.

Other post-employment benefits (OPEBs) has to do with purchasing discounted health insurance after retirement through the School District. The School District's July 2020 actuarial accrued liability of $ 6.7 million, including deferred inflows and outflows, is being amortized over a period of 30 years. Additional OPEB detail is available starting at page 33 of the notes.

GASB 68 requires the School District to report its pension related items. The net pension liability, including deferred outflows and inflows, was $ 60.1 million at June 2019 and grew to $ 65.0 million at June 30, 2020. Effective July 1, 2017 the School District is now required to report the entire other postemployment benefits (OPEB) liability, OPEB expense and deferred outflows and deferred inflows of resources related to other postemployment benefits. GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," had additional negative effect of the net position of the School's financial statements beginning in the year ended June 30, 2018.

NEXT YEAR'S BUDGET AND OTHER FACTORS

	Original Budget		
	2021	**2020**	**Change**
Total revenue	$ 53.0	$ 51.9	$ 1.1
Total expenditures and other uses	54.2	52.3	1.9
Excess revenues (expenditures)	$ (1.2)	$ (0.4)	$ (0.8)

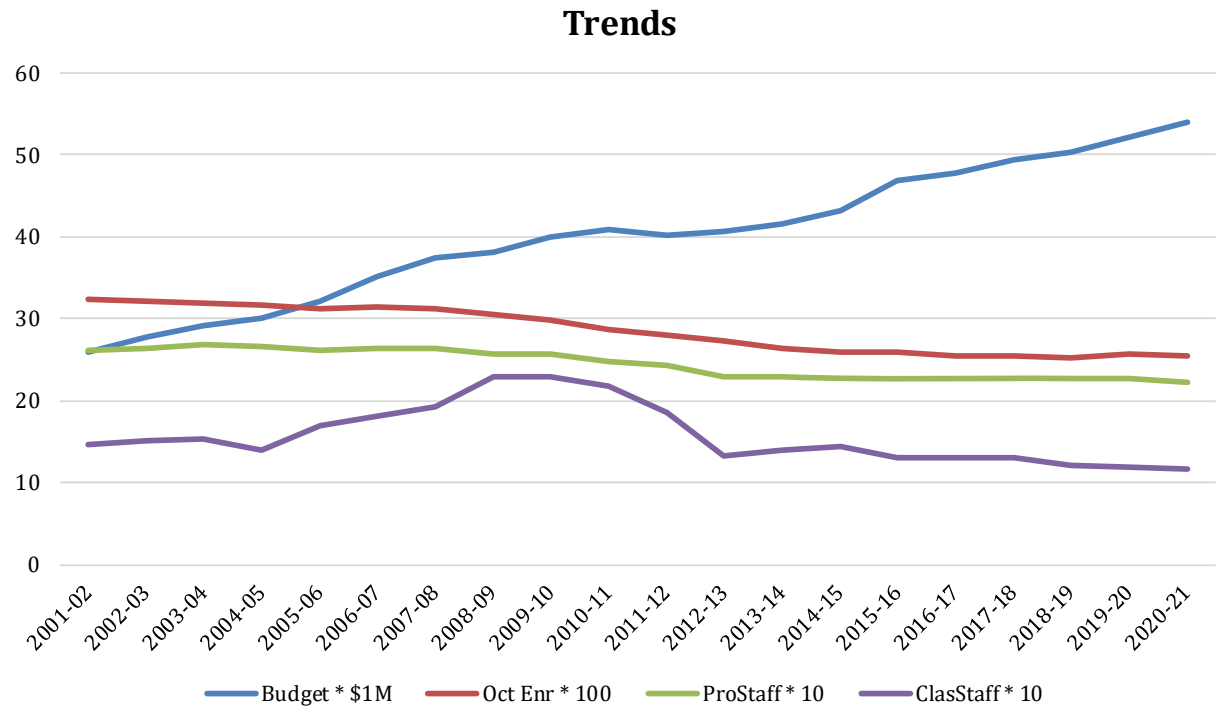
The Big Spring School District maintained its commitment to its educational programs for students in the midst of the COVID epidemic. In June 2020 the Board approved a budget of $ 54,156,086 to cover the increasing costs of salary, PSERS and medical benefits along with spikes in charter tuition and special education programs and expected COVID expenses. These expenditures exceeded the budgeted revenue by $ 1,175,004.

The 2020-21 budget is a $ 1,801,351 or 3.4% increase in expenditures over the 2019-20 budget of $ 52,354,735. The major drivers of the 2020-21 budget are the 3.05% wage increase for CBA salaries, 3% for administrative and support staffs and the PSERS contribution rate increased from 34.29% in 2019-20 to 34.51% in 2020-21 – 0.6% year over year increase in rate. The projected PSERS rate for 2021-22 is 34.95; however, that is subject to increase based on PSERS final Board vote in December. Always a challenge, the School District raised medical premiums for the first time in several years – by 5.75%.

The 2020-21 revenue budget was $ 52,981,082 vice the 2019-20 amount of $ 51,898,319 or an increase of $ 1,082,763. The Board elected to take $ 1,175,004 from fund balance in order to keep the tax increase at 2.5%, below the adjusted index of 3.2%.

The Commonwealth continues to struggle with any meaningful increase in basic education funding due to the increasing cost of retirement contributions (they pay half). In addition, the School District continues to expand services for special needs students with minimal additional state funding. In 2019-20 the special education actual spend was $ 10,241,383 or 9% above budget. The 2020-21 special education budget is set at $ 9,545,554 -- $ 695,829 below the actual previous year end. That creates considerable risk for year end 2020-21.

Looking ahead, the near-term challenge for the School District continues to be reliable Commonwealth funding given the weight of pension debt. While the overall expenditure budget grew by 3.9%, the basic education funding amount decreased by $ 6,211 forcing more effort onto the local level. The new funding formula will be a continuing challenge for the School District as its budgets depended on the old hold harmless funding process. The School District hasn't raised taxes to the index in the last 4 years and it appears that will be the case for the 2021-22 budget also given the pandemic. As the 2020-21 budget process completed, the enrollment for the 2020-21 year shows a drop of 22 students and that is expected to increase as the pandemic continues and students move to cyber-charter. The longer-term challenge for the School District is captured in the graph below. To help balance the budget for 2021-22 the School District plans to offer a voluntary separation incentive with the hope of cutting 6-8 staff. Any increased enrollment will put pressure on the School District to increase staffing along with the PSERS penalty that goes with any increase – just as the state funding formula reduces the School District's share of state subsidy. The Board and administration remain vigilant on holding down costs; however, the budget continues to grow largely as a result of the increasing cost of salaries, pension payments and tuition payments related to special education and cyber-charter tuition.



Despite the many challenges of an enrollment increase coupled with the mandated increases in PSERS, special education and cyber-charters, the School District stands committed to ensuring the best opportunities for students. The 2020-21 budget balances the requirement to protect essential programs versus tax increases in the time of the pandemic.

CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT

The School District's financial report is intended to provide the readers with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the district office of Big Spring School District, 45 Mount Rock Road, Newville, PA 17241, (717) 776-2000.

BIG SPRING SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 13,969,358	$ 468,513	$ 14,437,871
Investments	5,478,290	-	5,478,290
Receivables			
Taxes	2,214,247	-	2,214,247
Intergovernmental	2,509,472	50,969	2,560,441
Other	63,807	6,184	69,991
Internal balances	119,716	(119,716)	-
Prepaid expenses	3,031,131	-	3,031,131
Inventories	-	24,186	24,186
Total current assets	27,386,021	430,136	27,816,157
Noncurrent Assets			
Capital assets not being depreciated			
Land	899,408	-	899,408
Capital assets net of accumulated depreciation			
Buildings and building improvements	66,472,835	-	66,472,835
Furniture and equipment	1,255,786	836,517	2,092,303
Technology equipment	3,881,065	-	3,881,065
Total noncurrent assets	72,509,094	836,517	73,345,611
TOTAL ASSETS	99,895,115	1,266,653	101,161,768
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	8,805,061	8,767	8,813,828
Deferred outflows related to OPEB liability	492,014	363	492,377
Total deferred outflows of resources	9,297,075	9,130	9,306,205
Total assets and deferred outflow of resources	$ 109,192,190	$ 1,275,783	$ 110,467,973
LIABILITIES			
Current liabilities			
Accounts payable	$ 947,676	$ 197	$ 947,873
Accrued salaries and benefits/withholdings	4,266,143	-	4,266,143
Accrued interest	418,911	-	418,911
Unearned revenues	-	37,117	37,117
Portion due or payable within one year			
General obligation bonds payable	3,600,058	-	3,600,058
Compensated absences	66,851	-	66,851
Total current liabilities	9,299,639	37,314	9,336,953
Noncurrent liabilities			
Portion due or payable after one year			
General obligation bonds payable	37,164,386	-	37,164,386
Compensated absences	932,373	-	932,373
Net pension liability	65,009,877	64,731	65,074,608
OPEB liability	6,726,506	2,943	6,729,449
Total noncurrent liabilities	109,833,142	67,674	109,900,816
TOTAL LIABILITIES	119,132,781	104,988	119,237,769
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	4,096,051	4,317	4,100,368
Deferred inflows related to OPEB liability	1,122,204	189	1,122,393
Deferred charges on refundings	4,325	-	4,325
Total deferred inflows of resources	5,222,580	4,506	5,227,086
NET POSITION			
Net investment in capital assets	31,744,650	836,517	32,581,167
Restricted	8,727,118	-	8,727,118
Unrestricted	(55,634,939)	329,772	(55,305,167)
TOTAL NET POSITION	(15,163,171)	1,166,289	(13,996,882)
TOTAL LIABILITIES AND NET POSITION	$ 109,192,190	$ 1,275,783	$ 110,467,973

