BIG SPRING SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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Greenawalt & Company, P.C.

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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 fund of Big Spring School District as of and for the year ended June 30, 2017, 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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Board of School Directors
Big Spring School District

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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages MDA-1 through MDA-16 and other required supplementary information on pages ORSI-1 through ORSI-4 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 December 5, 2017, on our consideration of Big Spring School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Spring School District's internal control over financial reporting and compliance.

Greenawalt & Company, P.C.
GREENAWALT & COMPANY, P.C.

December 5, 2017

Mechanicsburg, Pennsylvania

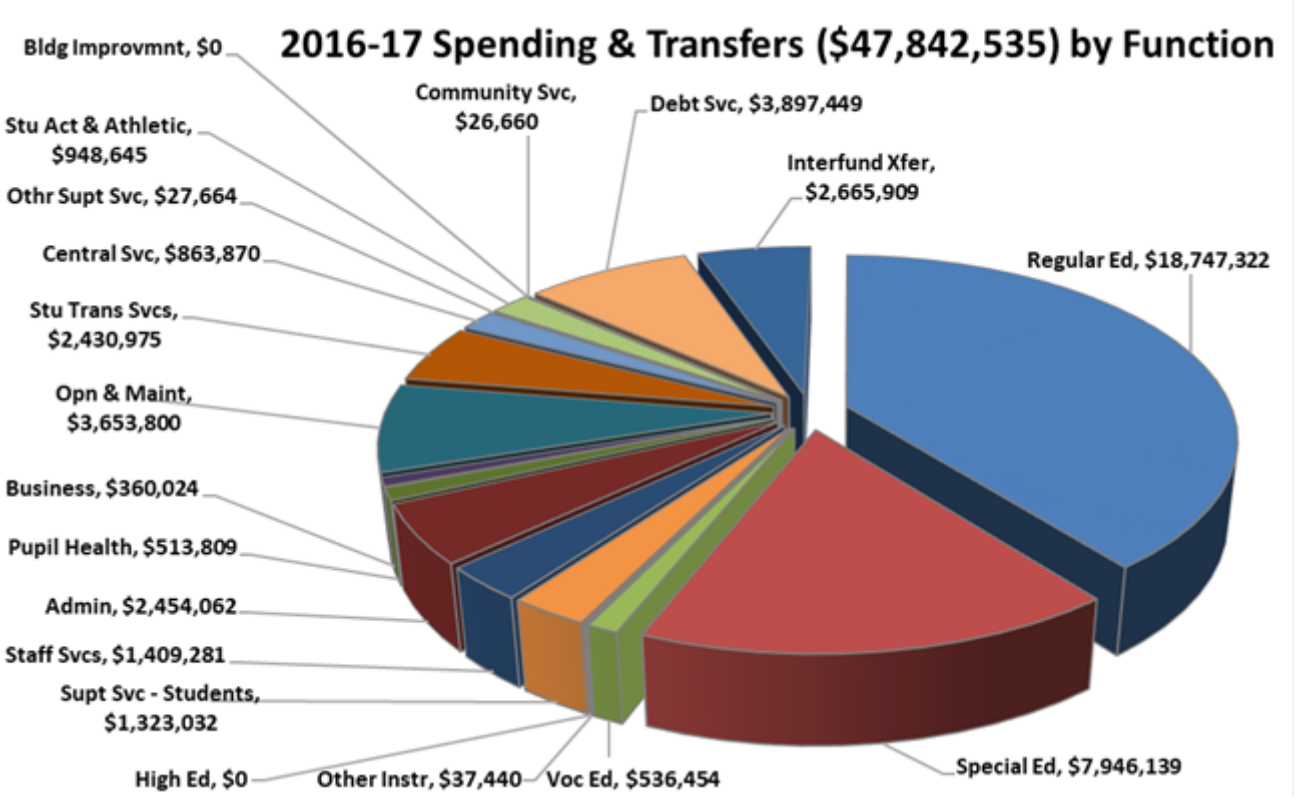
BIG SPRING SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

