BIG SPRING SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Draft

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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 fiduciary funds of Big Spring School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the 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 of 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.

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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 fiduciary funds of Big Spring School District, as of June 30, 2019, 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 management's discussion and analysis on pages 3 through 19 and other required supplementary information on pages 68 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2019, 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 effectiveness of Big Spring School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Spring School District's internal control over financial reporting and compliance.

GREENAWALT & COMPANY, P.C.

_____, 2019

Mechanicsburg, Pennsylvania

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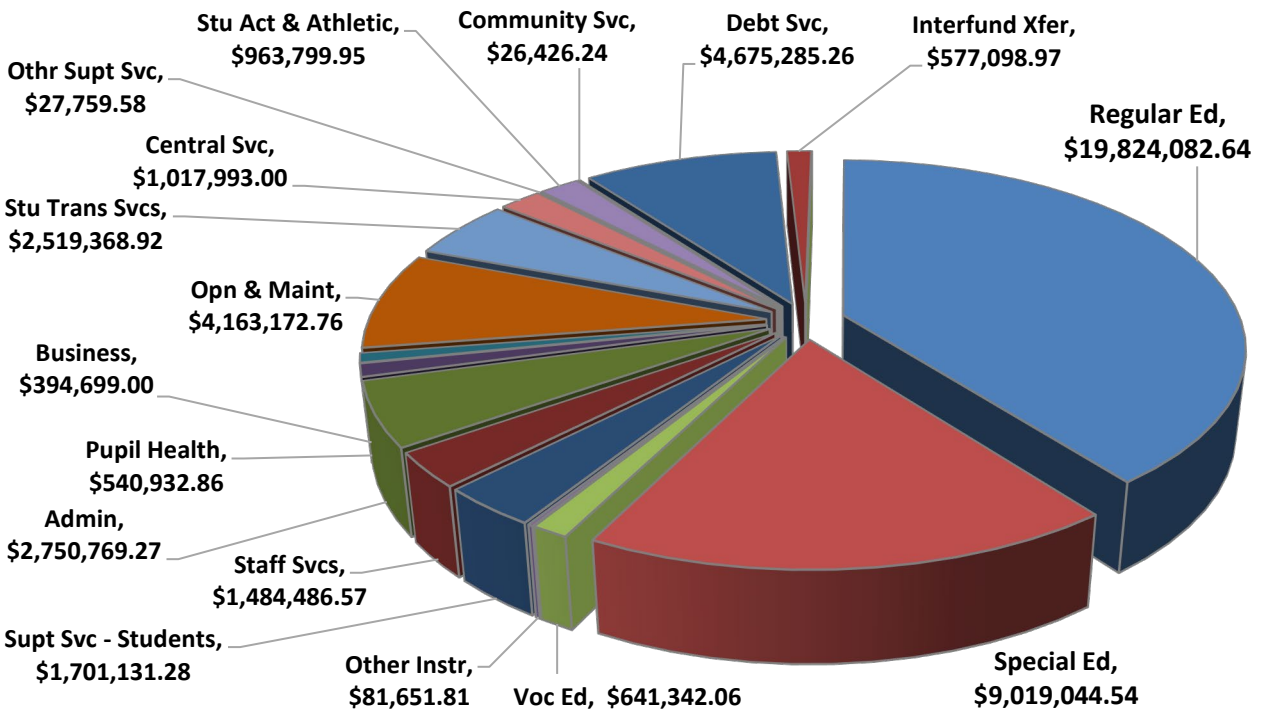
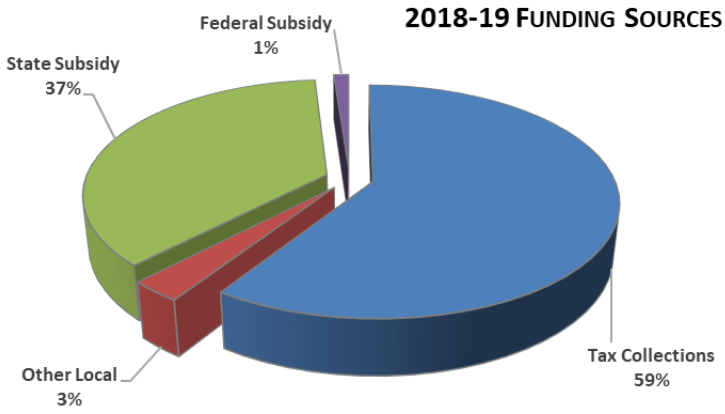
This discussion and analysis provides an overview of the District's financial performance for the year ending June 2019. The report format is in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Management's Discussion and Analysis (MD&A) includes comparisons of financial position at June 30, 2019 and 2018. The MD&A also includes comparisons of current year financial activities to the previous year. The 2018 amounts come from our prior year MD&A and are otherwise not a part of the June 2019 financial statements. Please read our discussion and analysis in conjunction with the District's financial statements, which begin on page 20. 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.

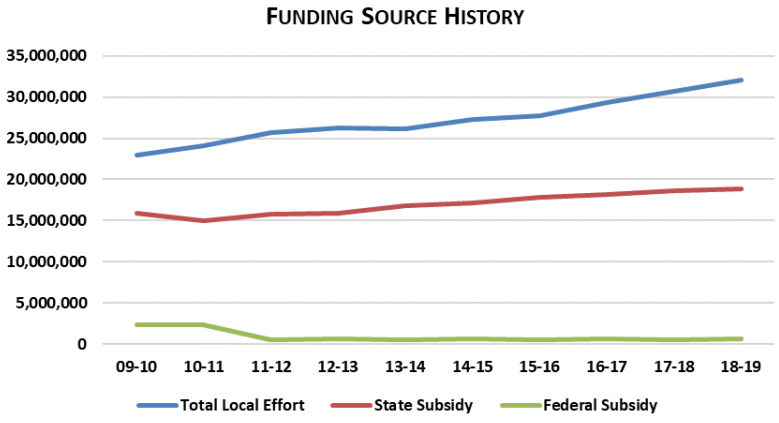
FINANCIAL HIGHLIGHTS



General Fund revenues increased 3.6% from $49,804,780 in 2017-18 to $51,602,006 in 2018-19; expenditures and other uses (sources) increased from $48,692,477 in 2017-18 to $50,409,045 in 2018/19 or 3.5% from the prior year. The District added $1,192,961 to the fund balance for a total of $11,589,336 as of June 30, 2019. Of that total, $2,200,000 is prepaid employee health insurance, $554,000 is committed for PSERS expense and $4,850,000 is assigned for various uses, including PSERS, healthcare, special education, security, mental health and technology, leaving an unassigned balance of $4,185,336. The Administration transferred $500,000 from the General Fund to the Capital Project Fund as of June 30, 2019. The General Fund unassigned balance is 7.99% of the $52,354,735 contained in the 2019-20 Budget – 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 59% of revenues. In 2010-11 the Federal portion of total revenue was 6% due to American Recovery and Reinvestment Act (ARRA) funding. Eight years later, in 2018-19, Federal revenue continues at the pre-ARRA 1% of total revenues. The Commonwealth's contribution held steady at 37% in 2018-19; but is down from 38% in 2016-17.





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

The economy's impact on the District is positive with assessed value increasing along with EIT. Investment income in the General Fund increased from $225,788 in 2017-18 to $410,412 in 2019-20 due to rising interest rates on the District's invested fund balance.

The District continues to see some fluctuation in EIT revenue; but, an overall positive trend with the occasional dip due to the local economy. The District collected $5.481 million in 2017-18 and that increased to $5.599 million in 2018-19.

On April 13, 2017 the District closed on $12,635,000 in General Obligation Bonds, Series of 2017, resulting in $13,004,518 deposit to the Newville Projects Fund. The Newville project completed in 2018, with the remaining funds transferred to the summer 2019 projects (Phase 2). The District again 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 District closed on bonds 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. A summary of the 2018/19 projects and spending:

Ph2 Building Construction	Total	Change Ord	2017 Bond	2018 Bond	Bal Jun 30 2019
Middle School:					
Complete reno of auditorium, LGI, library; add collaborative spaces for STEM, servers & video storage.	**2,550,200**	**20,053**	**232,568**	**294,371**	**2,043,315**
High School:					
Replace commons windows, program to tech ed, library& TV studio,	**209,967**	**-**	**7,367**	**42,948**	**159,642**
Mt Rock Elem					
Reno of LGI, library, kitchen & sewage plant, add shelter system	**1,845,200**	**18,512**	**434,394**	**214,488**	**1,214,830**
Oak Flat					
Reno computer lab/LGI, repalce door hardware, add shelter system	**516,025**	**5,258**	**105,700**	**64,276**	**351,308**
Selected HVAC at MS & OF	123,000		61,456	-	61,544
Select Plumbing at MS, MR, HS & OF	211,800		47,533	-	164,267
Total Ph2 Building Construction	**5,456,192**	**43,823**	**889,018**	**616,082**	**3,994,905**

Ph2 Technology Upgrades	Total	C/O	2017 Bond	2018 Bond	Bal Jun 30 2019
Middle School: Security cameras, data wiring, A/V, bells, clocks & speakers	**528,518**	-	**149,338**	-	**379,180**
Mt Rock: Cameras, data wiring, bells, clocks & speakers	**227,683**	**-**	**40,000**	**29,800**	**157,883**
Oak Flat: cameras, data wiring, bells, clocks & speakers	**224,771**	**-**	**38,500**	**43,019**	**143,252**
Total Ph2 Technology Upgrades	**980,973**	**-**	**417,176**	**102,619**	**1,217,380**
Total 2018/19	**6,437,165**	**43,823**	**1,306,194**	**718,701**	**5,212,284**

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The Capital Reserve Fund ending balance was $8,235,139 at June 2018 and fell to $7,652,997 at June 30, 2019. The District earned $168,776 of investment earnings in the capital reserve during 2018-19 but also spent $1,295,195.

During 2018-19, the District initiated several projects with the Capital Reserve Fund, including:

Project		2018-19
Pedestrian Safety (PennDOT Grant)	$	318,555.17
Replace Roof/Coat - MR & HS		539,600.00
Tech Upgrades		216,667.23
Associated Construction & Furniture		220,372.89
Total Capital Reserve Spend -SY19	**$**	**1,295,195.29**

On September 10, 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 District self-funds its healthcare using the South Central Trust (SCT). After several years of several high-dollar claims, the District's claims experience moderated and over the last four years the District's experience was less than the established premiums. With good claims experience, the balance in the trust increased from $3,342,697 on June 30, 2018 to $3,533,856 on June 30, 2019. This includes an additional $200,000 in prepaid employee health insurance added to the District's overall fund balances at June 30, 2019.

Actual healthcare expense was $3,099,158 in 2017-18 and increased slightly to $3,155,866 in 2018-19. Premiums decreased by 6% in 2016-17, 10% in 2017-18, 3.55% in 2018-19. For 2019/20, the premiums decreased -- for the fourth year in a row – by 2.33%.