BIG SPRING SCHOOL DISTRICT
Statement of Activities
June 30, 2020

Functions/Programs	Expenses	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	$ 33,893,803	$ 718,774	$ 6,554,884	$ -	$ (26,620,145)	$ -	$ (26,620,145)
Instructional student support	4,319,555	-	514,543	-	(3,805,012)	-	(3,805,012)
Administrative and financial support services	4,851,491	-	396,965	-	(4,454,526)	-	(4,454,526)
Operation and maintenance of plant services	4,468,016	31,166	689,159	-	(3,747,691)	-	(3,747,691)
Pupil transportation	2,638,178	-	1,641,276	-	(996,902)	-	(996,902)
Student activities	1,072,270	51,764	126,623	-	(893,883)	-	(893,883)
Community services	25,236	-	945		(24,291)		(24,291)
Interest expense	1,142,152	-	-	578,022	(564,130)	-	(564,130)
Total governmental activities	52,410,701	801,704	9,924,395	578,022	(41,106,580)	-	(41,106,580)
Business-type activities:							
Food services	1,191,800	453,207	565,730	-	-	(172,863)	(172,863)
Total primary government	$ 53,602,501	$ 1,254,911	$ 10,490,125	$ 578,022	(41,106,580)	(172,863)	(41,279,443)
General revenues:							
Property taxes, levied for general purposes, public utility realty tax, earned income tax					30,893,662	-	30,893,662
Grants, subsidies and contributions not restricted					10,424,342	-	10,424,342
Investment earnings					419,881	5,274	425,155
Miscellaneous income					3,964	-	3,964
Gain/(loss) on sale of capital assets					(77,806)	(7,152)	(84,958)
Transfers					(24,450)	24,450	-
Total general revenues					41,639,593	22,572	41,662,165
Change in net position					533,013	(150,291)	382,722
Net position - beginning, as restated					(15,696,184)	1,316,580	(14,379,604)
Net position - ending					$ (15,163,171)	$ 1,166,289	$ (13,996,882)

BIG SPRING SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2020

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 9,911,060	$ 3,967,196	$ 91,102	$ 13,969,358
Investments	3,478,974	1,999,316	-	5,478,290
Taxes receivable	2,214,247	-	-	2,214,247
Intergovernmental receivables	2,509,472	-	-	2,509,472
Other receivables	57,794	-	-	57,794
Due from other funds	150,199	2,670,245	-	2,820,444
Prepaid expenditures	3,031,131	-	-	3,031,131
Total assets	$ 21,352,877	$ 8,636,757	$ 91,102	$ 30,080,736
LIABILITIES				
Accounts payable	$ 946,935	$ 741	$ -	$ 947,676
Accrued salaries and benefits/withholdings	4,266,143	-	-	4,266,143
Due to other funds	2,694,715	-	-	2,694,715
Total liabilities	7,907,793	741	-	7,908,534
DEFERRED INFLOWS OF RESOURCES				
Unavailable tax revenue	1,072,416	-	-	1,072,416
Total deferred inflows of resources	1,072,416	-	-	1,072,416
FUND BALANCES				
Nonspendable Fund Balance				
Prepaid expenditures	3,031,131			3,031,131
Restricted Fund Balance				
Future capital improvements	-	8,636,016	91,102	8,727,118
Committed Fund Balance				
Future retirement increases	554,000	-	-	554,000
Assigned Fund Balance				
2020-2021 budget deficit	1,175,005	-	-	1,175,005
Future retirement increases	650,000	-	-	650,000
Future healthcare increases	350,000	-	-	350,000
Future technology purchases	2,300,000	-	-	2,300,000
Future special education purchases	550,000	-	-	550,000
Future information system purchases	200,000	-	-	200,000
Future safety and security purchases	400,000	-	-	400,000
Future student services purchases	400,000	-	-	400,000
Unassigned Fund Balance	2,762,532	-	-	2,762,532
Total fund balances	12,372,668	8,636,016	91,102	21,099,786
Total liabilities, deferred inflows of resources, and fund balances	$ 21,352,877	$ 8,636,757	$ 91,102	$ 30,080,736

BIG SPRING SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Total fund balances - governmental funds		$ 21,099,786
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
Cost of assets	118,258,034	
Accumulated depreciation	(45,748,940)	
		72,509,094
Certain receivables are not available to pay current period expenditures and therefore are not reported in the fund financial statement, but are reported in governmental activities in the Statement of Net Position.		1,072,416
Long-term liabilities and related accrued interest are not due and payable in the current period and thus are not included in the balance sheet of governmental funds, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and associated deferred inflows and deferred outflows of resources consist of:		
General obligation bonds and note payable	(40,764,444)	
Deferred charge on bond refunding	(4,325)	
Accrued interest expense	(418,911)	
Compensated absences	(999,224)	
Net pension liability	(65,009,877)	
Deferred outflows related to pension liability	8,805,061	
Deferred inflows related to pension liability	(4,096,051)	
OPEB liability	(6,726,506)	
Deferred outflows related to OPEB liability	492,014	
Deferred inflows related to OPEB liability	(1,122,204)	
		(109,844,467)
Net position of governmental activities in the Statement of Net Position		$ (15,163,171)

BIG SPRING SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local revenues				
Taxes	$ 31,572,919	$ -	$ -	$ 31,572,919
Investment earnings	293,328	90,560	35,993	419,881
Revenue from intermediate sources	603,507	-	-	603,507
Other	808,949	403,556	-	1,212,505
State sources	19,293,302	-	-	19,293,302
Federal sources	620,453	-	-	620,453
Total revenues	53,192,458	494,116	35,993	53,722,567
EXPENDITURES				
Instruction	31,511,254	-	-	31,511,254
Support services	14,960,570	228,387	-	15,188,957
Operation of non-instructional services	1,033,849	-	-	1,033,849
Facilities acquisition, construction and improvements	-	383,638	5,407,319	5,790,957
Debt service				
Principal	2,510,000	890,000	-	3,400,000
Interest and bond costs	1,054,813	262,111	-	1,316,924
Total expenditures	51,070,486	1,764,136	5,407,319	58,241,941
Excess (deficiency) of revenues over expenditures	2,121,972	(1,270,020)	(5,371,326)	(4,519,374)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	13,262	-	13,262
Interfund transfers	(2,264,227)	2,239,777	-	(24,450)
Total other financing sources and (uses)	(2,264,227)	2,253,039	-	(11,188)
Net change in fund balances	(142,255)	983,019	(5,371,326)	(4,530,562)
Fund balances - beginning, as restated	12,514,923	7,652,997	5,462,428	25,630,348
Fund balances - ending	$ 12,372,668	$ 8,636,016	$ 91,102	$ 21,099,786

BIG SPRING SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2020

Net change in fund balances - total governmental funds:		$ (4,530,562)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays differed from depreciation expense in the current period.		
Gain/loss on disposition of assets	(91,068)	
Depreciation expense	(3,405,790)	
Capital outlays	6,134,035	2,637,177
Because certain taxes will not be collected for several months after the School District's fiscal year end, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues changed by this amount this year.		(673,316)
Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. Also, governmental funds report the effects of bond premium, discount, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Repayment of general obligations - principal		3,400,000
Amortization of bond premium/discount and deferred charge on bond refundings		164,543
Some expenses reported in the statement of activities do not require the use of current financial resources and thus are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:		
Net pension liability and related deferred outflows and inflows	(257,721)	
OPEB liability and related deferred outflows and inflows	(161,157)	
Compensated absences	(52,899)	
Accrued interest	6,948	(464,829)
Change in net position of governmental activities		$ 533,013

BIG SPRING SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
June 30, 2020

	Food Service
ASSETS	
Current Assets	
Cash and cash equivalents	$ 468,513
Due from other governments	50,969
Due from other funds	26,426
Other receivables	4,228
Inventory	24,186
Total current assets	574,322
Noncurrent Assets	
Furniture and equipment	2,080,910
Accumulated depreciation	(1,244,393)
Total noncurrent assets	836,517
Total assets	1,410,839
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension liability	8,767
Deferred outflows related to OPEB liability	363
Total deferred outflows of resources	9,130
Total assets and deferred outflows of resources	$ 1,419,969
LIABILITIES	
Current Liabilities	
Accounts payable	$ 197
Due to other funds	144,186
Unearned revenue	37,117
Total current liabilities	181,500
Noncurrent Liabilities	
Net pension liability	64,731
OPEB liability	2,943
Total noncurrent liabilities	67,674
Total liabilities	249,174
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension liability	4,317
Deferred inflows related to OPEB liability	189
Total deferred inflows of resources	4,506
NET POSITION	
Net investment in capital assets	836,517
Unrestricted	329,772
Total net position	1,166,289
Total liabilities, deferred inflows of resources and net position	$ 1,419,969