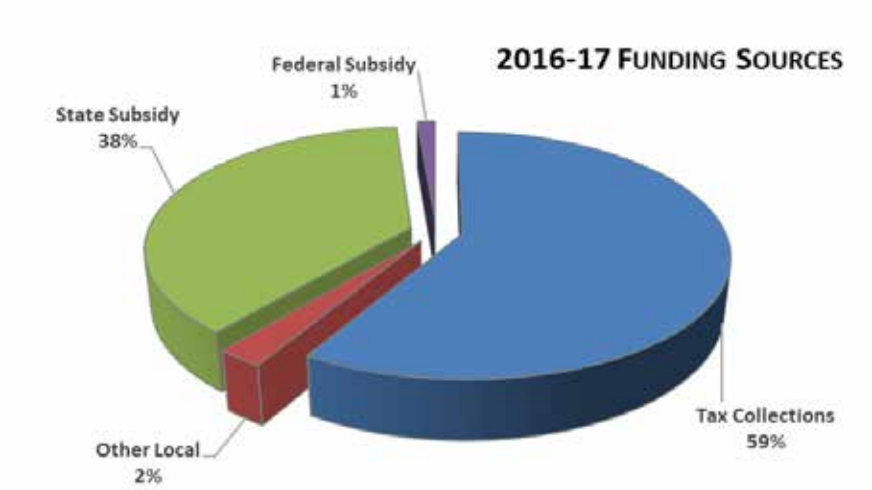
This discussion and analysis provides an overview of the District's financial performance for the year ending June 2017. The report format is in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Management's Discussion and Analysis (MD&A) includes comparisons of financial position at June 30, 2017 and 2016. The MD&A also includes comparisons of current year financial activities to the previous year. The 2016 amounts come from our prior year MD&A, and are otherwise not a part of the June 2017 financial statements. Please read our discussion and analysis in conjunction with the District's financial statements, which begin on page FS-1. To preserve readability, dollar amounts in comparative tables derived from the financial statements are presented in millions. Some amounts may not add due to rounding.

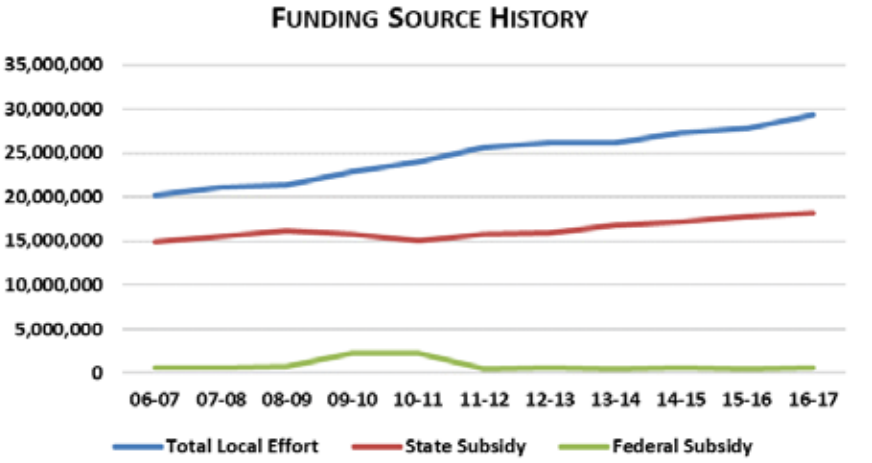
FINANCIAL HIGHLIGHTS



General Fund revenues increased 4.2% from $46,177,164 in 2015-16 to $48,126,574 in 2016-17; expenditures and other uses (sources) increased from $45,398,274 in 2015-16 to $47,842,535 in 2016-17 or 5.4% from the prior year. The District added $284,039 to the fund balance for a total of $9,484,073 as of June 30, 2017. Of that total, $1,350,000 is prepaid employee health insurance, $554,000 is committed for PSERS expense and $3,750,000 is assigned for various uses, including PSERS, healthcare, special education and technology, leaving an unassigned balance of $3,830,073. The Administration transferred $2,600,000 from the General Fund to the Capital Project Fund as of June 30, 2017. The General Fund *unassigned* balance of $3,830,073 is 7.8% of the $49,346,946 contained in the 2017-18 Budget – within the 8% maximum required under state law.