The District continues under the restrictions of Act 1 which limits future increases in the District's real estate taxes and displaces a selected amount of local real estate taxes with gaming funds. The District was allotted gaming funds in the amount of $770,717 in 2018-19 (a decrease of $2,547 from 2017-18); these funds were distributed in equal amounts to each qualified taxpayer of $132.84 per homestead/farmstead.

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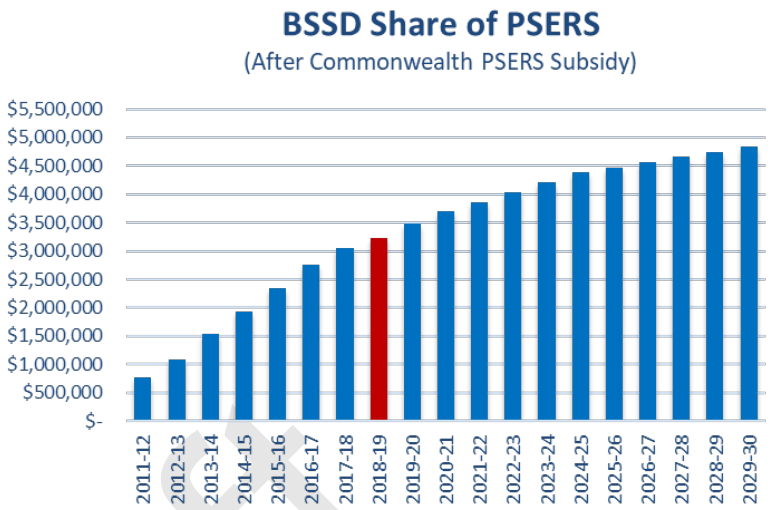
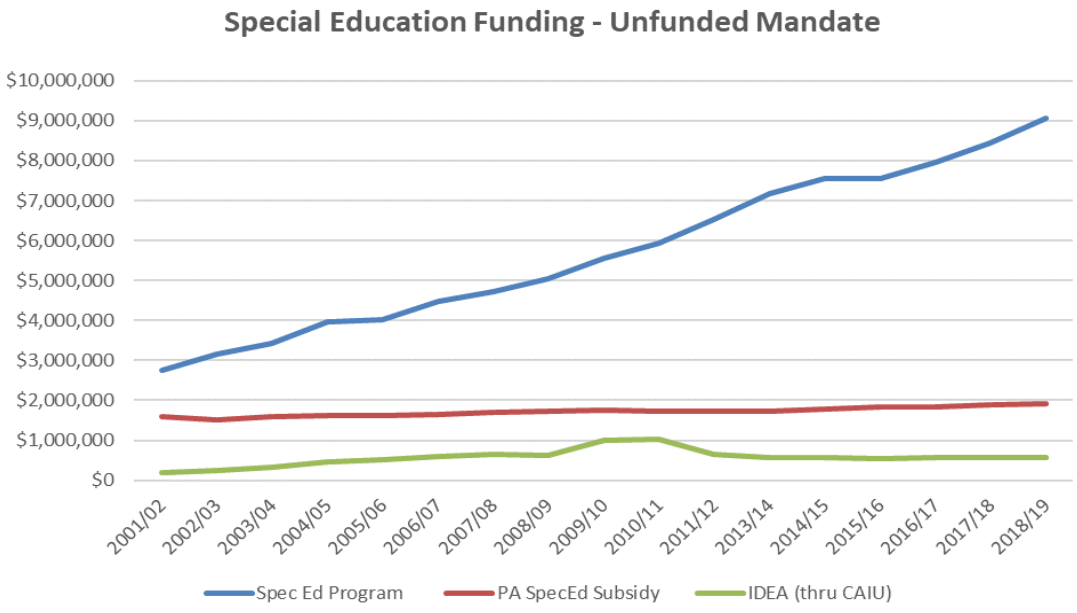
In November 2010 Act 120 reformed the PA State Employees Retirement System (PSERS) by implementing steep increases in employer contributions. As shown below, BSSD's total PSERS payment shot up from $1,543,501 in 2011-12 to $6,453,860 in 2018-19 with the Commonwealth returning approximately half that 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 District, or other subsidy dependent School Districts in Pennsylvania, will survive without some governmental leadership.

This 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 2018-19 increase was above average at 7.4%; however, PDE/State subsidy went up only 2.2 % and federal IDEA support increased by 2.3%. The 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 and declining support from the Federal IDEA program (see chart at right).



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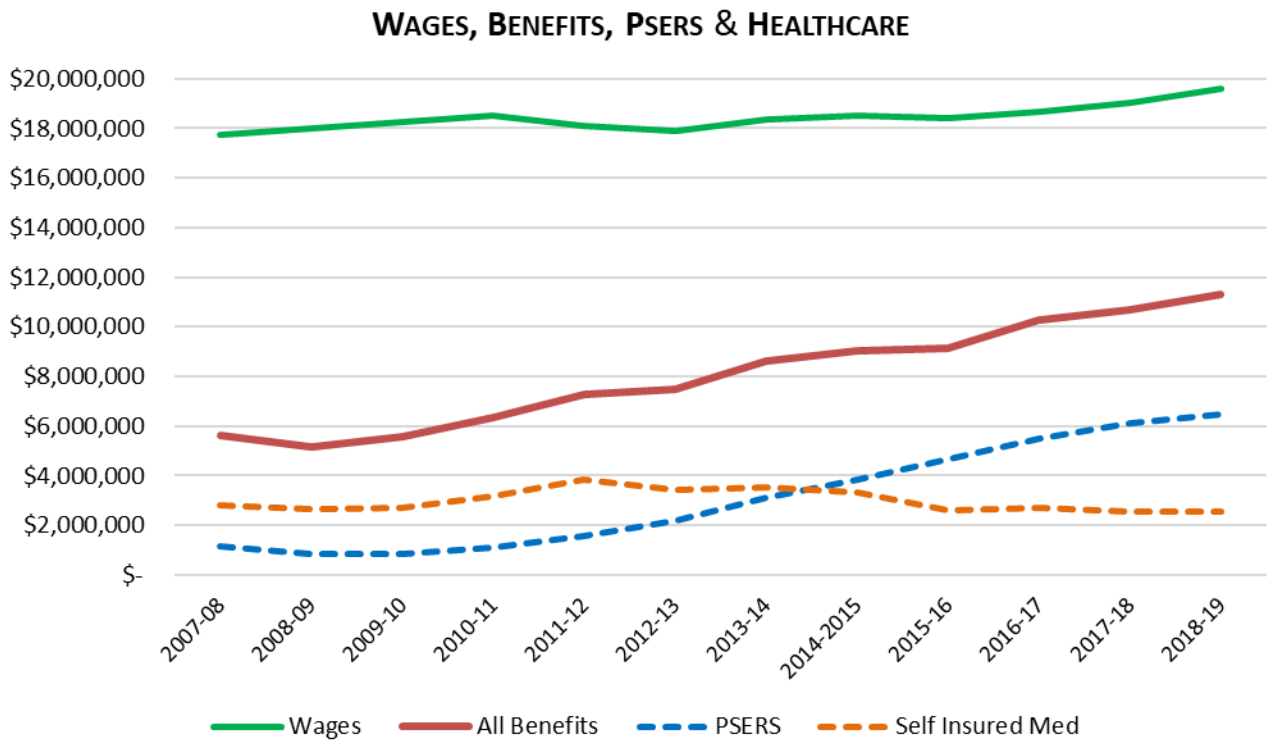

The chart above shows the relationship between wages and benefits for the budget dollar. Due to the quickly rising cost of retirement contributions, the uncertain future of healthcare and a need to add to the Capital Reserve, the District continues to restrain spending in other areas in order to offset budget expenses for personnel (salary & benefits). Even with those spending restraints, 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 (under the adjusted index limit of 3.2%). In June 2018 the Board voted to increase millage by 2% for the 2018-19 tax year, well under the adjusted index of 3%.

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 20 and 21. These statements provide information about the District as a whole, and present a longer-term view of District finances than fund financial statements. Fund financial statements are on pages 22, 24 and 26 through 29. For governmental funds, the statements show how 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 District for student activities.

Page 23 reconciles total governmental fund balances to total net position of governmental activities. Page 25 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 District's funds rather than the 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.

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THE 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 District's total net position was a deficit of $16.2 million at June 30, 2018 and a deficit of $14.7 million at June 30, 2019. The June 2018 & 2019 deficits result from the requirement to include pension related debt of $68.5 million and a $6.6 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 20).

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 34.5	$ 44.6	$ 0.8	$ 0.6	$ 35.3	$ 45.2
Capital assets	70.2	61.7	0.8	0.2	71.0	61.9
Total assets	104.7	106.3	1.6	0.8	106.3	107.1
Deferred outflows for OPEB	0.5	0.3	n/a	n/a	0.5	0.3
Deffered outflows for pension	10.2	10.5	n/a	n/a	10.2	10.5
Total deferred outflows of resources	10.7	10.8	n/a	n/a	10.7	10.8
Current and other liabilities	8.2	8.5	0.2	0.1	8.4	8.6
Long-term liabilities	120.4	123.8	-	-	120.4	123.8
Total liabilities	128.6	132.3	0.2	0.1	128.8	132.4
Deferred inflows for OPEB	1.0	0.2	n/a	n/a	1.0	0.2
Deferred inflows for pension	1.9	1.5	n/a	n/a	1.9	1.5
Total deferred inflows of resources	2.9	1.7	n/a	n/a	2.9	1.7
Capital assets (net of related debt)	25.9	14.0	0.9	0.2	26.8	14.2
Restricted for capital projects	5.5	15.9		-	5.5	15.9
Unrestricted	(47.5)	(46.8)	0.6	0.5	(47.0)	(46.3)
Total net position	$ (16.1)	$(16.9)	$ 1.4	$ 0.7	$(14.7)	$(16.2)

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At the end of fiscal year 2017, the total net position for governmental activities was reported as $ (13.9). It was restated to $(19.3) to reflect the cumulative adjustment related to the adoption of a new accounting standard, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This is discussed on page 39 of the footnotes accompanying the 2018 financial statements. The 2019 net position is $(14.7).

Beginning July 1, 2014, the 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 District's financial statements beginning with 2014-15 and continuing this year.

Statement of Activities

The following summarizes the Statement of Activities (page 21). It shows that total net position increased by $774,512 in 2019 and $2,465,517 in 2018.