BIG SPRING SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2020

	Food Service
OPERATING REVENUE	
Food service revenues	$ 453,207
Total operating revenues	453,207
OPERATING EXPENSES	
Food and milk purchases	1,086,407
Salaries	20,009
Employee benefits	8,979
Supplies and other expenses	6,029
Repairs and maintenance	8,211
Utilities	24,450
Depreciation	37,715
Total operating expenses	1,191,800
Operating (loss)	(738,593)
NONOPERATING REVENUES (EXPENSES)	
Interest income	5,274
Loss on disposition of assets	(7,152)
Federal subsidies	536,199
State subsidies	29,531
Total nonoperating revenue	563,852
Income (loss) before transfers	(174,741)
TRANSFERS	
Interfund transfers	24,450
Change in net position	(150,291)
Net position - beginning, as restated	1,316,580
Net position - ending	$ 1,166,289

BIG SPRING SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2020

	Food Service
Cash flows from operating activities	
Cash received from food sales	$ 459,823
Cash payments for goods and services	(1,067,781)
Cash payments to and on behalf of employees	(28,841)
Net cash (used) by operating activities	(636,799)
Cash flows from capital and related financing activities	
Purchase of equipment	(52,482)
Cash flows from noncapital financing activities	
Federal subsidies	410,428
State subsidies	29,531
Interfund transfers	24,450
Net cash provided by noncapital financing activities	464,409
Cash flows from investing activities	
Earnings on investments	5,274
Net (decrease) in cash and cash equivalents	(219,598)
Cash and cash equivalents - beginning	688,111
Cash and cash equivalents - ending	$ 468,513
Reconciliation of income (loss) from operations to net cash provided by operating activities	
Operating (loss)	$ (738,593)
Adjustments to reconcile operating income (loss) to net cash provides (used) by operating activities:	
Depreciation	37,715
Donated food used	84,022
(Increase) decrease in:	
Inventory	(7,332)
Accounts receivable	17,748
Increase (decrease) in:	
Interfund payables	100,389
Compensated absences	15,294
Net pension liability and related items	177
Other post-employment benefit liability and related items	(30)
Accounts payable	(146,189)
Total adjustments	101,794
Net cash (used) by operating activities	$ (636,799)

BIG SPRING SCHOOL DISTRICT
Statement of Net Position – Fiduciary Funds
June 30, 2020

	Agency Fund
ASSETS	
Cash and cash equivalents	$ 70,758
Investments	181,720
Total assets	$ 252,478
LIABILITIES	
Due to other funds	$ 7,969
Due to student groups	244,509
Total liabilities	$ 252,478

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

Big Spring School District (School District) operates a public school system which is comprised of the Cumberland County Townships of Cooke, Lower Frankford, Upper Frankford, Lower Mifflin, Upper Mifflin, North Newton, South Newton, Penn and West Pennsboro and the Borough of Newville, Pennsylvania. Services provided include a comprehensive curriculum for primary and secondary education as well as special education and vocational education programs.

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The financial statements of the School District include all funds, functions, and activities to which the Board of Directors has oversight responsibility. The financial statements presented do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Big Spring School District.

Governmental Accounting Standards Board (GASB) Statements define the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The School District is not a component unit of any other entities. Based on the above criteria, the School District has no component units.

Joint Ventures

The School District is a participant in two jointly governed organizations, each of which is a separate legal entity that offers services to the School District and its residents. Each entity serves several school districts and/or municipalities, and therefore are not included in this reporting entity. These entities do not have taxing power, but are required to adopt an annual budget, which is funded primarily by its member Districts or others that use its services. Complete financial statements for these entities can be obtained from their administrative offices.

Capital Area Intermediate Unit provides special education services and programs. During the year ended June 30, 2020 the School District paid $ 738,882 to Capital Area Intermediate Unit for these services.

Cumberland Perry Area Vocational Technical School provides vocational and technical education services and programs. During the year ended June 30, 2020 the School District paid $ 787,341 to Cumberland Perry Area Vocational Technical School for these services.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions of the School District are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The School District reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. An operating budget is adopted prior to the beginning of each year on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, and any unrestricted fund balances are considered as resources available for use. Revenues are primarily derived from local property, earned income, and state and federal subsidies. Many of the more important activities of the School District, including instruction, administration of the School District, and certain noninstructional services are accounted for in this fund.

Capital Reserve Fund – The capital reserve fund (Section 2932 is authorized by Pennsylvania Law 145, Act of April 30, 1943, known as Section 2932 School Laws of Pennsylvania) accounts for amounts transferred from the General Fund and the expenditure of those funds for capital outlays. Capital budgets are not implemented for capital improvements in these funds. All transactions are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

2. Proprietary Funds

Proprietary funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The following funds are utilized:

Food Service Fund

This fund accounts for all revenues and expenses pertaining to the cafeteria operations as authorized under Section 504 of the Public School Code of 1949. It is the intent of the governing body that the cost of providing such goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

3. Fiduciary Funds

Fiduciary funds are used to account for the School District's agency funds. These funds account for assets held by the School District as a trustee or agent for individuals, private organizations and/or governmental units and are therefore not available to support the School District's own programs. The Student Activities Fund is classified as an agency fund and accounts for programs operated and sponsored by various clubs and organizations within the schools.

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the School District has a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements – Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if applicable) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense 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 and the revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as liabilities until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing food services, including charges for meals and the costs of food, salaries and benefits, depreciation, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs.

Cash and Cash Equivalents and Investments

Cash and cash equivalents include all cash on hand, demand deposits (including pooled investments), and short- term investments with original maturities of three months or less from the date of acquisition. Investments include certificates of deposit with original maturities greater than three months. Investments are stated at market value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes and Taxes Receivable

Real estate and personal taxes are levied as of July 1 with a legal, enforceable claim against the property and/or taxpayer. Amounts not collected within six months (December 31) are considered delinquent and submitted to outside agencies/entities for collection actions.

Interfund Activity/Internal Balances

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to 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". Balances between funds are short term items pending periodic repayments.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchases fund. Flows of cash or goods from one fund to another fund without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Inventories and Prepaid Items

Inventory in the Food Service Fund consists of expendable supplies and food (valued at cost) held for consumption. Government-donated commodities are valued at estimated fair market value. The expendable supplies are recorded as an expenditure when used. The cost of governmental fund inventories are recorded as expenditures when purchased in the fund financial statements and the asset (valued at cost) at June 30 is offset by nonspendable fund balance.

Certain payments, if any, to vendors reflect expenses applicable to future accounting periods and are presented as prepaid items in both School District-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are presented in the applicable governmental or business-type activities columns in the School District- wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than $ 1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous groups with individual costs of less than $ 1,500 as capital assets for financial presentation purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are presented at historical cost if purchased or estimated historical cost if constructed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized when incurred. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are recorded at their acquisition value as of the date received. The School District does not possess any infrastructure. Interest incurred during the construction of capital assets is not capitalized.

Upon sale or retirement, the cost and related accumulated depreciation, if applicable, are eliminated from the respective government-wide and proprietary accounts and any resulting gain or loss is reflected in those accounts.

Capital assets are depreciated using the straight-line method, over the following estimated useful lives (in years):

Assets	Governmental Activities	Business-type Activities
Buildings and improvements	20 to 40	-
Furniture and equipment	10 to 15	15
Technology equipment	5 to 6	5

Long-term Liabilities

In the government-wide financial statements, and proprietary fund types in fund financial statements, bonds and notes payable and other long-term obligations are presented as liabilities. Bond discounts (premiums) and any charges on refundings are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. A deferred charge on bond refunding is reported as deferred inflows of resources and amortized over the term of the related debt, if any.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs and charges on refundings, as current period expenditures. The face amount of debt issued is presented as other financing sources while discounts and charges on refundings are presented as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are presented as support service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category, including various amounts related to pension and OPEB liabilities. These amounts will be amortized in future periods.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources at June 30, 2020 consist of various amounts related to pension, OPEB liabilities, and charges on refundings on the statement of net position and unavailable tax revenue on the governmental fund balance sheet.

Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide and fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

Retirement Plans

The School District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of GASB Standards, which establish standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

For purposes of measuring 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 refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Compensated absences are presented using the termination payment method. A liability is computed using estimates which apply historical data to current factors. The School District maintains records of unused leave and applies the contracted rate for employees eligible for the severance allowance. The School District allows only restricted sabbatical leave and therefore does not present any liability in advance of the sabbatical. Payments for compensated absences are made in the year the absence is taken or the employee retires.