The funding source graph at right shows 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 61% of revenues. In 2010-11 the Federal portion of total revenue was 6% due to American Recovery and Reinvestment Act (ARRA) funding. Six years later, in 2016-17, Federal revenue continues at the pre-ARRA 1% of total revenues. The Commonwealth's contribution decreased by 1% from 39% in 2015-16 to 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 is left to absorb the full cost of healthcare plus its share of the PSERS payment.

The economy's impact on the District is turning positive. Investment income increased from $50,670 in 2015-16 to $154,063 in 2016-17. 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 $4.855 million in 2015-16 and $5.286 million in 2016-17.

In 2010 the Board and administration developed an elementary school reconfiguration plan closing unused elementary schools. The Board closed Plainfield in June 2012, in May 2014 the District sold Plainfield and Frankford schools to Yellow Breeches. On May 29, 2016, the District sold Mifflin Elementary for $45,000 in cash and $156,880 to River Rock Academy. With downsizing complete, in 2017 the administration and Board developed a plan to reorganize the District from three elementary schools to two K-3 buildings and a 4-5 Intermediate school.

The Capital Reserve Fund ending balance was $6,412,752 at June 30, 2016 and increased to $7,817,077 at June 2017. The District earned $28,133 of investment earnings in the capital reserve during 2016-17 but also spent $1,223,808.

During 2016-17, the District initiated several projects with the Capital Reserve Fund, including:

$782,946	To repair roofs at the Middle School, Mount Rock and the District Admin
$210,072	Reconfigure traffic flow and paving at Mt. Rock
$261,501	E-rate project to update wireless network and switch gear
$83,852	For the design and management of the track project

On February 21, 2016 the Board accepted bids for the improvements to Big Spring Stadium for $2,017,600. While substantial completion happened in August 2016, several change orders delayed final closeout into late fall 2016 at a final cost of $2,196,773.

On June 23, 2016 the District issued two General Obligation bonds with principal amounts of $5,915,000 and $3,915,000. The first, Series 2016, refinanced the 2011 series bonds at a savings of $74,500. The second, Series A of 2016, was used to pay off the General Obligation notes for the Oak Flat Performance Contract at a potential future savings of $392,947.

In the fall of 2016 the Board and Administration decided on a plan to accomplish the following projects with a projected bond issue in early 2017:

$2,151,501	Install of new all-weather track adjacent to High School
$77,500	Newville Elem abatement in summer 2017
$1,376,700	Replace Balance of MS roof in summer 2017
$9,225,387	Newville expansion & renovation in summer 2018
$12,831,088	Projected Total Bond Issue

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 Standard & Poor's rating for the issue was AA-/Stable. At year end, the all-weather track, abatement of Newville and MS roof project were in progress and scheduled to complete in the fall of 2017. The District contracted with Crabtree Rohrbaugh & Associates for the design of the Newville Renovation and Expansion project in 2018 that would convert Newville to a K-3 building.

On May 22, 2017, the Board passed a parameters resolution to incur general obligation debt up to $18,000,000 in support of the Mt. Rock Elementary School renovation and conversion as part of the District reorganization. The administration is currently planning this renovation with the majority of the work to be done in the summer of 2019.

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 over the last three years with two of those resulting in decreasing rates. With good claims experience, the balance in the trust increased from $2,602,672 at June 30, 2016 to $2,888,786 at June 30, 2017.