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Program revenues						
Charges for services	$ 0.5	$ 0.6	$ 0.6	$ 0.6	$ 1.1	$ 1.2
Operating grants and contributions	9.2	8.8	0.6	0.6	9.8	9.4
Capital grants and contributions	0.6	0.8		-	0.6	0.8
General revenues					-	
Taxes	30.6	29.0		-	30.6	29.0
Earnings on investments	0.8	0.5		-	0.8	0.5
Gain on sale of capital assets	-	-		-	-	-
State general subsidies	10.2	10.1		-	10.2	10.1
Total revenues	52.0	49.8	1.2	1.2	53.2	51.0
Direct expenses	50.4	47.2	1.3	1.3	51.7	48.5
Excess revenues (expenses) before transfers	1.6	2.6	(0.1)	(0.1)	1.5	2.5
Transfers between activities	(0.8)	(0.1)	0.8	0.1	-	-
Change in net assets	$ 0.8	$ 2.5	$ 0.7	$ -	$ 1.5	$ 2.5

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

Draft

The following summarizes expense information from the Statement of Activities (page 21). 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	
	2019	2018	2019	2018	2019	2018
Instruction	32.4	$ 30.6	$ 6.8	$ 6.1	$ 25.6	$ 24.5
Instructional student support	3.8	3.7	0.5	0.4	3.3	3.3
Administrative and financial support	4.6	4.0	0.4	0.9	4.2	3.1
Operation and maintenance of plant	4.5	4.2	0.3	0.2	4.2	4.0
Pupil transportation	2.5	2.5	1.6	1.5	0.9	1.0
Student activities	1.2	1.1	0.1	0.2	1.1	0.9
Community services	-	-	-	-	-	-
Interest on long-term debt	1.4	1.1	0.7	0.8	0.7	0.3
	50.4	$ 47.2	$ 10.4	$ 10.1	40.0	37.1
Transfers to business-type activities					0.8	0.1
Total governmental activities					40.8	37.2
State general subsidies revenues					10.2	10.0
Total needs from taxes and other local sources					$ 30.6	$ 27.2

	Business-type Activities					
	Direct Expenses		Program Revenues		Net Expense	
	2019	2018	2019	2018	2019	2018
	$ 1.3	$ 1.3	$ 1.2	$ 1.2	$ (0.1)	$ 0.1
Transfers from governmental activities and investment earnings					0.8	(0.1)
					$ 0.7	$ -

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THE DISTRICT'S FUNDS

Governmental Funds – fund balances

	2019	2018	Change
General fund - nonspendable	$ 2.2	$ 2.0	$ 0.2
General fund - committed	0.6	0.6	-
General fund - assigned	4.8	4.0	0.8
General fund - unassigned	4.2	4.0	0.2
Capital reserve fund - committed	7.6	8.2	(0.6)
Capital projects fund - restricted	5.5	15.9	(10.4)
Governmental fund balances	$ 24.9	$ 34.7	$ (9.8)
Total reserved + nonspendable	$ 2.2	$ 2.0	$ 0.2
Total restricted	5.5	15.9	(10.4)
Total committed	8.2	8.8	(0.6)
Total assigned	4.8	4.0	0.8
Total unassigned	4.2	4.0	0.2
Total governmental funds	$ 24.9	$ 34.7	$ (9.8)

Draft

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 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 and 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.

Changes from 2017 to 2018

The 2017-18 General Fund budget used $179,986 from fund balance to cover the deficit. At year end June 30, 2018, the General Fund increased by $1,112,302 after a $1.5 million transfer to capital reserve. The increase to fund balance included an additional $650,000 of nonspendable fund balance in South Central Trust due to medical claims that were less than projected. In addition to the nonspendable total of $2,000,000, the 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 and associated support), $550,000 for Special Education and $200,000 for upgrade of the Student and Financial Information Systems for a total of $10,596,375. Due in part to the transfer from the General Fund, the Capital Reserve fund increased from $418,062 at June 30, 2017 to $8,235,139 in 2018.

General Fund Budget

The following summarizes the budgetary comparison information presented on page ORSI-1, along with comparisons to the previous year.

	Final Budget		Actual Amount		Variance	
	2019	2018	2019	2018	2019	2018
Total revenues	$ 50.2	$ 49.1	$ 51.6	$ 49.8	$ 1.4	$ 0.7
Total expenditures	50.2	48.5	49.8	47.1	(0.4)	(1.4)
Excess revenues (expenditures)	(0.0)	0.6	1.8	2.7	1.8	2.1
Other financing sources (uses)	(0.2)	(0.8)	(0.6)	(1.6)	(0.4)	(0.8)
Net change in fund balance	$ (0.2)	$ (0.2)	$ 1.2	$ 1.1	$ 1.4	$ 1.3

In 2019 actual revenues exceeded the actual expenditures by $1,770,060. Actual expenditures were $327,901 under the final budgeted amount while revenues were $1,425,075 more than budgeted.

Under the modified accrual basis of accounting, the District considers taxes unavailable to be recognized as revenue unless they are received within 2 months after the fiscal year. The District's unavailable tax revenue was $1.7 million at June 2019 – similar to June 2018.

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CAPITAL ASSETS

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

	Capital assets (net of depreciation)		
	2019	2018	Change
Governmental activities			
Land	$ 0.9	$ 0.9	$ (0.0)
Construction in progress	6.8	5.0	1.8
Buildings and improvements	58.9	52.5	6.4
Furniture and equipment	1.4	1.5	(0.1)
Library books	0.2	0.2	-
Technology equipment	2.1	1.6	0.5
	$ 70.2	$ 61.7	$ 8.5
Business-type activities			
Furniture and equipment	$ 0.9	$ 0.2	$ 0.7

Capital assets in the governmental activities were $70.2 million at June 30,2019 and $61.7 million at June 2018. The District purchased $11.8 million in assets against $3.2 in depreciation resulting in an increase of $8.6 in capital assets for 2019. In 2018, the District purchased more than $7.9 million in assets against $2.9 million in depreciation resulting in an approximate increase of $5.0 million in capital assets for 2018.

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LONG-TERM LIABILITIES

The following summarizes the long-term liabilities note to financial statements (starting at page 47). Most of the debt is general obligation bonds and notes issued to pay for capital improvements. The District's ability to raise future funds through the issuance of debt depends on how existing bonds are rated by the investment community.

	2019	2018	Change
Governmental activities			
General obligation bonds and notes	$ 43.3	$ 46.6	$ (3.3)
Bond premiums (discounts)	1.1	1.1	(0.0)
Compensated absences	0.9	0.9	0.0
Net OPEB liability	6.6	7.2	(0.6)
Net pension liability	68.5	68.0	0.5
Total liabilities	$ 120.3	$ 123.8	$ (3.5)

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

On April 13, 2017 the District closed on $12,635,000 in General Obligation Bonds, Series of 2017, resulting in a $13,004,518 deposit to the Newville Projects Fund. On April 3, 2018 the District closed on bonds 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.

Other post-employment benefits (OPEBs) has to do with purchasing discounted health insurance after retirement through the District. The District's July 2019 actuarial accrued liability of $7.2 million, included deferred inflows and outflows, is being amortized over a period of 30 years. Additional OPEB detail is available starting at page 49 of the notes.

GASB 68 requires the District to report its pension related items. The net pension liability, including deferred outflows and inflows, was $59.1 million at June 30, 2018 and grew to $60.1 million at June 2019. Effective July 1, 2017 the 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.

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NEXT YEAR'S BUDGET AND OTHER FACTORS

	Original Budget 2019-20	2018-19	Change
Total revenue	$ 51.9	$ 50.2	$ 1.7
Total expenditures and other uses	52.4	50.4	2.0
Excess revenues (expenditures)	$ (0.5)	$ (0.2)	$ (0.3)

The Big Spring School District strengthened its commitment to a strong educational program for students while minimizing the burden on taxpayers. In June 2019 the District approved a $52,354,735 budget to cover the increasing cost of salary, benefits and special education programs. The Commonwealth continues to struggle with any meaningful increase in basic education funding due to the increasing cost of retirement contributions. The American Recovery and Reinvestment Act funding is gone, and federal support is now flat, which in light of inflation is a reduction. In addition, the District continues to expand services for special needs students with minimal additional state funding. For 2018-19, the District reduced healthcare premiums by 3.55% and 2.33% in the 2019-20 budget.

The 2019-20 budget shows an estimated revenue of $51,898,319 or $1,721,388 (3.4%) over the 2018-19 amount of $50,176,931. The real estate millage increased 2.5% --from 14.3238 to 14.6361. The earned income tax rate remains at 1.65%.

The 2019-20 expenditure and other uses budget is $52,354,735, an increase of $1,958,157 or 3.9% over the 2018-19 budget of is $50,396,578. The 2019-20 budget exceeded revenues by $456,416. The major drivers of the 2019-20 budget are the 3.05% wage increase for CBA salaries, 3% for administrative and support staffs and the PSERS contribution rate increased from 33.43% in 2018-19 to 34.29% in 2019-20 – a 2.6% year over year increase in rate. The projected PSERS rate for 2020-21 is 35.26; however, that is subject to increase based on PSERS final Board vote in December.

In 2016-17 the District continued its expansion and upgrade of both technology infrastructure and student devices. It also began a parallel process to update and reconfigure the learning environments at the three elementary schools in a series of renovations in the summer of 2018 and 2019. Following the completion of the Newville renovation in summer 2018, along with phase 1 of Mt. Rock's renovation, in the spring of 2019 the District accepted bids for the following projects in 2019:

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2019 Projects

2018 (Ph2) Building Project Bids	Construction	Tech
Middle School:		
Complete reno of auditorium, LGI, library; add collaborative spaces for STEM, servers & video storage.	**2,550,200.00**	**528,518.13**
High School:		
Replace commons windows, program to tech ed, library& TV studio,	**209,967.00**	
Mt Rock Elem		
Reno of LGI, library, kitchen & sewage plant, add shelter system, cameras, data wiring, bells, clocks & speakers	**1,845,200.00**	**227,683.23**
Oak Flat		
Reno computer lab/LGI, repalce door hardware, add shelter system, cameras, data wiring, bells, clocks & speakers	**516,025.00**	**224,771.30**
Selected HVAC at MS & OF	**123,000.00**	
Select Plumbing at MS, MR, HS & OF	**211,800.00**	
Total Ph2 Building Construction	**5,456,192.00**	**980,972.66**