At retirement or death, which in School District service, employees or their beneficiaries shall choose one of the available options (subject to a maximum of $ 19,500 for administrators, $ 17,500 for teaching staff and $ 10,081 for classified staff). The severance allowance is paid as a School District contribution into the employee's 403(b) tax sheltered annuity account.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits Other Than Pensions

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The School District's other postemployment benefits are accounted for in accordance with these standards.

The School District provides postemployment benefits by permitting retired employees the ability to participate in the employee health plan through a single employer defined benefit other post-employment health plan (OPEB) at the same premium rate. The School District will pay 50% of the premiums for eligible members only, subject to a certain maximum. This coverage will cease upon the earlier of 5 years or member Medicare age. Dependents may then elect available coverage by paying the full premiums. albeit 100% paid for by the retirees. Consequently, the School District is providing an implicit rate subsidy to its retirees. These benefits are financed on a pay-as-you-go basis.

PSERS

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the 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 terms. Investments are reported at fair value.

Net Position

Net position (deficit) represents total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources. In School government-wide financial statements and proprietary fund financial statements, categories of net position are:

Net investment in capital assets (net of related debt) - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets of related debt also should be included in this component of net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Restricted - This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation. Restricted net position as of June 30, 2020 is for future capital expenses.

Unrestricted - This component presents the net position (deficit) of the School District, which are not restricted for any project or other purpose. However, these funds may be committed or assigned for specific projects or purposes in the fund financial statements.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance - Governmental Fund Financial Statements

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. Classifications of fund balances are:

Nonspendable – This classification includes amounts that cannot be spent because they are either in a (1) non-spendable form (i.e. inventories) or (2) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

Restricted - This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed - This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision–making authority. This formal action is in the form of a resolution which is made by the Board of School Directors. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned - This classification includes spendable amounts that are reported in governmental funds *other than the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the Board of School Directors, or a subordinate high-level body, such as the Superintendent or Business Manager.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance - Governmental Fund Financial Statements (Continued)

Unassigned - This classification represents the portion of spendable fund balance that has not been categorized as restricted, committed or assigned. The General Fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

Policy Regarding Order of Spending

The School District does not have a policy for spending order when fund balance resources are available for a specific purpose in multiple classifications. It is assumed that the School District is to use restricted resources first and then apply unrestricted resources in the following order: unassigned, assigned, and committed.

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, liabilities, and the disclosure of contingent assets and liabilities, if any, 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.

Risks and Uncertainties

Recent economic and government reactions to the COVID-19 pandemic have resulted in temporary reductions or shutdowns of operations for some businesses and created many economic uncertainties. The financial impact and duration cannot be reasonably estimated at this time.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 define allowable investments for school districts, which are summarized as follows:

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government and Federal agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company restricted under the Investment Company Act of 1940.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. However, the School District requires all deposits in excess of federal deposit insurance coverage to be collateralized by the depository institution with approved collateral as provided by the law. As of June 30, 2020, $ 1,292,726 of the School District's bank balance of $ 2,284,667 was exposed to custodial credit risk.

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, the various banks utilized by the School District have pledged collateral on a pooled basis on behalf of the School District and all other governmental depositors in the respective financial institutions. As of June 30, 2020, $ 268,063 that was exposed to custodial credit risk was held at a credit union and $ 250,000 was covered by NCUA insurance, with the remaining $ 18,063 uncollateralized.

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District does not have a formal investment policy for credit risk. The School District's deposits in each of the organizations were rated "AAAm" by Standard & Poor's.

Included in cash and cash equivalents and investments on the statement of net position are certificates of deposits (CD's) invested by the Pennsylvania School District Liquid Asset Fund (PSDLAF) and other various financial institutions. The School District has invested $ 6,625,000 in PSDLAF's full flex pool, $ 3,000,000 in PSDLAF's collateralized pool, and $ 661,720 in the other various financial institutions. Investments in PSDLAF's full flex pool and collateralized pool have maturities less than 3 months and are classified as cash and cash equivalents. The CD's in various financial institutions have maturities greater than 3 months and are classified as investments in the financial statements and for purposes of this disclosure. The investments also include a US Treasury bills valued at $ 4,998,290.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

The amounts of CDs held by various financial institutions are all covered by FDIC insurance.

Included in cash and cash equivalents on the statement of net position are pooled investments in the PA Local Government Investment Trust (PLGIT) of $ 9,033 and PSDLAF MAX of $ 4,369,991. PLGIT deposits are invested by PLGIT directly in a portfolio of securities which are held by a third-party custodian. These are PLGIT-Class Shares, which operate like a money market fund. PSDLAF deposits are invested by PSDLAF directly in portfolios of securities held by a third-party custodial and are collateralized with securities held by the PSDLAF agent in a collateral pool. The PSDLAF-MAX and PLGIT investments are basically mutual funds that consists of short-term money market instruments and seeks to maintain a constant net asset value of $ 1 per share.

Policies Followed at PSDLAF and PLGIT

PSDLAF and PLGIT are not registered with the Securities and Exchange Commission (SEC); however, PSDLAF and PLGIT follow investment procedures similar to those followed by SEC registered money market funds. There is no regulatory oversight for the pools which are governed by the Board of Trustees. The School District's investments in PSDLAF and PLGIT are valued at amortized cost, which approximates fair value and is determined by the pools' share price.

The School District has no limitations or restrictions on withdrawals on accounts held at PSDLAF or PLGIT.

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have a formal investment policy for interest rate risk. The weighted average maturity of securities held by each of the organizations is generally less than 90 days.

NOTE 3 TAXES RECEIVABLE

Taxes receivable and deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2020:

Real estate	$ 666,718
Earned income tax	1,520,678
Real estate transfer tax	20,421
Other taxes	6,430
	2,214,247
Taxes collected within sixty days, recorded as revenues in governmental funds	(1,141,831)
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	$ 1,072,416

NOTE 4 DUE FROM/TO OTHER FUNDS AND INTERFUND TRANSFERS

Net interfund receivables/payables consist of the following at June 30, 2020:

Funds	Due From	Due To
General	$ 150,199	$ 2,694,715
Capital Reserve	2,670,245	-
Food Service	26,426	144,186
Activities	-	7,969
	$ 2,846,870	$ 2,846,870

The Food Service Fund owes the General Fund for operational expenditures that were paid on behalf of this fund. The General Fund owes the Food Service Fund for student account balances at June 30, 2020. The Student Activities Fund owes the General Fund and Food Service Fund for operational expenditures paid on behalf of this fund. The General Fund owes the Capital Reserve Fund for a transfer to fund various future improvements.

Net interfund transfers consist of the following for the year ended June 30, 2020:

Funds	Transfers In	Transfers Out
General	$ -	$ 2,264,227
Capital Reserve	2,239,777	-
Food Service	24,450	-
	$ 2,264,227	$ 2,264,227

Transfers are substantially for purposes of subsidizing operating functions and funding capital projects and asset acquisitions. For the year ended June 30, 2020, amounts were transferred from the General Fund to the Capital Reserve Fund to fund various future improvements and acquisitions. There was also a transfer to the Food Service Fund as a result of employee benefits funded by the General Fund.

NOTE 5 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2020 consist of the following:

		Governmental Funds	Business-Type Activities
Local:	Other schools	$ 474,192	$ -
	Miscellaneous	10,973	-
State:	Social security	250,097	-
	Retirement	1,177,553	-
	Grants/subsidies	535,874	6,046
Federal:	Grants/subsidies	60,783	44,923
		$ 2,509,472	$ 50,969

NOTE 6 CAPITAL ASSETS

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2020:

	Balances June 30, 2019 as restated	Additions	Retirements	Balances June 30, 2020
Governmental Activities:				
Cost				
Assets not being depreciated:				
Land	$ 899,408	$ -	$ -	$ 899,408
Construction in progress	6,799,196	5,366,381	(12,165,577)	-
Assets being depreciated:				
Buildings and improvements	96,365,845	10,334,854	-	106,700,699
Furniture and equipment	3,952,532	149,215	(579,626)	3,522,121
Technology equipment	5,381,176	2,449,162	(694,532)	7,135,806
Total cost	113,398,157	18,299,612	(13,439,735)	118,258,034
Less accumulated depreciation				
Buildings and improvements	(37,482,486)	(2,745,378)	-	(40,227,864)
Furniture and equipment	(2,703,454)	(142,507)	579,626	(2,266,335)
Technology equipment	(3,340,300)	(517,905)	603,464	(3,254,741)
Total accumulated depreciation	(43,526,240)	(3,405,790)	1,183,090	(45,748,940)
Capital assets, net	$ 69,871,917	$ 14,893,822	$ (12,256,645)	$ 72,509,094
Business-Type Activities				
Cost				
Furniture and equipment	$ 2,260,799	$ 52,483	$ (232,372)	$ 2,080,910
Less accumulated depreciation	(1,431,898)	(37,715)	225,220	(1,244,393)
Capital assets, net	$ 828,901	$ 14,768	$ (7,152)	$ 836,517

Depreciation expense was charged as follows in the Statement of Activities:

Governmental Activities	
Instruction	$ 2,251,579
Instructional student support	286,950
Administrative and financial support services	322,286
Operation and maintenance of plant services	296,812
Transportation	175,255
Student activities	71,231
Community services	1,677
	$ 3,405,790

NOTE 7 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS

Accrued salaries, benefits, and withholdings consist of the following as of June 30, 2020:

General Fund	
Accrued salaries	$ 1,693,937
Retirement	2,359,571
Social security	124,559
Other withholdings	88,076
	$ 4,266,143

NOTE 8 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended June 30, 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities						
General obligation bonds						
(A) Series 2012	$ 7,225,000	$ -	$ (885,000)	$ 6,340,000	$ 905,000	$ 5,435,000
(B) Series 2015	7,540,000	-	(1,285,000)	6,255,000	1,320,000	4,935,000
(C) Series 2016	2,460,000	-	(1,215,000)	1,245,000	1,245,000	-
(D) Series 2016 A	3,900,000	-	(5,000)	3,895,000	5,000	3,890,000
(E) Series 2017	12,625,000	-	(5,000)	12,620,000	5,000	12,615,000
(F) Series 2018	9,505,000	-	(5,000)	9,500,000	5,000	9,495,000
Unamortized bond premium (discount)	1,068,044	-	(158,600)	909,444	115,058	794,386
Subtotal - bonds	44,323,044	-	(3,558,600)	40,764,444	3,600,058	37,164,386
Compensated absences	946,325	170,422	(117,523)	999,224	66,851	932,373
Total long-term liabilities	$ 45,269,369	$ 170,422	$ (3,676,123)	$ 41,763,668	$ 3,666,909	$ 38,096,759

Bonds

(A) On August 20, 2012, the School District issued general obligation bonds Series of 2012 in the amount of $ 18,455,000. The proceeds were used to advance refund a portion of the outstanding General Obligation Bonds, Series of 2003, finance various energy projects of the School District, and pay the costs of issuing the Bonds. The bonds are due in varying amounts semi-annually on April 1 and October 15 with principal maturing on April 1, 2023. The bonds bear interest at rates ranging from 0.35% to 2.00%.

(B) On December 1, 2015, the School District issued $ 9,850,000 of General Obligation Bonds, Series 2015. The purpose of the issuance was to refund a portion of the outstanding General Obligation Bonds, Series of 2010A, finance various capital projects, and pay the costs of issuing the Bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1 with principal maturing March 1, 2025. The bonds bear interest at rates ranging from 0.23% to 2.50%.

(C) On June 23, 2016, the School District issued $ 5,915,000 of General Obligation Bonds, Series 2016. The purpose of the issuance was to refund the outstanding General Obligation Bonds, Series of 2011 and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on February 15 and August 15 with principal maturing February 15, 2021. The bonds bear an interest rate of 1.94%.

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Bonds

(D) On June 23, 2016, the School District issued $ 3,915,000 of General Obligation Bonds, Series 2016A. The purpose of the issuance was to refund the outstanding General Obligation Note, Series of 2014 and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on February 15 and August 15 with principal maturing February 15, 2025. The bonds bear an interest rate of 1.94%.

(E) On April 13, 2017, the School District issued $ 12,635,000 of General Obligation Bonds, Series 2017. The purpose of the issuance was to fund various capital projects and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on February 15 and August 15 with principal maturing February 15, 2029. The bonds bear interest at rates ranging from 0.90% to 4.00%.

(F) On April 3, 2018, the School District issued $ 9,505,000 of General Obligation Bonds, Series of 2018. The purpose of the issuance was to fund various capital projects and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1 with principal maturing March 1, 2033. The bonds bear interest at rates ranging from 1.75% to 4.00%.

The School District general obligation bonds contain a provision that in the event of default for nonpayment of principal and interest, the School Code allows for the Commonwealth of Pennsylvania to withhold monies from the School District's subsidies and pay any past due amounts directly, or to the paying agent for payment to the bond holders.

The annual debt requirements for future general obligation bonds as of June 30, 2020 are as follows:

	GO Bonds - 2012		GO Bonds - 2015		GO Bonds - 2016	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 905,000	$ 126,800	$ 1,320,000	$ 146,160	$ 1,245,000	$ 24,153
2022	1,680,000	108,700	1,895,000	113,060	-	-
2023	3,755,000	75,100	205,000	75,160	-	-
2024	-	-	225,000	70,650	-	-
2025	-	-	2,610,000	65,250	-	-
2026-2030	-	-	-	-	-	-
2031-2033	-	-	-	-	-	-
	$ 6,340,000	$ 310,600	$ 6,255,000	$ 470,280	$ 1,245,000	$ 24,153

	GO Bonds - 2016 A		GO Bonds - 2017		GO Bonds - 2018		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 5,000	$ 75,660	$ 5,000	$ 481,250	$ 5,000	$ 379,634	$ 3,485,000	$ 1,233,657
2022	5,000	75,563	5,000	481,163	5,000	379,539	3,590,000	1,158,025
2023	5,000	75,466	5,000	481,063	5,000	379,434	3,975,000	1,086,223
2024	3,045,000	75,369	5,000	480,950	5,000	379,319	3,280,000	1,006,288
2025	835,000	75,272	80,000	480,825	5,000	379,200	3,530,000	1,000,547
2026-2030	-	16,199	12,520,000	1,028,450	3,780,000	1,841,600	16,300,000	2,886,249
2031-2033	-	-	-	-	5,695,000	370,400	5,695,000	370,400
	$ 3,895,000	$ 393,529	$ 12,620,000	$ 3,433,701	$ 9,500,000	$ 4,109,126	$ 39,855,000	$ 8,741,389

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions and Benefits Provided

School District Plan

Under the negotiation's agreement with Big Spring Education Association, the School District provides for continuance of health care insurance coverage after retirement.

If the eligible member retired after June 2011, and had 30 years with the School District, the School District will pay 50% of the medical and prescription drug premiums for the member only, subject to a maximum annual School District contribution of $ 4,000. The coverage will cease upon the earlier of 5 years or member Medicare age. The member may elect dental and vision coverage by paying the full premiums. Dependents may elect available coverage by paying the full premiums. If the 5 years are exhausted and the member has not reached Medicare age, the member and dependents may continue coverage by paying the full premiums.

If the eligible member retired before July 2011, the School District will pay 50% of the medical and prescription drug premiums for the member and dependents. The coverage will cease upon the earlier of 5 years or member Medicare age. The member and dependents may elect dental and vision coverage by paying the full premiums. If the 5 years are exhausted and the member has not reached Medicare age, the member and dependents may continue coverage by paying the full premiums.

If the retired member did not qualify for the School District subsidized benefit, but has retired through PSERS, the member and dependents may elect available coverage by paying the full premiums.

Retired administrators are eligible for health care insurance coverage similar to the above.

Retired classified employees, hired before July 2007, are eligible for health care insurance coverage similar to the above. If hired after June 2007, the retiree and dependents may elect available coverage by paying the full premiums.

Retiree's premiums are less than the School District's actual cost to provide health care coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as an "implicit rate subsidy," which creates an additional cost to the School District.

At retirement, 100% of teachers and administrators eligible to receive a subsidy are assumed to elect coverage, and if the subsidy exhausts prior to the member reaching Medicare age, 75% are assumed to elect coverage thereafter. 75% of teachers and administrators not eligible to receive a subsidy are assumed to elect coverage. Support staff employees eligible to receive a subsidy prior to Medicare age are assumed to follow the same election percentages as teachers and administrators, 40% of support staff employees never eligible to receive a subsidy are assumed to elect coverage.

The School District funds Plan liabilities on a "pay-as-you-go" basis and has not established an OPEB trust fund to accumulate assets to fund Plan obligations. The School District has no statutory or contractual obligation to fund the Plan and would only do so at the School District's discretion.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Descriptions and Benefits Provided (Continued)

PSERS

In addition to other postemployment benefits detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit plan. 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, 2022 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 employers or the PSERS' health options program. Healthcare cost trends were applied to retirees receiving less than $ 1,200 in annual premium assistance. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of $ 1,200. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Retirees of the System can participate in the premium assistance program if they (1) have 24 ½ or more years of service, (2) are a disability retiree, (3) have 15 or more years of service and retired after reaching superannuation age, or (4) participate in the PSERS' health option program.

The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Plan Membership

School District Plan

Membership in the School District's plan consisted of the following at July 1, 2018, the date of the latest actuarial valuation:

Active participants	305
Vested former participants	0
Retired participants	18
Total	323

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions

PSERS

The School District's contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84% 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 the unfunded accrued liability. Contributions to the OPEB plan from the employer were $ 167,019 for the year ended June 30, 2020.

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

School District Plan

The School District's total OPEB liability was measured as of July 1, 2018, and the total OPEB liability was determined by rolling forward the total liability from July 1, 2018 to July 1, 2019 based on actuarial valuation as of July 1, 2018, which was based on census information as of October 2018. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2020, the School District reported a total OPEB liability of $ 3,771,012.