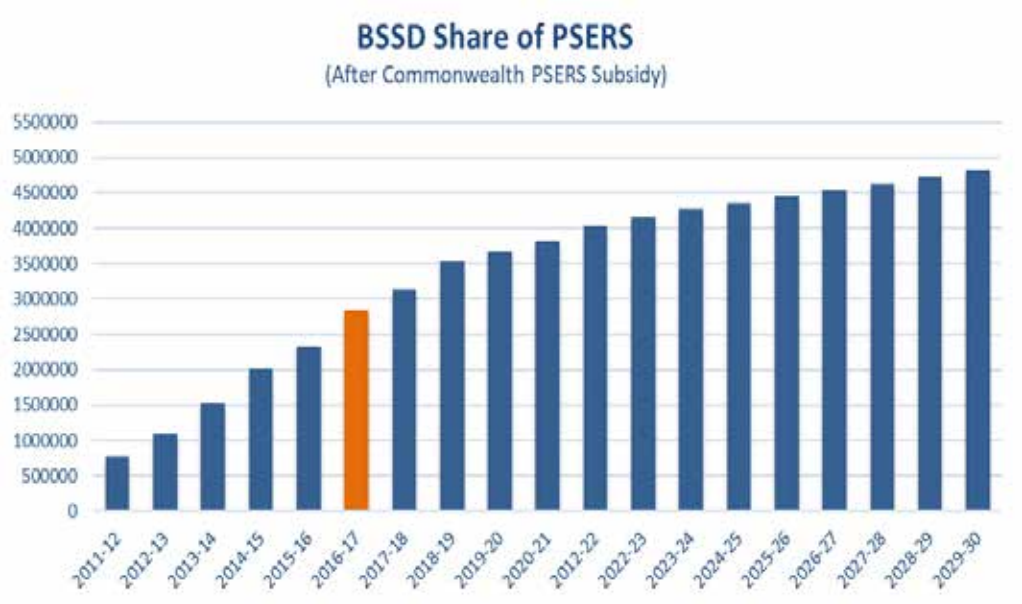
In January 2015, the Board and the Big Spring Education Association signed a new collective bargaining agreement with a new high deductible health plan which included a Health Savings Account as of July 1, 2015. The District's cost for healthcare costs declined as a result of the new HSA plan and the reduced experience added $250,000 in prepaid employee health insurance to the District's overall fund balances at June 30, 2017. In October of 2016 the Board approved a new two year CBA from July 2017 thru June 2019.

Healthcare expense went from $3,304,554 in 2014-15 to $2,615,021 in 2015-16. In 2016-17 total healthcare expense was $2,712,858 including medical, dental and vision experience. Premiums decreased by 6% in 2016-17 and again by 10% for the 2017-18 plan year. Based on the current balance of the trust, the District expects a rate hold or minor decrease in rates next year.

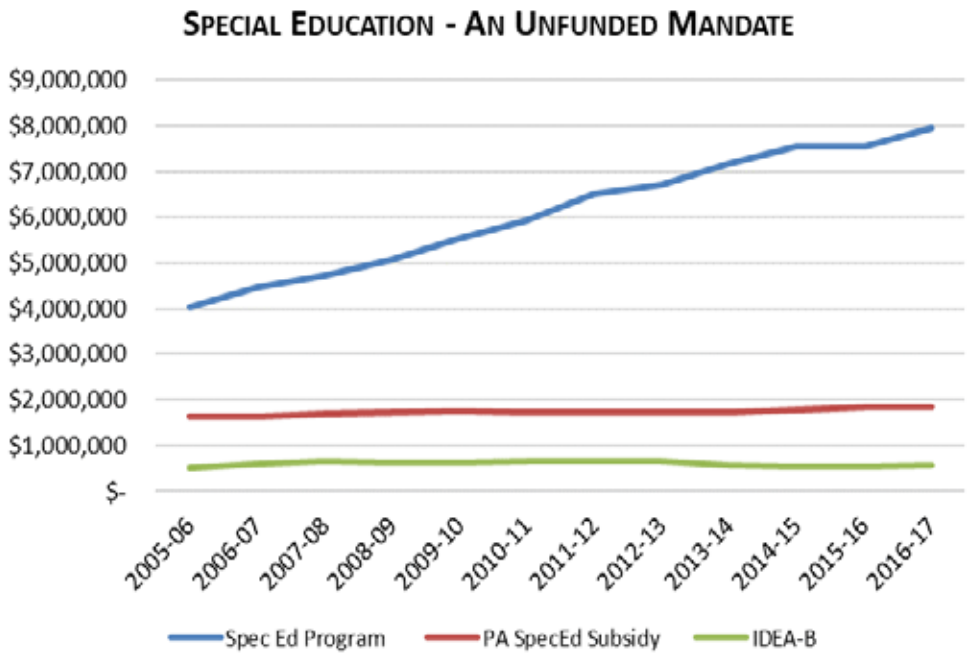
The District continues under the restrictions of Act 1 which limits future increases in the District's real estate taxes and displaces a selected amount of local real estate taxes with gaming funds. The District was allotted gaming funds in the amount of $773,605 in 2016-17; these funds were distributed in equal amounts to each qualified taxpayer of $133.67 per homestead/farmstead.