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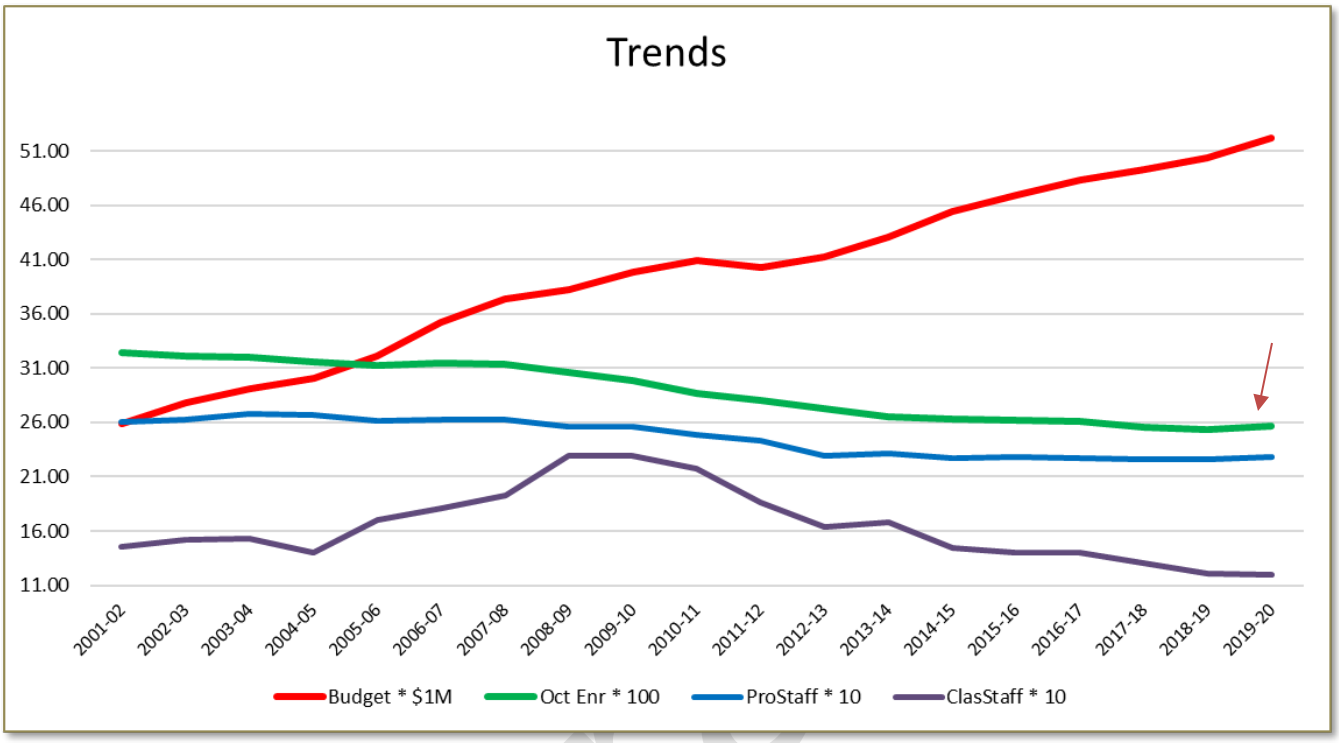
Looking ahead, the near term challenge for the District continues to be reliable Commonwealth funding given the weight of pension debt. While the overall expenditure budget grew by 3.9%, the basic education funding amount grew by only 2.1% - forcing more effort onto the local level. The new funding formula will be a continuing challenge for the District as its budgets depended on the old hold harmless funding process. The District hasn't raised taxes to the index in the last 3 years and it appears that will be possible for the 2019-20 and 2020-21 budgets also. As this process completes, the enrollment for the 2019-20 year shows a significant jump of 30 students – the first increase in 10 years. The longer term challenge for the District is captured in the graph below. If the increased enrollment continues, this will put pressure on the District to increase staffing along with the PSERS penalty that goes with any increase – just as the state funding formula reduces the 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 District stands committed to ensuring the best opportunities for students. The 2019-20 budget balances the requirement to protect essential programs versus tax increases.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

The District's financial report is intended to provide the readers with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact 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, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 20,081,640	$ 688,111	$ 20,769,751
Taxes receivable (net of allowance for uncollectibles)	1,994,065	-	1,994,065
Internal balances	17,371	(17,371)	-
Due from other governments	2,999,224	9,221	3,008,445
Other receivables	72,797	21,976	94,773
Inventories	-	16,854	16,854
Prepaid health insurance	2,200,000	-	2,200,000
Restricted cash	7,084,470	-	7,084,470
Capital assets not being depreciated	7,698,604	-	7,698,604
Capital assets being depreciated, net	62,563,308	854,077	63,417,385
Total assets	104,711,479	1,572,868	106,284,347
Deferred outflows of resources			
Deferred outflows for OPEB	473,825	-	473,825
Deferred outflows for pension	10,245,472	-	10,245,472
Total deferred outflows of resources	10,719,297	-	10,719,297
Liabilities			
Accounts payable	3,663,550	146,386	3,809,936
Payroll and benefits payable	4,135,094	-	4,135,094
Unearned revenues	430	21,823	22,253
Accrued interest on bonds payable	425,839	-	425,839
Long-term liabilities			
Due within one year	3,580,000	-	3,580,000
Due in more than one year, net	41,689,369	-	41,689,369
Net OPEB liability	6,626,081	-	6,626,081
Net pension liability	68,455,000	-	68,455,000
Total liabilities	128,575,363	168,209	128,743,572
Deferred inflows of resources			
Deferred inflows for OPEB	1,046,082	-	1,046,082
Deferred inflows for pension	1,893,722	-	1,893,722
Deferred charges on refundings	10,268	-	10,268
Total deferred inflows of resources	2,950,072	-	2,950,072
Net position			
Invested in capital assets (net of related debt)	25,938,868	854,077	26,792,945
Restricted for capital projects	5,462,428	-	5,462,428
Unrestricted (deficit)	(47,495,955)	550,582	(46,945,373)
Total net position (deficit)	$ (16,094,659)	$ 1,404,659	$ (14,690,000)

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions/Programs	Direct Expenses	Program Revenues: Charges for Services	Program Revenues: Grants and Contributions: Operating	Program Revenues: Grants and Contributions: Capital	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	$ 32,374,967	$ 415,347	$ 6,332,227	$ -	$ (25,627,393)	$ -	$ (25,627,393)
Instructional student support	3,821,375	-	556,535	-	(3,264,840)	-	(3,264,840)
Administrative and financial support	4,612,986	18,976	379,500	-	(4,214,510)	-	(4,214,510)
Operation and maintenance of plant	4,498,565	-	285,184	-	(4,213,381)	-	(4,213,381)
Student transportation	2,525,211	26,753	1,569,057	-	(929,401)	-	(929,401)
Student activities	1,213,203	66,642	85,770	-	(1,060,791)	-	(1,060,791)
Community services	26,800	5,573	1,661	-	(19,566)	-	(19,566)
Interest on long-term debt	1,358,454	-	-	641,206	(717,248)	-	(717,248)
Total governmental activities	50,431,561	533,291	9,209,934	641,206	(40,047,130)	-	(40,047,130)
Business-type activities							
Food service	1,280,250	613,222	629,498	-	-	(37,530)	(37,530)
Total school district	$ 51,711,811	$ 1,146,513	$ 9,839,432	$ 641,206	(40,047,130)	(37,530)	(40,084,660)
General revenues							
Real estate taxes					24,297,938	-	24,297,938
Earned income taxes					5,639,527	-	5,639,527
Personal taxes					59,442	-	59,442
Other taxes					601,224	-	601,224
Investment earnings					822,369	5,614	827,983
State general subsidies					10,220,505	-	10,220,505
Gain (Loss) on disposal of assets					(31,764)	(15,175)	(46,939)
Transfers					(787,599)	787,599	-
Total general revenues and transfers					40,821,642	778,038	41,599,680
Change in net position					774,512	740,508	1,515,020
Net position (deficit) - beginning					(16,869,171)	664,151	(16,205,020)
Net position (deficit) - ending					$ (16,094,659)	$ 1,404,659	$ (14,690,000)

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

BIG SPRING SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

	General	Capital Reserve	Capital Projects Newville	Capital Projects Mt. Rock	Total
Assets					
Cash and cash equivalents	$ 12,806,417	$ 7,275,223	$ -	$ -	$ 20,081,640
Restricted cash and cash equivalents	-	-	473,927	6,610,543	7,084,470
Taxes receivable (net of allowance for uncollectibles)	1,994,065	-	-	-	1,994,065
Due from governmental funds	-	500,000	-	-	500,000
Due from proprietary funds	17,371	-	-	-	17,371
Due from other governments	2,999,224	-	-	-	2,999,224
Other receivables	72,797	-	-	-	72,797
Prepaid health insurance	2,200,000	-	-	-	2,200,000
Total assets	$ 20,089,874	$ 7,775,223	$ 473,927	$ 6,610,543	$ 34,949,567
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	$ 1,919,282	$ 122,226	$ 439,679	$ 1,182,363	$ 3,663,550
Payroll and benefits payable	4,135,094	-		-	4,135,094
Unearned revenues	430	-		-	430
Due to governmental funds	500,000	-		-	500,000
Total liabilities	6,554,806	122,226	439,679	1,182,363	8,299,074
Deferred inflows of resources					
Unavailable tax revenue	1,745,732	-	-	-	1,745,732
Fund balances					
Nonspendable - employee health insurance	2,200,000	-	-	-	2,200,000
Restricted					
Capital outlays	-	-	34,248	5,428,180	5,462,428
Committed					
Capital outlays	-	7,652,997	-	-	7,652,997
Pension plan rate increases	554,000	-	-	-	554,000
Assigned - various items	4,850,000	-	-	-	4,850,000
Unassigned	4,185,336	-	-	-	4,185,336
Total fund balances	11,789,336	7,652,997	34,248	5,428,180	24,904,761
Total liabilities, deferred inflows of resources and fund balances	$ 20,089,874	$ 7,775,223	$ 473,927	$ 6,610,543	$ 34,949,567

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

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BIG SPRING SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances - Governmental funds		$ 24,904,761
Amounts presented for governmental activities in the statement of net position are different because:		
Capital assets are not financial resources and therefore are not presented as assets in the governmental funds, but are reported in the governmental activities in the statement of net position. At year end, capital assets consist of:		
Cost of assets	$ 115,706,878	
Accumulated depreciation	(45,444,966)	70,261,912
Taxes receivable will be collected, but are not available soon enough to pay for current year expenditures, and therefore are unavailable in the governmental funds. At year end, these taxes receivable consist of:		
Real estate and personal taxes	495,732	
Earned income taxes	1,250,000	1,745,732
Certain liabilities are not due and payable in the current year, and therefore are not reported as liabilities in the governmental funds. At year end, these liabilities consist of:		
Bonds and note payable	(43,255,000)	
Compensated absences	(946,325)	
Long-term liabilities	(44,201,325)	
Accrued interest on bonds and notes payable	(425,839)	(44,627,164)
Bond discounts (premiums) and charges on refundings are presented as expenditures in the governmental funds. At year end, remaining unamortized bond related items consist of:		
Bond discounts (premiums)	(1,068,044)	
Deferred charge on refundings	(10,268)	(1,078,312)
Certain liabilities, such as the net pension and net OPEB obligations, are not due and payable in the current year and, therefore, are not reported in the governmental funds. At year end, these liabilities consist of:		
Net pension liability		(68,455,000)
Net OPEB liability		(6,626,081)
Deferred outflows and inflows of resources related to pensions and OPEBs are applicable to future periods, and therefore, are not reported in the governmental funds. At year end, these consists of:		
Deferred outflows of resources related to pensions	10,245,472	
Deferred inflows of resources related to pensions	(1,893,722)	8,351,750
Deferred outflows of resources related to OPEBs	473,825	
Deferred inflows of resources related to OPEBs	(1,046,082)	(572,257)
Net position (deficit) - Governmental activities		$ (16,094,659)