For the year ended June 30, 2020, the School District recognized OPEB expense of $ 188,548.

PSERS

At June 30, 2020, the School District reported a liability of $ 2,958,437 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. The School District's proportionate of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportionate was 0.1391 percent, which was a decrease of 0.0035 percent from its proportionate measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized OPEB expense of $ 139,598.

The table below summarizes the combined OPEB liability and OPEB expense:

	Total OPEB/ Net OPEB Liability	OPEB Expense
School District Plan	$ 3,771,012	$ 188,548
PSERS	2,958,437	139,598
Total	$ 6,729,449	$ 328,146

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

School District Plan

	Total OPEB Liability
Beginning Balance	$ 3,653,081
Changes for the year:	
Service cost	241,912
Interest	114,194
Changes in assumptions	(121,935)
Benefit payments	(116,240)
Net changes	117,931
Ending Balance	$ 3,771,012

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	School District Plan		PSERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 487,646	$ 17,000	$ -	$ 17,000	$ 487,646
Changes in assumptions	34,583	457,691	98,000	88,000	132,583	545,691
Net difference between projected and actual investment earnings	-	-	5,000	-	5,000	-
Changes in proportions - plan	-	-	75,000	89,000	75,000	89,000
Changes in proportions - fund	-	-	13	13	13	13
Difference between employer contributions and proportionate share of total contributions	-	-	2,414	43	2,414	43
Benefit payments/contributions subsequent to the measurement date	93,348	-	167,019	-	260,367	-
	$ 127,931	$ 945,337	$ 364,446	$ 177,056	$ 492,377	$ 1,122,393

The amount of $ 260,367 is reported as a deferred outflow of resources related to OPEB resulting from School District benefit payments/contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended June 30, 2020 related to the School District and PSERS plans. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ended June 30:	School District Plan	PSERS	Total
2021	$ (74,210)	$ (450)	$ (74,660)
2022	(74,210)	(450)	(74,660)
2023	(74,210)	(1,450)	(75,660)
2024	(74,210)	(2,450)	(76,660)
2025	(74,210)	25,180	(49,030)
Thereafter	(539,704)	(9)	(539,713)
Total	$ (910,754)	$ 20,371	$ (890,383)

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

School District Plan

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

PSERS

The total OPEB liability as of June 30, 2019, was determined by rolling forward the System's Total OPEB liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement.

	School District Plan	PSERS
Actuarial Cost Method	Entry age normal	Entry age normal – level % of pay.
Investment Rate of Return	3.36% - S&P 20 year high grade municipal bond rate as of July 1, 2019.	2.79% - S&P 20 year municipal bond rate as of June 30, 2019.
Salary	An assumption for salary increase is used 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% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.	Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
Mortality	Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.	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.
Percentage of Eligible Employees Electing Coverage in Plan	50% of employees are assumed to elect coverage at retirement.	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.
Health Care Cost Trend Rate	6.00% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.	Applied to retirees with less than $ 1,200 in premium assistance per year. Benefit is capped at $ 1,200 per year.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

PSERS (Continued)

(Continued)	**School District Plan**	**PSERS**
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. The resulting costs are as follows: age 45-49, $ 5,745 for males and $ 8,297 for females; 50-54, $ 7,609 for males and $ 9,378 for females; 55-59, $ 9,267 for males and $ 9,812 for females; 60-64, $ 12,094 for males and $ 11,272 for females; and 65+, $ 15,485 for males and $ 14,428 for females.	N/A

PSERS

Investment Rate

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 investment 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	13.2%	0.20%
US Core Fixed Income	83.1%	1.00%
Non-US Developed Fixed	3.7%	0.00%
	100.0%	

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, 2019.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.36% and 2.79% for the School District's Plan and PSERS, respectively. The School District Plan is not funded, therefore, the S&P 20 year high grade municipal bond rate of 3.36% as of July 1, 2019 is applicable discount rate. Under the PSERS 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, the OPEB's plan fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the S&P 20 year municipal bond rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the Total and Net OPEB Liability to Changes in the Discount Rate

The following presents the total and net OPEB liabilities of the School District, as well as what the School District's liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

School District Plan

	1% Decrease 2.36%	Current Discount Rate 3.36%	1% Increase 4.36%
School District Plan - Total OPEB liability	$ 4,097,556	$ 3,771,012	$ 3,463,622

PSERS

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
PSERS - School District's proportionate share of the net OPEB liability	$ 3,370,000	$ 2,958,437	$ 2,617,000

Sensitivity of the Total and Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total and net OPEB liabilities of the plans, as well as what the plans' total OPEB liability would be if it were calculated using the healthcare cost trend rate that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total and Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (Continued)

School District Plan

	1% Decrease (5.0% decreasing to 2.8%)	Healthcare Cost Trend Rate (6.0% decreasing to 3.8%)	1% Increase (7.0% decreasing to 4.8%)
School District Plan - Total OPEB Liability	$ 3,323,639	$ 3,771,012	$ 4,310,372

PSERS

	1% Decrease (Between 4% to 6.5%)	Healthcare Cost Trend Rate (Between 5% to 7.5%)	1% Increase (Between 6% to 8.5%)
PSERS - School District's proportionate share of the net OPEB liability	$ 2,958,000	$ 2,958,437	$ 2,959,000

OPEB Plan Fiduciary Net Position

PSERS

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

Payables to the OPEB Plan

School District Plan

As of June 30, 2020, the School District had no amounts payable to the School District OPEB Plan.

PSERS

As of June 30, 2020, the School District had $ 59,254 included in accrued salaries and benefits liability, of which $ 44,683 is for the contractually required contribution for the second quarter of 2020 and $ 14,571 is related to the accrued payroll liability for wages incurred as of June 30, 2020.

NOTE 10 PENSION PLAN

General Information About the Pension Plan

Plan Description

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

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 (C) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two 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 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined by 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 rights to benefits is vested after ten years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC).

Class T-G and Class T-H members that qualify for a defined benefit normal retirement benefit must work until age 67 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of service.

Defined benefits for T-G and T-H are 1.25% of 1.00%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. A members' right to a defined benefit is vested in 10 years.

NOTE 10 PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

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

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

Contributions

Member contributions:

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

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

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

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and 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 after June 30, 2019, are defaulted into Membership Class T-G rate of 8.25% (base rate) of the member's qualifying compensation. Members may elect Class T-H which has a rate of 7.50%. Each of these classes are a hybrid of defined benefit and defined contribution plans. Members may also elect Class DC, which is a defined contribution plan, with a rate of 7.50%

NOTE 10 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Contributions (Continued)

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2020 was 33.45% 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 from the School District recognized as revenue by the pension plan were $ 6,637,023 for the year ended June 30, 2020.

State Funding:

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2020, the School District recognized revenue of $ 3,395,517 as reimbursement for its current year pension payments.

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

At June 30, 2020, the School District reported a liability of $ 65,074,608 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportion was 0.1391 percent, which was a decrease of 0.0035 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of $ 6,894,921.

NOTE 10 PENSION PLAN (CONTINUED)

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

At June 30, 2020, the School District 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	$ 358,000	$ 2,157,000
Changes in assumptions	622,000	-
Net difference between projected and actual investment earnings	-	186,000
Changes in proportionate share - plan	1,144,000	1,752,000
Changes in proportionate share - governmental activities/business-type activities	239	239
Difference between employer contributions and proportionate share of total contributions	52,566	5,129
Contributions subsequent to the measurement date	6,637,023	-
	$ 8,813,828	$ 4,100,368

The $ 6,637,023 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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:	
2021	$ 184,834
2022	(1,162,481)
2023	(1,059,916)
2024	114,000
Total	$ (1,923,563)

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of the June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level percent of pay.
- Investment rate of return – 7.25%, includes inflation at 2.75%.
- Salary growth – effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and seniority increases.
- Mortality rates were 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.

NOTE 10 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015.

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 expenses 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	20%	5.6%
Fixed income	36%	1.9%
Commodities	8%	2.7%
Absolute return	10%	3.4%
Risk parity	10%	4.1%
Infastructure/MLPs	8%	5.5%
Real estate	10%	4.1%
Alternative investments	15%	7.4%
Cash	3%	0.3%
Financing (LIBOR)	(20%)	0.7%
	100%	

The above was the PSERS's Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 10 PENSION PLAN (CONTINUED)

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

Discount Rate (Continued)

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	$ 81,058,000	$ 65,074,608	$ 51,541,000

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.pa.gov.

Payables to the Pension Plan

As of June 30, 2020, the School District had $ 2,300,317 included in accrued salaries and benefits liability, of which $ 1,734,654 is for the contractually required contribution for the second quarter of 2020 and $ 565,663 is related to the accrued payroll liability for wages incurred as of June 30, 2020.

NOTE 11 RISK MANAGEMENT

Health Insurance

The School District participates in the South Central Region School Employees Benefit and Welfare Trust (the Trust), a public entity risk pool that provides its employees medical and dental insurance. The member school districts of the Trust elect trustees to manage it, but the risk is not shared among all members. At June 30, 2020, there were ten member school districts in the Trust. The School District uses a "claim-based" funding plan for medical insurance. Under this plan, the School District pays the Trust based on actual claims paid, or in essence, self-insures. Revenues and expenses of the program are accounted for in the general fund.