In November 2010 Act 120 reformed the PA State Employees Retirement System (PSERS) by implementing steep increases in employer contributions. As shown below, BSSD total PSERS payment shot up from $1,543,501 in 2011-12 to $4,675,864 for 2015-16 and up to $5,499,168 in 2016-17 with the Commonwealth returning approximately half that in PSERS subsidy payment.

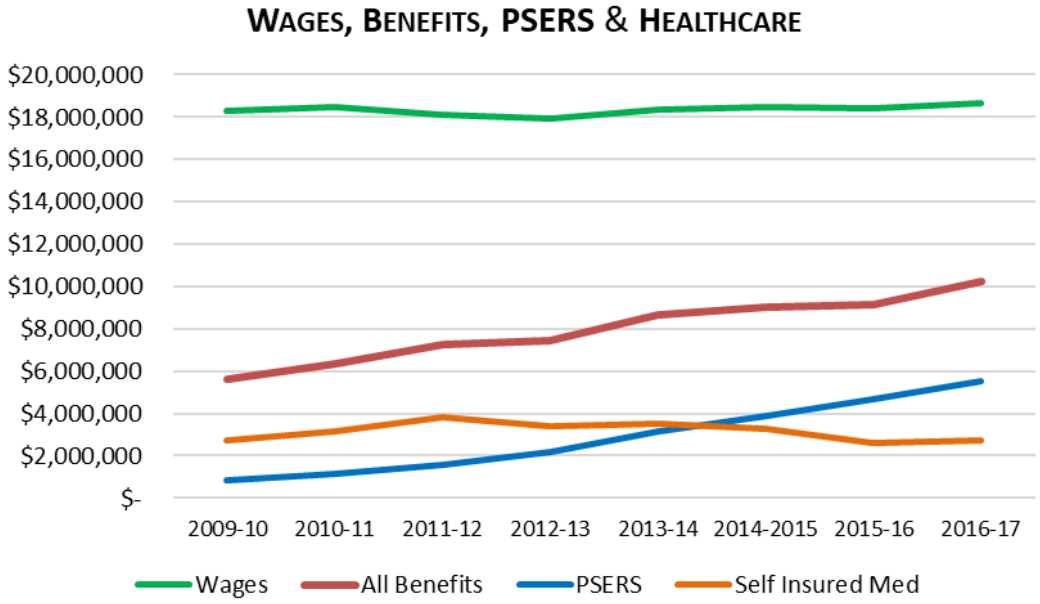
The steep rise in PSERS retirement contributions is remarkable as increases of this magnitude will continue into the foreseeable future. With a corresponding trend increase in healthcare and continued pressure on wages, it is not apparent how the District, or other subsidy dependent School Districts 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 6.9% per year. The decline in student population and moderating healthcare costs, along with other external factors, resulted in a small decrease for 2015-16 increase. Even so, the District continues to struggle with increasing demands from parents, 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 above).



The chart below shows the competition 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. Even with those restraints, in order to meet the rising cost of wages and benefits, the Board raised millage to the allowed index amount of 2.4% in 2015-16 and 3.1% in 2016-17 to balance the budget. The 2016-17 millage of 13.7007 was enacted in June 2016. In June 2017 the Board approved a budget of $49,346,946 for 2017-18 requiring a tax increase of 2.5% to 14.0429 mills – well under the allowable 3.2% adjusted index amount.



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 FS-1 and FS-2. 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 FS-3, FS-5 and FS-7 through FS-10. 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 FS-4 reconciles total governmental fund balances to total net position of governmental activities. Page FS-6 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.

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 $15.6 million at June 2016 and $13.2 million at June 2017. The June 2017 deficit results from the requirement to include pension related debt of $69.3 million. The following summarizes the Statement of Net Position (page FS-1).