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

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BIG SPRING SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	General	Capital Reserve	Capital Projects Newville	Capital Projects Mt. Rock	Total
Revenues					
Local sources - taxes	$ 30,586,658	$ -	$ -	$ -	$ 30,586,658
Local sources - other	1,519,579	168,776	73,202	169,979	1,931,536
State sources	18,887,353	-	-	-	18,887,353
Federal sources	608,416	-	-	-	608,416
Total revenues	51,602,006	168,776	73,202	169,979	52,013,963
Expenditures					
Instruction	29,566,121	-	-	-	29,566,121
Support services	14,600,314	284,776	-	-	14,885,090
Noninstructional services	990,226	-	-	-	990,226
Capital outlay	-	1,010,419	5,938,674	4,032,008	10,981,101
Debt service (principal and interest)	4,675,285	-	-	-	4,675,285
Total expenditures	49,831,946	1,295,195	5,938,674	4,032,008	61,097,823
Excess (deficiency) of revenues over expenditures	1,770,060	(1,126,419)	(5,865,472)	(3,862,029)	(9,083,860)
Other financing sources (uses)					
Gain (Loss) on sale of assets	-	44,277	-	-	44,277
Transfers from other funds	-	500,000	-	-	500,000
Transfers to other funds	(577,099)	-	(710,500)	-	(1,287,599)
Net changes in fund balances	1,192,961	(582,142)	(6,575,972)	(3,862,029)	(9,827,182)
Fund balances - beginning	10,596,375	8,235,139	6,610,220	9,290,209	34,731,943
Fund balances - ending	$ 11,789,336	$ 7,652,997	$ 34,248	$ 5,428,180	$ 24,904,761

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

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, 2019

Total net change in fund balances - Governmental funds		$ (9,827,182)
Amounts presented for governmental activities in the statement of activities are different because:		
Capital outlays are presented as expenditures in the governmental funds. In the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. During the year, capital outlays and depreciation expense are as follows:		
Capital outlays	$ 11,843,177	
Disposals (adjusted cost basis of the assets exceeded the amount of proceeds received)	(76,041)	
Depreciation expense	(3,203,122)	8,564,014
Because some taxes will not be collected until more than two months after the end of the fiscal year, they are not considered as available revenues in the governmental funds. Unavailable taxes increased (decreased) during the year as follows:		
Real estate and personal taxes	(28,527)	
Earned income taxes	40,000	11,473
Bond and note proceeds and principal repayments are presented as other financing sources and expenditures (other financing uses if refunded bonds) in the governmental funds. In the statement of activities, proceeds and repayments do not effect net position. During the year, proceeds and principal repayments are as follows:		
Bond proceeds	-	
Principal repayments	3,330,000	3,330,000
Bond discounts (premiums) and charges on refundings (any difference between the carrying amount of refunded debt and its payoff amount) are presented as expenditures in the governmental funds. In the statement of activities, these amounts are allocated over the life of the debt as amortization expense. During the year, costs incurred and amortization expense are as follows:		
Bond discounts (premiums) and charges on refundings on new bonds	-	
(Amortization) and accretion, net	92,670	92,670
Payments of interest are presented as expenditures in the governmental funds when the payment is due. In the statement of activities, the expense is measured by the amount accrued during the year. The liability for accrued interest on bonds and notes payable increased during the year.		(105,839)
Payments of compensated absences are presented as expenditures in the governmental funds. In the statement of activities, the expense is measured by the amount earned by employees during the year. The liability for compensated absences increased during the year.		(84,725)
Payments of other postemployment benefits are presented as expenditures in the governmental funds. In the statement of activities, the expense includes actuarial estimates, primarily for amortization of prior costs. The liability for other postemployment benefit and changes in deferred inflows and outflows increased during the year.		(191,723)
Pension costs are presented as expenditures in the governmental funds. In the statement of activities, the changes in the unfunded pension obligation and changes in the deferred outflows and inflows related to pension are reported as additional pension costs. The liability for net pension costs and changes in deferred inflows and outflows increased during the year.		(1,014,176)
Change in net position - Governmental activities		$ 774,512

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

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BIG SPRING AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Food Service
Assets	
Current assets	
Cash and cash equivalents	$ 688,111
Due from other governments	9,221
Other receivables	21,976
Inventories	16,854
Total current assets	736,162
Capital assets being depreciated, net	854,077
Total assets	1,590,239
Liabilities	
Current liabilities	
Accounts payable	146,386
Due to governmental funds	17,371
Unearned revenues	21,823
Total current liabilities	185,580
Net position	
Invested in capital assets (net of related debt)	854,077
Unrestricted	550,582
Total net position	$ 1,404,659

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

	Food Service
Operating revenues - Food service revenue	$ 613,222
Operating expenses	
Salaries	81,555
Employee benefits	4,784
Food service management - non-food costs	626,414
Food and milk	482,519
Supplies and other expenses	22,102
Purchased property services - utilities	25,844
Depreciation	37,032
Total operating expenses	1,280,250
Operating income (loss)	(667,028)
Nonoperating revenues	
Earnings on investments	5,614
Loss on disposition of assets	(15,175)
State sources - meal subsidies	31,364
Federal sources - meal subsidies	523,559
Federal sources - donated commodities	74,575
Total nonoperating revenues	619,937
Income (loss) before transfers	(47,091)
Transfers from other funds	787,599
Change in net position	740,508
Net position - beginning	664,151
Net position - ending	$ 1,404,659

Draft

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

	Food Service
Operating activities	
Cash received from users	$ 614,502
Cash payments to employees for services	(86,339)
Cash payments to suppliers for goods and services	(1,070,975)
Net cash provided by (used for) operating activities	(542,812)
Non-capital financing activities	
State sources	34,420
Federal sources	649,990
General Fund advances (due from/to governmental funds)	786
General Fund contributed services	77,099
Net cash provided by (used for) non-capital financing activities	762,295
Capital and related financing activities	
Cash payments for equipment	(717,492)
Capital Projects Fund contributed assets	710,500
Net cash provided by (used for) capital and related financing activities	(6,992)
Investing activities	
Earnings on investments	5,614
Net cash provided by (used for) investing activities	5,614
Net change in cash and cash equivalents	218,105
Cash and cash equivalents - beginning	470,006
Cash and cash equivalents - ending	$ 688,111
Supplemental Disclosure of Noncash Transactions	
Donated commodities	$ 74,575
Capital Projects Fund contributed assets	$ 710,500
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	$ (667,028)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	37,032
Net change in other assets and other liabilities	
Other receivables	1,547
Inventories	(593)
Accounts payable	86,497
Unearned revenues	(267)
Total adjustments	124,216
Net cash provided by (used for) operating activities	$ (542,812)

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

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BIG SPRING SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Student Activities
Assets	
Cash and cash equivalents	$ 65,751
Investments	178,760
Total assets	244,511
Liabilities	
Due to student groups	244,511
Total liabilities	244,511
Net position	$ -

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Big Spring School District is the level of government which has oversight responsibility and control over activities related to public school education. The report includes services provided by the District to residents within its boundaries: 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. Services provided include a comprehensive curriculum for primary and secondary education as well as special education and vocational education programs. The District receives revenue from local, state and federal sources and must comply with the requirements of these funding sources.

Reporting entity

The Governmental Accounting Standards Board (GASB) establishes criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the established criteria. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are:

The economic resources received or held by the separate organization are entirely for the direct benefit of the District or its constituents.

The District is entitled to (or has the ability to) access a majority of the economic resources received or held by the separate organization.

The economic resources received or held by the separate organization that the District is entitled to (or has the ability to) access is significant to the District.

There are no component units that meet all of the above criteria for inclusion in this reporting entity.

Jointly-governed organizations

The District is a participant in three jointly-governed organizations, each of which is a separate legal entity that offers services to the 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.

Cumberland Perry Area Vocational Technical School provides vocational and technical education services and programs.

Cumberland County Tax Bureau provides earned income tax collection services.

Draft

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation

The financial statements of the District have been prepared in accordance with U.S. generally accepted accounting principles. GASB establishes U.S. generally accepted accounting principles for governments. Accounting guidance is also provided through the Comptroller's office for Pennsylvania's Department of Education. The more significant of these accounting policies are as follows:

Basis of presentation - District-wide financial statements

District-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present information on all of the nonfiduciary activities of the District. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are presented separately from business-type activities which rely to a significant extent, on fees and charges for support.

District-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Real estate and personal 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 and 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 and amortization are charged as an expense against current operations. Capital assets (net of accumulated depreciation), bonds and note payable (net of unamortized premiums or discounts), net OPEB liability and net pension liability are presented in the statement of net position.

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

Basis of presentation - Fund financial statements

Fund financial statements are also provided for all governmental funds, proprietary funds, and fiduciary funds of the District. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds, if any, are aggregated and presented in a single column. Fiduciary funds are reported by fund.

Draft

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation - Fund financial statements (Cont'd.)

Governmental funds are presented 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 received within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if received within 2 months of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recognized as unearned revenues until earned. Expenditures generally are recognized 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 recognized only when payment is due.

Proprietary funds generally follow standards for accounting and financial presentation for private business enterprises to the extent that those standards do not conflict with or contradict guidance of the GASB. The District does not attempt to allocate all "building-wide costs" to the proprietary fund. Thus, general fund expenditures which partially benefit the proprietary fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized with the proprietary fund. Similarly, the proprietary fund does not recognize a cost for the building space it occupies.

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

Fund accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

When both restricted and unrestricted resources are available, the District's general policy is to use the restricted (primarily operating grants) resources first, then unrestricted resources as needed.

The District has the following types of funds:

Governmental Funds – These funds account for activities through which most of the District's operations are provided.

Draft

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation - Fund financial statements (Cont'd.)

Fund accounting (Cont'd.)

Proprietary Funds – These funds account for operations of the District that are financed and operated in a manner similar to private business enterprises.

Fiduciary Funds – These funds account for assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are therefore not available to support the District's own programs.

The District presents the following major governmental funds:

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.

The Pennsylvania School Code dictates specific procedures relative to budget adoption and financial statement presentation. The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year. This process includes the publishing of notices by advertisement, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District, and that public hearings are held on the proposed operating budget which are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board may approve transfers of funds appropriated to any particular item of expenditure in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval, provided it is not at a higher level than the Board adopted budget.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recognized. Unused encumbrances expire at the end of each year.

Included in the budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies. These programs frequently result in supplementary budget appropriations.

Draft

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation - Fund financial statements (Cont'd.)

Fund accounting (Cont'd.)

The Capital Projects Funds can consist of more than one project, to separately account for each project, if required. Each issuance of new debt (primarily bonds) is a project to account for the debt proceeds and the expenditure of those proceeds. The District also maintains a Capital Reserve Fund 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.

The District presents the following proprietary fund:

The Food Service Fund accounts for the operations of the cafeterias.

The District presents the following fiduciary fund:

The Student Activities Fund accounts for programs operated and sponsored by various clubs and organizations within the schools.

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.

The types of authorized investments are limited by State regulations. Pooled investment funds are required to be operated in accordance with State regulations. Investments include certificates of deposit with original maturities greater than three months. Investments are stated at fair value.

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.

Receivables and payables between funds

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 district-wide financial statements as "internal balances". Balances between funds are short term items pending periodic repayments.

Draft

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Inventories and prepaid items

Inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expended when consumed. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation.

Certain payments, if any, to vendors reflect expenses applicable to future accounting periods and are presented as prepaid items in both 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 district-wide financial statements. Capital assets are defined by the 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 or estimated historical cost if purchased or constructed.