Payments are made from the general fund based on an estimate of expected claims established by the insurance carrier at the beginning of the year. Premiums charged in excess of claims paid and administrative costs are deposited in a rate-stabilization fund for the School District. Since the School District is responsible for its own risk, additional assessments would be charged to make up any deficiencies in this fund related to the School District; thus, this functions like a retrospectively rated program. The balance remaining in the rate-stabilization fund held by the Trust is considered a prepaid expense within the general fund. Provisions are in effect by the Trust to refund any excess monies should the School District withdraw or the Trust be dissolved. The School District maintains stop loss coverage for claims greater than $ 300,000 individually and has an unlimited lifetime benefit per person.

NOTE 11 RISK MANAGEMENT (CONTINUED)

Health Insurance (Continued)

Changes in health insurance claims liability amounts (including stop loss premiums and administrative charges) for the year ended June 30, 2020 were as follows:

Year Ended June 30	Liability Beginning, as restated	Current Year Expense (including Changes in Estimate)	Payments	Cash Balance in the Trust	Liability Ending	Net Prepaid
2020	$ 608,269	$ 3,770,890	$ 3,729,410	$ 3,540,221	$ 649,749	$ 2,890,472

The ending liability consists of incurred but not reported (IBNR) claims as of June 30, 2020. The IBNR was estimated based on actual claims incurred prior to June 30, 2020 but paid after year-end. The ending liability above is netted with the cash balance in the Trust resulting in the net prepaid expenses reported within the General Fund.

Other Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

For State unemployment compensation laws, the School District is self-insured, which is a common practice for local governmental units. Any unemployment claims are paid by the School District on a quarterly basis as incurred.

For workers' compensation insurance, approximately 80 School Districts participate in a public entity risk sharing pool (School Districts Insurance Consortium) for processing claims and obtaining reinsurance through commercial insurance carriers. Under this plan, the School District's annual cost should not exceed standard commercial insurance rates.

NOTE 12 OPERATING LEASES

The School District was obligated under various technology equipment lease agreements for the year ended June 30, 2020. Payments on these operating leases included in General Fund expenditures were $ 144,805. Future minimum payments under this operating lease agreement are as follows:

2020-2021	$ 118,684
2021-2022	118,684
2022-2023	19,781
	$ 257,149

NOTE 13 COMMITMENTS AND CONTINGENCIES

The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District.

The School District is involved with various potential lawsuits in the normal course of operations. In most cases, management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District's professional liability insurance policy and would not have a material effect on the financial position of the School District.

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 14 RESTATEMENT

Below is a listing of prior period adjustments made for the year ending June 30, 2019.

	Governmental Activities	Business-Type Activities / Food Service Fund	General Fund
Net position/fund balance as of June 30, 2019, as originally stated	$ (16,094,659)	$ 1,404,659	$ 11,789,336
Restatement of South Central Trust IBNR claims	725,587	-	725,587
Restatement of depreciation expense	(390,015)	(25,176)	-
Restatement of Food Service pension activity	62,903	(62,903)	-
Net position/fund balance as of June 30, 2019, as restated	$ (15,696,184)	$ 1,316,580	$ 12,514,923
Change in net position/fund balance, as originally stated - 2019	$ 774,512	$ 740,508	$ 1,192,961
Restatement of South Central Trust IBNR claims	197,948	-	197,948
Restatement of depreciation expense	(28,401)	(31,960)	-
Restatement of Food Service PSERS activity	1,032	(1,032)	-
Change in net position/fund balance, as restated - 2019	$ 945,091	$ 707,516	$ 1,390,909
Net capital assets as of June 30, 2019, as originally stated	$ 62,563,308	$ 854,077	$ -
Restatement of depreciation expense	(389,995)	(25,176)	-
Net capital assets as of June 30, 2019, as restated	$ 62,173,313	$ 828,901	$ -
Prepaid expenses as of June 30, 2019, as originally stated	$ 2,200,000	$ -	$ 2,200,000
Restatement of South Central Trust IBNR claims	725,587	-	725,587
Net prepaid expenses as of June 30, 2019, as restated	$ 2,925,587	$ -	$ 2,925,587

REQUIRED SUPPLEMENTARY INFORMATION

BIG SPRING SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2020

	Budget		Actual (Budgetary/ GAAP Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
Local Sources				
Taxes	$ 30,597,052	$ 30,597,052	$ 31,572,919	$ 975,867
Investment earnings	200,000	200,000	293,328	93,328
Revenue from intermediate sources	574,656	574,656	603,507	28,851
Other	568,101	568,101	808,949	240,848
State sources	19,354,697	19,354,697	19,293,302	(61,395)
Federal sources	603,813	603,813	620,453	16,640
Total revenues	51,898,319	51,898,319	53,192,458	1,294,139
EXPENDITURES				
Instruction				
Regular programs	20,581,179	20,581,179	20,477,260	103,919
Special programs	9,362,026	9,362,026	10,237,980	(875,954)
Vocational education programs	757,500	757,500	689,350	68,150
Other instructional programs	78,975	78,975	106,664	(27,689)
Total instruction	30,779,680	30,779,680	31,511,254	(731,574)
Support Services				
Pupil personnel	1,712,893	1,712,893	1,830,639	(117,746)
Instructional staff	1,558,920	1,558,920	1,563,218	(4,298)
Administration	2,885,211	2,885,211	2,838,621	46,590
Pupil health	559,792	559,792	551,485	8,307
Business	435,655	435,655	438,895	(3,240)
Operation and maintenance of plant	4,411,127	4,411,127	4,110,464	300,663
Student transportation	2,622,304	2,622,304	2,468,623	153,681
Central	1,083,199	1,083,199	1,130,797	(47,598)
Other support services	28,000	28,000	27,828	172
Total support services	15,297,101	15,297,101	14,960,570	336,531
Operation of Noninstruction Services				
Student activities and community services	1,142,304	1,142,304	1,033,849	108,455
Total operation of noninstructional services	1,142,304	1,142,304	1,033,849	108,455
Debt Service				
Principal	3,400,000	3,400,000	2,510,000	890,000
Interest	1,316,150	1,316,150	1,054,813	261,337
Total debt service	4,716,150	4,716,150	3,564,813	1,151,337
Total expenditures	51,935,235	51,935,235	51,070,486	864,749
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(320,000)	(320,000)	(2,264,227)	(1,944,227)
Budgetary reserve	(99,500)	(99,500)	-	99,500
Total other financing sources and (uses)	(419,500)	(419,500)	(2,264,227)	(1,844,727)
Net change in fund balances	$ (456,416)	$ (456,416)	$ (142,255)	$ 314,161

BIG SPRING SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Pension Liability – Public School Employees' Retirement System

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - Measurement Period	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.1391%	$ 65,074,608	$ 19,189,534	339.12%	55.66%
2019	0.1426%	68,455,000	19,534,713	350.43%	54.00%
2018	0.1377%	68,008,000	18,543,050	366.76%	51.84%
2017	0.1398%	69,280,000	19,035,700	363.95%	50.14%
2016	0.1413%	61,205,486	18,049,673	339.09%	54.36%
2015	0.1410%	55,808,811	17,995,841	310.12%	57.24%

NOTES

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

Changes in Actuarial Assumptions

The following actuarial assumptions were changed during the 2017 fiscal year:

- The investment rate of return was adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.0% to 2.75%
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Health Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

BIG SPRING SCHOOL DISTRICT
Schedule of the School District's Contributions – Public School Employees' Retirement System

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2020	$ 6,637,023	$ 6,637,023	$ -	$ 19,870,868	33.4%
2019	6,257,561	6,257,561	-	19,189,534	32.6%
2018	6,200,318	6,200,318	-	19,534,713	31.7%
2017	5,414,570	5,414,570	-	18,543,050	29.2%
2016	4,758,923	4,758,923	-	19,035,700	25.0%
2015	3,700,183	3,700,183	-	18,049,673	20.5%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

BIG SPRING SCHOOL DISTRICT
Schedule of Changes in the School District's Total OPEB Liability and Related Rations – School District Plan

	2020	2019	2018
Total OPEB liability			
Service cost	$ 241,912	$ 290,074	$ 292,483
Interest	114,194	143,670	106,568
Change in benefit terms	-	(42,532)	-
Differences between actual and expected experience	-	(568,920)	-
Changes in assumptions	(121,935)	(401,877)	46,111
Benefit payments	(116,240)	(146,972)	(115,421)
Net change in total OPEB liability	117,931	(726,557)	329,741
Total OPEB liability - beginning	3,653,081	4,379,638	4,049,897
Total OEPB liability - ending	$ 3,771,012	$ 3,653,081	$ 4,379,638
Covered employee payroll	N/A	$ 17,785,580	$ 15,054,068
Total OPEB liability as a percentage of covered employee payroll	N/A	20.54%	29.09%

NOTES

This schedule will be expanded to show 10 fiscal years once trends as additional information becomes available in the future.