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 37.8	$ 25.3	$ 0.5	$ 0.6	$ 38.3	$ 25.9
Capital assets	56.7	54.4	0.2	0.3	56.9	54.7
Total assets	94.5	79.7	0.7	0.9	95.2	75.8
Deferred outflows-pension	12.1	5.1	-	-	12.1	5.1
Current and other liabilities	6.7	6.1	0.1	0.2	6.8	6.3
Long-term liabilities	112.7	94.6	-	-	112.7	94.6
Total liabilities	119.4	100.7	0.1	0.2	119.5	100.9
Deferred inflows-pension	1.1	0.4	n/a	n/a	1.1	n/a
Capital assets (net of related debt)	3.5	23.0	0.2	0.2	3.7	23.2
Restricted for capital projects	11.9	2.0	-	-	11.9	2.0
Unrestricted	(29.3)	(41.3)	0.5	0.5	(28.8)	(40.8)
Total net position	$ (13.9)	$(16.3)	$ 0.7	$ 0.7	$(13.2)	$(15.6)

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 FS-2). It shows that total net position increased by $2,413,817 in 2017 and $2,918,992 in 2016.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Program revenues						
Charges for services	$ 0.5	$ 0.4	$ 0.6	$ 0.6	$ 1.1	$ 1.0
Operating grants and contributions	8.6	8.3	0.6	0.6	9.2	8.9
Capital grants and contributions	0.7	0.7	-	-	0.7	0.7
General revenues					-	
Taxes	28.5	26.9	-	-	28.5	26.9
Earnings on investments	0.2	0.1	-	-	0.2	0.1
Gain on sale of capital assets	-	(0.1)	-	-	-	(0.1)
State general subsidies	10.0	9.9	-	-	10.0	9.9
Total revenues	48.5	46.2	1.2	1.2	49.7	47.4
Direct expenses	46.0	43.2	1.3	1.3	47.3	44.5
Excess revenues (expenses) before transfers	2.5	3.0	(0.1)	(0.1)	2.4	2.9
Transfers between activities	(0.1)	(0.1)	0.1	0.1	-	-
Change in net assets	$ 2.4	$ 2.9	$ -	$ -	$ 2.4	$ 2.9

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

The following summarizes expense information from the Statement of Activities (page FS-2). 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	
	2017	2016	2017	2016	2017	2016
Instruction	$ 30.4	$ 28.2	$ 5.8	$ 5.9	$ 24.6	$ 22.3
Instructional student support	3.5	3.4	0.4	0.4	3.1	3.0
Administrative and financial support	4.2	3.6	0.9	0.3	3.3	3.3
Operation and maintenance of plant	3.9	3.9	0.2	0.2	3.7	3.7
Pupil transportation	2.4	2.4	1.5	1.7	0.9	0.7
Student activities	1.0	1.0	0.2	0.2	0.8	0.8
Community services	-	-	-	-	-	-
Interest on long-term debt	0.6	0.7	0.7	0.7	(0.1)	-
	$ 46.0	$ 43.2	$ 9.7	$ 9.4	36.3	33.8
Transfers to business-type activities					0.1	0.1
Total governmental activities					36.4	33.9
State general subsidies revenues					10.0	9.9
Total needs from taxes and other local sources					$ 26.4	$ 24.0

	Business-type Activities					
	Direct Expenses		Program Revenues		Net Expense	
	2017	2016	2017	2016	2017	2016
	$ 1.3	$ 1.3	$ 1.2	$ 1.2	$ 0.1	$ 0.1
Transfers from governmental activities and investment earnings					(0.1)	(0.1)
					$ -	$ -

THE DISTRICT'S FUNDS

Governmental Funds – fund balances

	2017	2016	Change
General fund - nonspendable	$ 1.4	$ 1.1	$ 0.3
General fund - committed	0.6	0.6	-
General fund - assigned	3.7	3.7	-
General fund - unassigned	3.8	3.8	-
Capital reserve fund - committed	7.8	6.4	1.4
Capital projects fund - restricted	12.0	2.0	10.0
Governmental fund balances	$ 29.3	$ 17.6	$ 11.7
Total reserved + nonspendable	$ 1.4	$ 1.1	$ 0.3
Total restricted	12.0	2.0	10.0
Total committed	8.4	6.9	1.5
Total assigned	3.7	3.8	(0.1)
Total unassigned	3.8	3.8	-
Total governmental funds	$ 29.3	$ 17.6	$ 11.7