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 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 district-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	40	-
Site improvements	20	-
Furniture	15	15
Machinery and equipment	10 to 15	15
Library books	7	-
Audio visual equipment	6	-
Technology equipment	5	5

Draft

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Long-term liabilities

In district-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 outflows 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 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.

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 District's deferred inflows of resources at June 30, 2019 consist of various amounts related to pension and OPEB liabilities 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 District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Pensions

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

General information about the pension plan

Plan description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.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 one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members after July 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 in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Pensions (Cont'd.)

Benefits provided (Cont'd.)

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 benefits 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 2001 and before July 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 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%.

Employer contributions

The school districts' contractually required contribution rate for fiscal year ended June 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan for the District were $ 6,257,561 for the year ended June 2019.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Other postemployment benefits other than pensions

Eligible retirees, including teachers, administrators, and support staff are allowed to continue health insurance coverage for themselves and their dependents until the retiree attains the Medicare eligible age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a cost-sharing multiple employer defined benefit plan.

Other postemployment benefits - PSERS health insurance premium assistance

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer of the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 1/2 or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

General Information about the Health Insurance Premium Assistance Program (Cont'd.)

Pension Plan description

PSERS is a governmental cost-sharing multiple 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

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were $ 159,318 for the year ended June 30, 2019.

Net position

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

Invested in capital assets (net of related debt) - This category presents all capital assets into one component of net position. Accumulated depreciation and outstanding debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted - This category presents funds restricted for a specific purpose as per: External parties, contributors or enabling legislation.

Unrestricted - This category presents the net position (deficit) of the 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Governmental fund balances

GASB has established criteria for classifying fund balances into specifically defined classifications based on a hierarchy that reflects the extent to which the District is bound to honor constraints on how those funds can be spent. The District's general policy is to first use restricted funds, if any, prior to using unassigned funds. Classifications of fund balances are:

Nonspendable - Amounts that cannot be spent because they are either in a (a) non-spendable form (i.e. inventories) or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

Restricted - Amounts constrained to be used for a specific purpose as per: External parties, contributors or enabling legislation.

Committed - Amounts constrained to be used for a specific purpose as per: The District's highest level of decision making authority which is the Board of School Directors.

Assigned - Amounts intended to be used for a specific purpose as per: Committee (such as budget or finance) or individual authorized by the Board of School Directors (such as Superintendent or Business Manager).

Unassigned - Amounts available for any purpose (amounts that are not Nonspendable, Restricted, Committed or Assigned) in the General Fund.

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.

Recent accounting standards

The following reflects only those pronouncements initially effective in the current or upcoming reporting periods which based on our review, may be applicable to the District's reporting requirements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, and earlier application is encouraged. The District evaluated in the current year and determined it had no impact to the District's financial statements.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Recent accounting standards (Cont'd.)

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exits. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2018, and earlier application is encouraged. The District is currently evaluating what effect, if any, the adoption of GASB 84 will have on the District's financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, and earlier application is encouraged. The District is currently evaluating what effect, if any, the adoption of GASB 87 will have on the District's financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, and significant subjective acceleration clauses. It also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, and earlier application is encouraged. The District has evaluated in the current year and determined it had no impact to the District's financial statements.

There are other GASB pronouncements that will become effective for future reporting periods. The District has not evaluated the impact on the District's financial statements from these pronouncements.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Subsequent events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through _____, 2019, the date the financial statements were available to be issued.

CASH AND CASH EQUIVALENTS AND INVESTMENTS

Pennsylvania statutes provide for investment of District funds into authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of funds for investment purposes.

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be returned. The District does not have a formal investment policy for custodial credit risk. However, the District requires all deposits in excess of federal deposit insurance coverage to be collateralized by the depository institution with approved collateral as provided by law.

As of June 30, 2019, the District's deposits totaled $ 418,398 and the depository institution balances totaled $ 420,621. Of the depository institution balances, $ 358,989 was covered by federal deposit insurance and $ 61,632 was collateralized by pooled assets. The pledged collateral is held by the Federal Reserve Bank, but is not titled in the District's name.

The District also has cash equivalents and investments with organizations that operate as common law trusts established pursuant to the Intergovernmental Cooperation Act and related statues for the purpose of pooling investments. Each organization's fundamental policy is to maintain a net asset value of $ 1 per share, but there can be no assurance that the net asset value will not vary from $ 1 per share. They may only purchase securities which are permitted under PA law. As of June 30, 2019, District deposits in these organizations are as follows:

	Cash and Cash Equivalents	Investments
Pennsylvania School District Liquid Asset Funds (PSDLAF)	$ 27,492,666	$ -
Pennsylvania Local Government Investment Trust (PLGIT)	8,908	-

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The 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.

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CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

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

Cash and cash equivalents and investments are as follows:

	Cash and Cash Equivalents	Investments
Governmental activities	$ 27,166,110	$ -
Business-type activities	688,111	-
Fiduciary funds	65,751	178,760
	$ 27,919,972	$ 178,760

Investments consist of term investments and certificates of deposits with original maturities of more than three months from the date of acquisition. All of the certificates were held at either PLGIT or PSDLAF and are fully covered by federal depository insurance.

TAXES RECEIVABLE

Taxes receivable are as follows:

	Taxes Receivable (Gross)	Allowance for Uncollectibles	Taxes Receivable (Net)	Unavailable Tax Revenue
Real estate taxes	$ 739,669	$ (169)	$ 739,500	$ 491,167
Earned income taxes	1,250,000	-	1,250,000	1,250,000
Personal taxes	4,565	-	4,565	4,565
General Fund	1,994,234	(169)	1,994,065	1,745,732
Full accrual adjustment	-	-	-	(1,745,732)
Governmental activities	$ 1,994,234	$ (169)	$ 1,994,065	$ -

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DUE FROM/TO OTHER FUNDS AND INTERFUND TRANSFERS

Interfund balances are as follows:

Assets		Liabilities	
General Fund	$ 17,371	$ 17,371	Food Service Fund
Capital Reserve Fund	500,000	500,000	General Fund

Interfund transfers were as follows:

Other financing sources		Other financing uses	
Food Service Fund	$ 77,099	$ 77,099	General Fund
Capital Reserve Fund	500,000	500,000	General Fund
Food Service Fund	710,500	710,500	Capital Projects - Newville

DUE FROM OTHER GOVERNMENTS

Due from other governments are as follows:

	Governmental Activities	Business-type Activities
Local sources - earned income taxes	$ 758,830	$ -
Local sources - realty transfer taxes	29,173	-
Local sources - other schools	176,264	-
Local sources - other items	26,386	-
State sources	1,935,998	517
Federal sources	72,573	8,704
	$ 2,999,224	$ 9,221

Draft

CAPITAL ASSETS

Changes in capital assets were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 899,408	$ -	$ -	$ 899,408
Construction in progress	5,019,321	10,991,858	(9,211,983)	6,799,196
	5,918,729	10,991,858	(9,211,983)	7,698,604
Capital assets being depreciated				
Buildings and improvements	87,416,876	8,948,969	-	96,365,845
Furniture and equipment	4,127,854	594,495	(769,817)	3,952,532
Library books	2,308,721	-	-	2,308,721
Technology equipment	7,097,888	519,838	(2,236,550)	5,381,176
	100,951,339	10,063,302	(3,006,367)	108,008,274
Accumulated depreciation				
Buildings and improvements	(34,882,396)	(2,600,090)	-	(37,482,486)
Furniture and equipment	(2,644,228)	(121,645)	205,914	(2,559,959)
Library books	(2,077,848)	-	-	(2,077,848)
Technology equipment	(5,567,698)	(481,387)	2,724,412	(3,324,673)
	(45,172,170)	(3,203,122)	2,930,326	(45,444,966)
Capital assets being depreciated, net	55,779,169	6,860,180	(76,041)	62,563,308
Governmental activities capital assets, net	$ 61,697,898	$ 17,852,038	$ (9,288,024)	$ 70,261,912
Business-type activities				
Capital assets being depreciated				
Furniture and equipment	$ 1,689,887	$ 717,492	$ (146,580)	$ 2,260,799
Accumulated depreciation				
Furniture and equipment	(1,501,095)	(37,032)	131,405	(1,406,722)
Business-type activities capital assets, net	$ 188,792	$ 680,460	$ (15,175)	$ 854,077

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CAPITAL ASSETS (Cont'd.)

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Instruction	$ 2,382,845
Instructional student support	148,928
Administrative and financial support	178,713
Operation and maintenance of plant	268,070
Student activities	224,566
	$ 3,203,122
Business-type activities - Food service	$ 37,032

LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds and note payable	$ 46,585,000	$ -	$ (3,330,000)	$ 43,255,000	$ 3,400,000
Bond premiums (discounts)	1,152,667	-	(84,623)	1,068,044	-
Compensated absences	861,600	264,604	(179,879)	946,325	180,000
Net OPEB liability	7,185,287	761,057	(1,320,263)	6,626,081	-
Net pension liability	68,008,000	7,950,492	(7,503,492)	68,455,000	-
	$ 123,792,554	$ 8,976,153	$ (12,418,257)	$ 120,350,450	$ 3,580,000

Draft

LONG-TERM LIABILITIES (Cont'd.)

Bonds and note payable

Changes in bonds and note payable were as follows:

	Beginning Balance	New Issue	Refunding	Scheduled Redemptions	Ending Balance
2012 Series	$ 8,100,000	$ -	$ -	$ (875,000)	$ 7,225,000
2015 Series	8,795,000	-	-	(1,255,000)	7,540,000
2016 Series	3,650,000	-	-	(1,190,000)	2,460,000
2016 Series A	3,905,000	-	-	(5,000)	3,900,000
2017 Series	12,630,000	-	-	(5,000)	12,625,000
2018 Series	9,505,000	-	-	-	9,505,000
	46,585,000	-	-	(3,330,000)	43,255,000
Bond premium	1,152,667	-	-	(84,623)	1,068,044
	$ 47,737,667	$ -	$ -	$ (3,414,623)	$ 44,323,044

	Interest Rates	Maturity Date	Callable Date	Due Within One Year
2012 Series	.90% to 2.00%	April 2023	April 2018	$ 885,000
2015 Series	0.23% to 3.00%	March 2025	March 2021	1,285,000
2016 Series	1.94%	February 2021	Anytime, w/o penalty	1,215,000
2016 Series A	1.94%	February 2025	Anytime, w/o penalty	5,000
2017 Series	.90% to 5.00%	February 2029	45 days notice	5,000
2018 Series	1.75% to 4.00%	March 2033	September 2023	5,000
				$ 3,400,000

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LONG-TERM LIABILITIES (Cont'd.)

Bonds and note payable (Cont'd.)