The amounts presented for each fiscal year were determined as a measurement period year end that was used for the fiscal year. For the School District plan, the measurement period year end is one year prior to the fiscal year end.

Changes in Actuarial Assumptions:

Effective for fiscal year 2017-2018

- Revised per capital claim cost estimates
- 3.00% discount rate; previously 4.50% was assumed

Effective for fiscal year 2019-2020

- 3.36% discount rate; previously 3.00% was assumed

BIG SPRING SCHOOL DISTRICT
Schedule of School District's Proportionate Share of Net OPEB Liability – Public School Employees' Retirement System

For the Fiscal Year Ended June 30	School District's Proportion of the Net OPEB Liability (Asset)	School District's Proportionate Share of the Net OPEB Liability (Asset)	School District's Covered Payroll - measurement period	School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.1391%	$ 2,958,437	$ 19,189,534	15.42%	5.56%
2019	0.1426%	$ 2,973,000	$ 19,534,713	15.22%	5.56%
2018	0.1377%	$ 2,805,649	$ 18,543,050	15.13%	5.73%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

The amounts presented for each fiscal year were determined as the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

BIG SPRING SCHOOL DISTRICT
Schedule of the School District's OPEB Contributions – Public School Employees' Retirement System

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2020	$ 167,019	$ 167,019	$ -	$ 19,870,868	0.85%
2019	159,318	159,318	-	19,189,534	0.83%
2018	158,006	158,006	-	19,534,713	0.81%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

OTHER SUPPLEMENTARY INFORMATION

BIG SPRING SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Grantor Program Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Receivable (Unearned) at July 1, 2019	Revenue Recognized	Expenditures Recognized	Receivable (Unearned) at June 30, 2020	Total Passed-Through to Subrecipients
Passed through the Pennsylvania Department of Education											
Title I Improving Basic Programs	I	84.010	013-200037	July 2, 2019 - September 30, 2020	472,240	440,766	-	472,240	472,240	26,649	-
Title I Improving Basic Programs	I	84.010	013-190037	July 2, 2018 - September 30, 2019	477,110	64,365	64,365	-	-	-	-
Title I						505,131	64,365	472,240	472,240	26,649	-
Title II Improving Teacher Quality	I	84.367	020-200037	July 2, 2019 - September 30, 2020	96,789	96,278	-	96,789	96,789	511	-
Title II						96,278	-	96,789	96,789	511	-
Title IV Student Support & Academic Enrichment	I	84.424	144-200037	July 2, 2019 - September 30, 2020	35,709	28,567	-	35,709	35,709	12,073	-
Title IV Student Support & Academic Enrichment	I	84.424	144-190037	July 2, 2018 - September 30, 2019	30,778	8,207	8,207	-	-	-	-
Title IV						36,774	8,207	35,709	35,709	12,073	-
COVID - 19 Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425	200-200037	March 13, 2020 - September 30, 2021	386,952	-	-	16,226	16,226	16,226	-
Total CARES Act - ESSER Fund						-	-	16,226	16,226	16,226	-
Total - Pennsylvania Department of Education						638,183	72,572	620,964	620,964	55,459	-
Passed through Capital Area Intermediate Unit											
I.D.E.A. Grants to States	I	84.027	N/A	July 1, 2019 - June 30, 2020	599,507	599,507	-	599,507	599,507	-	
I.D.E.A. Preschool Grants	I	84.173	N/A	July 1, 2019 - June 30, 2020	4,000	4,000	-	4,000	4,000	-	-
Total Special Education Cluster						603,507	-	603,507	603,507	-	-
Total - Capital Area Intermediate Unit						603,507	-	603,507	603,507	-	-
Total U.S. Department of Education						1,241,690	72,572	1,224,471	1,224,471	55,459	-
U.S. Department of Treasury											
Passed through the Pennsylvania Commission on Crime and Delinquency											
COVID-19 Health and Safety Grant	I	21.019	2020-CS-01-33838	March 1, 2020 - October 30, 2020	220,662	-	-	5,941	5,941	5,941	-
Total PCCD - Health and Safety Grant						-	-	5,941	5,941	5,941	-
Total U.S. Department of Agriculture						-	-	5,941	5,941	5,941	-
U.S. Department of Agriculture											
Child Nutrition Cluster											
Passed through Pennsylvania Department of Education											
School Breakfast Program	I	10.553	N/A	July 1, 2019 - June 30, 2020	N/A	44,085	-	44,085	44,085	-	-
School Breakfast Program	I	10.553	N/A	July 1, 2018 - June 30, 2019	N/A	2,160	2,160	-	-	-	
COVID-19 School Breakfast Program	I	10.553	N/A	July 1, 2019 - June 30, 2020	N/A	30,505	-	47,904	47,904	17,399	-
Total School Breakfast Program						76,750	2,160	91,989	91,989	17,399	-
National School Lunch Program (cash)	I	10.555	N/A	July 1, 2019 - June 30, 2020	N/A	284,791	-	284,791	284,791	-	-
National School Lunch Program (cash)	I	10.555	N/A	July 1, 2018 - June 30, 2019	N/A	6,544	6,544	-	-	-	-
COVID-19 National School Lunch Program (cash)	I	10.555	N/A	July 1, 2019 - June 30, 2020	N/A	47,873	-	75,397	75,397	27,524	-
Total National Lunch School Program						339,208	6,544	360,188	360,188	27,524	-
Passed through the Pennsylvania Department of Agriculture											
National School Lunch Program (commodities)	I(B)	10.555	N/A	July 1, 2019 - June 30, 2020	N/A	84,022	-	84,022	84,022	-	-
Total National School Lunch Program						423,230	6,544	444,210	444,210	27,524	-
Total Child Nutrition Cluster						499,980	8,704	536,199	536,199	44,923	-
Total U.S. Department of Agriculture						499,980	8,704	536,199	536,199	44,923	-
Total Expenditures of Federal Awards						$ 1,741,670	$ 81,276	$ 1,766,611	$ 1,766,611	$ 106,323	$ -

NOTE 1 REFERENCES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(I) Indirect funding

(B) Based on USDA valuation

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The schedule of expenditures of federal awards is presented using the modified accrual basis in accordance with accounting principles prescribed by the Pennsylvania Department of Education, which conform to generally accepted government accounting policies. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Revenues designated for payment of specific School District expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the fiscal year end is recorded as accounts payable or a receivable, respectively.

Indirect Cost Rate

The School District has elected not to use the 10% de minimis indirect cost rate for its federal program.

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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*

Board of Directors
Big Spring School District
Newville, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Big Spring School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Big Spring School District's basic financial statements, and have issued our report thereon dated January 27, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Big Spring 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 Big Spring School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Spring School District's internal control.

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

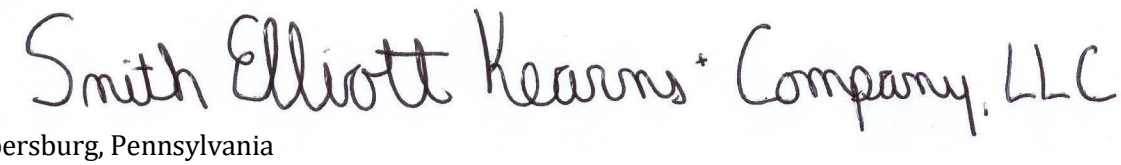
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Big Spring School District 's financial statements are free of 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 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.



Chambersburg, Pennsylvania
January 27, 2021

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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

Board of Directors
Big Spring School District
Newville, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Big Spring School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Big Spring School District's major federal programs for the year ended June 30, 2020. Big Spring School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Big Spring School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Big Spring School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Big Spring School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Big Spring 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, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Big Spring School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
January 27, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiencies identified?	☐ Yes	☒ None Reported
Noncompliance material to financial statements noted?	☐ Yes	☒ No

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiencies identified?	☐ Yes	☒ None Reported
Type of auditor's report issued on compliance for the major programs:	Unmodified	
• Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516?	☐ Yes	☒ No

Identification of the major programs:

CFDA Number(s)	Name of Federal Program
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs	$ 750,000	
Auditee qualified as low-risk auditee?	☒ Yes	☐ No

Section II - Financial Statement Findings

A. Significant Deficiencies or Material Weaknesses in Internal Control

None noted

B. Compliance Findings

There were no compliance findings related to the financial statement audit required to be reported.

Section III - Federal Award Findings and Questioned Costs

A. Significant Deficiencies or Material Weaknesses in Internal Control Over Compliance

None noted

B. Compliance Findings

There were no findings related to the major federal awards as required to be reported in accordance with the Uniform Guidance by 2 CFR Section 200.516.

BIG SPRING SCHOOL DISTRICT
Office of the Business Manager
45 Mount Rock Road
Newville, PA 17241-9466
717-776-2000

BIG SPRING SCHOOL DISTRICT
Summary of Prior Audit Findings
Year Ended June 30, 2020

Findings related to financial statements:

None.

Findings related to federal awards:

None.