Scheduled debt service requirements, payable by the General Fund, are as follows:

Year Ending June	Principal	Interest	Total
2020	$ 3,400,000	$ 1,313,644	$ 4,713,644
2021	3,485,000	1,233,560	4,718,560
2022	3,590,000	1,177,927	4,767,927
2023	3,975,000	1,086,126	5,061,126
2024	3,280,000	1,006,190	4,286,190
2025-2029	17,355,000	3,484,723	20,839,723
2030-2033	8,170,000	697,200	8,867,200
	$ 43,255,000	$ 9,999,370	$ 53,254,370

Compensated absences

Compensated absences (those for which employees are compensated) are presented using the termination payment method. A liability is computed using estimates which apply historical data to current factors. The District maintains records of unused leave and applies the contracted rate for employees eligible for the severance allowance. The 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, while in 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 District contribution into the employee's 403(b) tax sheltered annuity account.

Net OPEB liability

District plan

OPEBs are presented in accordance with GASB Statement No. 75, which requires their recognition as part of the compensation package of active employees for services rendered. The cost and obligation for OPEBs are measured by an actuarial valuation.

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LONG-TERM LIABILITIES (Cont'd.)

Net OPEB liability (Cont'd.)

District plan (Cont'd.)

Plan description

Under the negotiation's agreement with Big Spring Education Association, the 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 District, the District will pay 50% of the medical and prescription drug premiums for the member only, subject to a maximum annual 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 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 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 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 District.

Participant information	
Active participants	305
Vested former members	-
Retired participants	18
	323

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LONG-TERM LIABILITIES (Cont'd.)

Net OPEB liability (Cont'd.)

District plan (Cont'd.)

Plan description (Cont'd.)

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.

Funding policy

The 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 District has no statutory or contractual obligation to fund the Plan and would only do so at the District's discretion.

Actuarial cost method

Under the entry age normal cost method, the normal cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The accrued liability as of the valuation date is the excess of the present value of future benefits over the present value of future normal cost. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets. Actuarial gains and losses serve to reduce or increase the unfunded accrued liability.

The changes in the District's total OPEB liability are as follows:

District service cost	$ 290,074
Interest	143,670
Changes of benefit terms	(42,532)
Changes in assumptions	(401,877)
Differences between expected and actual experience	(568,920)
Benefit payments	(146,972)
Net changes	(726,557)
Net OPEB obligation - beginning	4,379,638
Net OPEB obligation - ending	$ 3,653,081

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LONG-TERM LIABILITIES (Cont'd.)

Net OPEB liability (Cont'd.)

District plan (Cont'd.)

Actuarial cost method (Cont'd.)

At June 30, 2019, the District reported an OPEB District plan liability of $ 3,653,081. The District recognized OPEB expense of $ 325,712. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 38,425	$ 373,171
Differences between expected and actual experience	-	528,283
Benefit payments subsequent to the measurement date	116,240	-
	$ 154,665	$ 901,454

In the year ended June 30, 2019, $ 116,240 was reported as deferred outflows of resources related to OPEBs resulting from District benefit payments subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense for the year ended June 30 as follows:

2020	$ (65,500)
2021	(65,500)
2022	(65,500)
2023	(65,500)
2024	(65,500)
Thereafter	(535,529)

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LONG-TERM LIABILITIES (Cont'd.)

Net OPEB liability (Cont'd.)

District plan (Cont'd.)

Actuarial assumptions

Actuarial assumptions and methods used in the July 2018 actuarial valuation include the following:

Interest rate	2.98%
General inflation rate	2.50%
Salary increases	1% real growth, teachers and administrators a merit increase which varies by age from 2.75% and 0%.
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

The rate of 2.98% is based on the S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2018.

Actuarial evaluations on an ongoing basis involve estimates of the reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits are based on the types of benefits provided under the plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point in time.

Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued liabilities.

The required schedule of funding progress in the other required supplementary information (ORSI) immediately following the notes to the financial statements, is to present multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the District maintains no Plan assets, information relative to Plan asset disclosures is not applicable.

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LONG-TERM LIABILITIES (Cont'd.)

Net OPEB liability (Cont'd.)

District plan (Cont'd.)

Sensitivity of the net OPEB liability to change in healthcare cost trend rates

The following presents the net OPEB liability of the District for June 30, 2019, calculated using current healthcare costs trends as well as what the net OPEB liability would be if heath cost trends were 1% point lower or 1% point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	$ 3,237,128	$ 3,653,081	$ 4,153,385

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

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (1.98%) or 1% point higher (3.98%) than the current rate:

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
Net OPEB liability	$ 3,970,869	$ 3,653,081	$ 3,353,386

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance

At June 30, 2019, the District reported a liability of $ 2,973,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. The District's proportion 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, 2019, the District's proportion was .1426%, which was an increase of .0049 from its proportion measured as of June 30, 2018.

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LONG-TERM LIABILITIES (Cont'd.)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance (Cont'd.)

For the year ended June 30, 2019, the District recognized OPEB expense of $ 146,134. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,000	$ -
Changes in assumptions	46,823	112,665
Net difference between projected and actual investment earnings	5,000	-
Changes in proportions	89,463	31,963
Difference between employer contributions and proportionate share of total contributions	556	-
Contributions subsequent to the measurement date	159,318	-
	$ 319,160	$ 144,628

In the year ended June 30, 2019, $ 159,318 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the year ended June 30 as follows:

2019	$ (2,000)
2020	(2,000)
2021	(2,000)
2022	(3,000)
2023	(3,000)
Thereafter	26,000

Draft

LONG-TERM LIABILITIES (Cont'd.)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance (Cont'd.)

Actuarial Assumptions

The total OPEB liability, as of June 30, 2018, was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at $ 1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than $ 1,200 in premium assistance per year.
- 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.
- Participation rate:
    - Eligible retirees will elect to participate Pre age 65 at 50%
    - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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LONG-TERM LIABILITIES (Cont'd.)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance (Cont'd.)

Actuarial Assumptions (Cont'd.)

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

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

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.9%	0.3%
US Core fixed income	92.8%	1.2%
Non-US developed fixed	1.3%	0.4%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

Discount rate

The discount rate used to measure the total OPEB liability was 2.98%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's 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 2.98%, which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Draft

LONG-TERM LIABILITIES (Cont'd.)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance (Cont'd.)

Sensitivity of the System and District's net OPEB liability to change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than $ 1,200 in annual Premium Assistance. As of June 30, 2018, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of $ 1,200 per year. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of $ 1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of $ 1,200 per year. The actual number of retirees receiving less than the $ 1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the net OPEB liability for June 30, 2018, calculated using current healthcare cost trends as well as what the net OPEB liability would be if health cost trends were 1% point lower or 1% point higher than the current rate:

	1% Decrease Between 4% to 6.75%	Current Trend Rate Between 5% to 7.75%	1% Increase Between 6% to 8.75%
System net OPEB liability (in thousands)	$ 2,084,537	$ 2,084,949	$ 2,085,279
District net OPEB liability	2,973,000	2,973,000	2,974,000

Sensitivity of the System and District's net OPEB liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (1.98%) or 1% point higher (3.98%) than the current rate:

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
System net OPEB liability (in thousands)	$ 2,371,118	$ 2,084,949	$ 1,847,409
District net OPEB liability	3,381,000	2,973,000	2,634,000

OPEB 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.

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LONG-TERM LIABILITIES (Cont'd.)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - combined

The combined OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to both OPEB plans are summarized below.

At June 30, 2019, the district reported a combined liability of $ 6,626,081 for its net OPEB liability. The combined OPEB expense totaled $ 471,846.

At June 30, 2019, the District reported outflows of resources and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		
	District Plan	PSERS Health Insurance Premium Assistance	Total
Changes in assumptions	$ 38,425	$ 46,823	$ 85,248
Differences between expected and actual experience	-	18,000	18,000
Net difference between projected and actual investment earnings	-	5,000	5,000
Changes in proportion	-	89,463	89,463
Difference between employer contributions and proportionate share of total contributions	-	556	556
Contributions/benefit payments subsequent to the measurement date	116,240	159,318	275,558
	$ 154,665	$ 319,160	$ 473,825

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LONG-TERM LIABILITIES (Cont'd.)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - combined (Cont'd.)

	Deferred Inflows of Resources		
	District Plan	PSERS Health Insurance Premium Assistance	Total
Changes in assumptions	$ 373,171	$ 112,665	$ 485,836
Differences between expected and actual experience	528,283	-	528,283
Net difference between projected and actual investment earnings	-	-	-
Changes in proportion	-	31,963	31,963
Difference between employer contributions and proportionate share of total contributions	-	-	-
Contributions/benefit payments subsequent to the measurement date	-	-	-
	$ 901,454	$ 144,628	$ 1,046,082

In the year ended June 30, 2019, $ 275,558 was reported as deferred outflows of resources related to OPEB resulting from District contributions/benefit payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the year ended June 30 as follows:

	District Plan	PSERS Health Insurance Premium Assistance	Total
2019	$ -	$ (2,000)	$ (2,000)
2020	(65,500)	(2,000)	(67,500)
2021	(65,500)	(2,000)	(67,500)
2022	(65,500)	(3,000)	(68,500)
2023	(65,500)	(3,000)	(68,500)
2024	(65,500)	-	(65,500)
Thereafter	(535,529)	26,000	(509,529)

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LONG-TERM LIABILITIES (Cont'd.)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2019, the District reported a liability of $ 68,455,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was .1426%, which was an increase of .0049 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of $ 7,271,903. At June 30, 2019, the 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	$ 550,556	$ 1,059,574
Changes in assumptions	1,275,479	-
Net difference between projected and actual investment earnings	336,000	-
Changes in proportions	1,760,214	834,148
Difference between employer contributions and proportionate share of total contributions	65,662	-
Contributions subsequent to the measurement date	6,257,561	-
	$ 10,245,472	$ 1,893,722

In the year ended June 30, 2019, $ 6,257,561 was reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended June 30 as follows:

2019	$ 1,685,000
2020	979,000
2021	(374,000)
2022	(262,000)

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LONG-TERM LIABILITIES (Cont'd.)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)

Actuarial assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of the June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.25%, 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 or 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.

The actuarial assumptions used in June 30, 2017 valuation were based on the results of actuarial 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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LONG-TERM LIABILITIES (Cont'd.)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)

Actuarial assumptions (Cont'd.)

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	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	(20.0%)	0.9%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

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.

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LONG-TERM LIABILITIES (Cont'd.)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	$ 84,855,000	$ 68,455,000	$ 54,588,000

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.

Draft

RISK MANAGEMENT

Health insurance

The District's health insurance plan through South Central Trust allows each participant to choose one of the three available coverage options. South Central Trust is not a risk sharing pool. The Trust was established for processing claims and obtaining reinsurance through commercial insurance carriers. The Trust has reinsurance for claims in excess of $ 100,000 specific (per person) and 125% aggregate (estimated District annual cost). Financial statements of the trust are provided to the member districts. District transactions within the Trust were as follows:

Cash balance in the trust - beginning		$ 3,342,697
Payments from the District and its retirees		3,276,121
Benefit claims paid by the trust	$ (2,866,520)	
Administrative and other fees, net of interest earned	(106,819)	
Stop loss premiums	(111,623)	(3,084,962)
Cash balance in the trust - ending		3,533,856
District prepaid health insurance		2,200,000
Amount available for benefit claims		$ 1,333,856

The amount available for benefit claims was as follows:

Accrual for benefit claims	$ 716,630
Accrual for administrative and other fees	55,446
Accrual for health insurance coverage on payroll payable	561,780
Amount available for benefit claims	$ 1,333,856

There are various methodologies for estimating a reasonable accrual for benefit claims. District management has selected the methodology of approximately '3 months of paid claims'. District management believes this methodology provides an adequate amount for accrued costs.

Draft

RISK MANAGEMENT (Cont'd.)

Other insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The 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 District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

For workers' compensation insurance, approximately 80 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 District's annual cost should not exceed standard commercial insurance rates.

ASSIGNED FUND BALANCE

Assigned fund balance amounts of the General Fund are as follows:

Technology	$ 2,300,000
Pension plan rate increases	650,000
Health care	350,000
Special education	550,000
Software	200,000
Safety/Security/SRO	400,000
Student Services and Mental Health	400,000
	$ 4,850,000

OPERATING LEASES

The District was obligated under various technology equipment lease agreements for the year ended June 30, 2019. Payments on these operating leases included in General Fund expenditures were $ 144,805. Future minimum payments under this operating lease agreement are as follows:

2019-2020	$ 51,084
2020-2021	51,084
2021-2022	51,084
	$ 153,252

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COMMITMENTS AND CONTINGENCIES

The District's contract with its teaching staff expires in June 2022. The District contract with its classified staff expires in June 2022.

In the normal course of business, the District is subject to legal disputes and claims. The District does not anticipate any material losses from any pending or threatened litigation.

In the normal course of preparing for the subsequent school year, the District has awarded bids for various supplies, fuel contracts, etc. The District entered into thirteen construction contracts for its ongoing capital projects. For the year ended June 30, 2019, the District incurred approximately $ 9,333,000 in costs. The outstanding commitments at June 30, 2019 for these contracts are approximately $ 4,396,000. The total cost of these projects for the year is as follows:

Middle School Abatement	$ 49,000
Newville Elementary School Expansion and Renovation	3,831,000
Mt. Rock Roof Partial Replacement	528,000
High School Roof Coating	233,000
Mt. Rock Renovations	894,000
Middle School Renovations	1,569,000
High School Renovations	442,000
Pedestrian Safety Improvements	280,000
Phase 2 School Renovations	1,505,000

The District participates in state and federal grant programs which are governed by various rules and regulations. Expenditures charged to these grant programs are subject to program compliance audits and reviews by the grantor agencies. The District is potentially liable for any expenditure which may be disallowed by the rules of these grant programs. The District does not anticipate any material disallowance of program expenditures.

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BIG SPRING SCHOOL DISTRICT

BUDGETARY COMPARISON INFORMATION - GENERAL FUND

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Local sources - taxes	$ 29,480,560	$ 29,480,560	$ 30,586,658	$ 1,106,098
Local sources - other	1,144,900	1,144,900	1,519,579	374,679
State sources	19,047,971	19,047,971	18,887,353	(160,618)
Federal sources	503,500	503,500	608,416	104,916
Total revenues	50,176,931	50,176,931	51,602,006	1,425,075
Expenditures				
Regular programs	20,664,545	19,767,545	19,824,082	(56,537)
Special programs	8,521,655	9,021,655	9,019,045	2,610
Vocational programs	729,000	729,000	641,342	87,658
Other instructional programs	101,844	101,844	81,652	20,192
Nonpublic school programs	3,109	3,109	-	3,109
Higher education programs	3,000	3,000	-	3,000
Pupil personnel	1,552,075	1,712,075	1,701,131	10,944
Instructional staff	1,553,364	1,553,364	1,484,487	68,877
Administration	2,774,533	2,774,533	2,750,769	23,764
Pupil health	547,645	547,645	540,933	6,712
Business	415,439	415,439	394,699	20,740
Operation and maintenance of plant	3,932,951	4,169,951	4,163,373	6,578
Student transportation	2,551,729	2,551,729	2,519,369	32,360
Central services	1,005,538	1,019,538	1,017,793	1,745
Other support services	28,000	28,000	27,760	240
Student activities	1,023,366	1,023,366	963,800	59,566
Community services	38,934	38,934	26,426	12,508
Capital outlay	37,835	23,835	-	23,835
Debt service (principal and interest)	4,675,285	4,675,285	4,675,285	-
Total expenditures	50,159,847	50,159,847	49,831,946	327,901
Excess (deficiency) of revenues over expenditures	17,084	17,084	1,770,060	1,752,976
Other financing sources (uses)				
Transfers to other funds	(65,000)	(65,000)	(577,099)	(512,099)
Budgetary reserve	(171,731)	(171,731)	-	171,731
Net change in fund balance	(219,647)	(219,647)	1,192,961	1,412,608
Fund balance - beginning	8,134,073	8,134,073	10,596,375	2,462,302
Fund balance - ending	$ 7,914,426	$ 7,914,426	$ 11,789,336	$ 3,874,910

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BIG SPRING SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
LAST 10 FISCAL YEARS*

Year Ended	District's Proportion of the Net OPEB Liability	District's Proportionate share of the Net OPEB Liability	District's Covered-Employee Payroll	District's proportionate share of the net OPEB Liability as a % of its Covered-Employee Payroll	Plan Fiduciary Net Position as a % of the Total OPEB Liability
June 30, 2019	0.1426%	$ 2,973,000	$ 19,209,898	15.48%	5.56%
June 30, 2018	0.1377%	2,805,649	18,335,485	15.30%	5.73%

Notes to Schedule

Changes in assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period presented above.

2019	2.98%
2018	3.13%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year ending June 30, 2018, and, until a full 10-year trend is compiled, the School has only presented information for the years in which information is available.

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BIG SPRING SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
DISTRICT OPEB PLAN
LAST 10 FISCAL YEARS*

Year Ended	District's Proportion of the Net OPEB Liability	District's Proportionate share of the Net OPEB Liability	District's Covered-Employee Payroll	District's proportionate share of the net OPEB Liability as a % of its Covered-Employee Payroll	Plan Fiduciary Net Position as a % of the Total OPEB Liability
June 30, 2019	100.00%	$ 3,653,081	$ 17,785,580	20.54%	100.00%
June 30, 2018	100.00%	4,379,638	15,054,068	29.09%	100.00%

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Notes to Schedule

Changes in assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period presented above.

2019	2.98%
2018	3.13%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year ending June 30, 2018, and, until a full 10-year trend is compiled, the School has only presented information for the years in which information is available.

BIG SPRING SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
LAST 10 FISCAL YEARS*

Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (excess)	District's Covered Payroll	Contributions as a % of the Covered-Employee Payroll
June 30, 2019	$ 159,318	$ 159,318	$ -	$ 19,194,972	0.83%
June 30, 2018	158,006	158,006	-	19,036,867	0.83%

Notes to Schedule

Changes in assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period presented above.

2019	2.98%
2018	3.13%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year ending June 30, 2018, and, until a full 10-year trend is compiled, the School has only presented information for the years in which information is available.

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BIG SPRING SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
DISTRICT OPEB PLAN
LAST 10 FISCAL YEARS*

Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (excess)	District's Covered Payroll	Contributions as a % of the Covered-Employee Payroll
June 30, 2019	$ 116,240	$ 116,240	$ -	$ 17,785,580	0.65%
June 30, 2018	146,972	146,972	-	15,054,068	0.98%

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Notes to Schedule

Changes in assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period presented above.

2019	2.98%
2018	3.13%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year ending June 30, 2018, and, until a full 10-year trend is compiled, the School has only presented information for the years in which information is available.

BIG SPRING SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Employee Payroll	District's Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2019	0.1426%	$ 68,455,000	$ 19,209,898	356.35%	54.00%
June 30, 2018	0.1377%	68,008,000	18,335,485	370.91%	51.84%
June 30, 2017	0.1398%	69,280,000	18,099,573	382.77%	50.14%
June 30, 2016	0.1413%	61,205,486	18,175,445	336.75%	54.36%
June 30, 2015	0.1410%	55,808,811	17,995,841	310.12%	57.24%

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Notes to Schedule

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ending June 30, 2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

BIG SPRING SCHOOL DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS

LAST 10 FISCAL YEARS*

Year Ended	Statutorily Required Contribution	Actual Employer Contribution	Contribution Excess/ (Deficiency)	District's Covered Member Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2019	$ 6,257,561	$ 6,257,561	$ -	$ 19,194,972	32.60%
June 30, 2018	6,200,318	6,200,318	-	19,534,713	31.74%
June 30, 2017	5,414,570	5,414,570	-	18,543,050	29.20%
June 30, 2016	4,758,923	4,758,923	-	19,035,700	25.00%
June 30, 2015	3,700,183	3,700,183	-	18,049,673	20.50%

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Notes to Schedule

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ending June 30, 2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

November ____, 2019

Board of School Directors
Big Spring School District
Newville, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of Big Spring School District for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 8, 2019 and in our meeting about planning matters with your Business Manager and several other District employees on June 19, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Big Spring School District are described in the notes to financial statements. No new accounting polices were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the adequacy of the amount available for accrued health insurance claims is based on information provided by South Central Trust and consultants of the Trust. We evaluated the key factors and assumptions used to develop the adequacy of the amount in determining that it is reasonable in relation to the financial statements taken as a whole. This included reviewing a draft of the June 30, 2018 audited financial statements of the Trust and final information received from the Trust for the District for the year ended June 30, 2019.

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Management's estimate of the future collectability of taxes receivable (real estate, earned income and personal taxes) is primarily based on past experience and other historical data. We evaluated the key factors and assumptions used to develop the receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of estimated useful lives of capital assets, and the resulting depreciation expense, are based on past experience and other available information. We evaluated the assigned useful lives and determined that the lives and the resulting depreciation expense are reasonable in relation to the financial statements taken as a whole.

Other postemployment benefits (OPEBs) are based on actuarial reports from the District's two separate OPEB plans that are required biennially (every 2 years). The District provides continuation of certain benefits to eligible retired employees and obtains actuarial valuation from Conrad Siegel Actuaries. In addition, a health insurance premium assistance program is provided by Pennsylvania Public School Employee's Retirement System (PSERS) who provide audited actuarial information. If the plan experiences significant changes a new actuarial valuation should be performed rather than waiting for the next scheduled valuation date. The District's most recent valuation reports are as of July 2018. We evaluated the census data and other key factors provided to each plan to develop the required amounts and disclosures in determining that it is reasonable in relation to the financial statements taken as a whole.

The net pension liability and related deferred outflows and inflows of resources are based on audited information provided by the Pennsylvania Public School Employee's Retirement System (PSERS). We evaluated census data and other key factors provided by PSERS to support the required amounts and disclosures in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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Management Representations

We have requested certain representations from management that are included in the management representation letter dated November ____, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis on pages 3 through 19, and other required supplementary information on pages 68 through 74, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of School Directors and management of Big Spring School District and is not intended to be, and should not be, used by anyone other than these specified parties.

GREENAWALT & COMPANY, P.C.

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