Changes from 2016 to 2017

The 2016-17 General Fund budget used $111,618 from fund balance to cover the deficit. At June 30, 2017, the General Fund increased by $284,039 after a $2.6 million transfer to capital reserve. The fund balance included an additional $250,000 of nonspendable fund balance in South Central Trust due to medical claims that were far less than projected. In addition to the nonspendable total of $1,350,000, 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 & associated support), $250,000 for Special Education and $200,000 for upgrade of the Student and Financial Information Systems. Due in part to the large transfer from the General Fund, the Capital Reserve fund increased from $6.4 million at June 30, 2016 to $7.8 million at June 30, 2017.

Changes from 2015 to 2016

The 2015-16 General Fund budget used $256,463 from fund balance to cover the deficit. At June 30, 2016 the General Fund increased by $778,890 after a $2.6 million transfer to capital reserve. The fund balance included an additional $600,000 of nonspendable fund balance in South Central Trust due to medical claims that were far less than projected. In addition to the nonspendable total of $1,100,000, the District has $554,000 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), $250,000 for Special

Education and $200,000 for upgrade of the Student and Financial Information Systems. Due in part to the large transfer from the General Fund, the Capital Reserve fund increased from $5.1 million to $6.4 million at June 30,2017.

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	
	2017	2016	2017	2016	2017	2016
Total revenues	$ 48.2	$ 46.7	$ 48.1	$ 46.1	$ (0.1)	$ (0.6)
Total expenditures	47.8	46.4	45.2	42.6	2.6	(3.8)
Excess revenues (expenditures)	0.4	0.3	2.9	3.5	2.5	3.2
Other financing sources (uses)	(0.5)	(0.6)	(2.6)	(2.7)	(2.1)	(2.1)
Net change in fund balance	$ (0.1)	$ (0.3)	$ 0.3	$ 0.8	$ 0.4	$ 1.1

In 2017, actual revenues exceeded the actual expenditures by $2,949,948. Actual expenditures were $2,575,109 under the final budgeted amount while revenues were $60,727 less 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 $2.0 million at June 2017 an increased over the $1.6 million at June 2016. This increase resulted in $0.4 million less revenue, primarily earned income taxes, being recognized in the General Fund during 2017.

CAPITAL ASSETS

During 2016-17 the District purchased $5.0 million in capital assets. Of that, approximately $1.9 million was for construction in progress projects including replacement of the Middle School Roof and construction of a new all-weather track with artificial turf field. The remaining $1.7 million was concentrated in the stadium renovation and roof repairs at the Middle School, Mt. Rock and the District Admin Office and $1.4 million was for other capital assets.

	Capital assets (net of depreciation)		
	2017	2016	Change
Governmental activities			
Land	$ 0.9	$ 0.9	$ -
Construction in progress	2.5	1.7	0.8
Buildings and improvements	51.0	49.7	1.3
Furniture and equipment	0.8	0.7	0.1
Library books	0.2	0.3	(0.1)
Technology equipment	1.3	1.1	0.2
	$ 56.7	$ 54.4	$ 2.3
Business-type activities			
Furniture and equipment	$ 0.2	$ 0.3	$ (0.1)

Capital assets in the governmental activities were $56.7 at June 2017 and $54.4 at June 2017. The District purchased more than $2.7 in assets against $2.5 in depreciation resulting in an approximate increase of $0.1 million in capital assets for 2016. For the year ended June 2017, the District purchased $4.9 in assets against $2.6 million in depreciation and disposals resulting in an approximate increase of $2.3 million in capital assets.

LONG-TERM LIABILITIES

The following summarizes the long-term liabilities (other than pension) note to financial statements (starting at page FS-26). 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.

	2017	2016	Change
Governmental activities			
General obligation bonds and notes	$ 40.5	$ 31.2	$ 9.3
Bond premiums (discounts)	0.8	0.2	0.6
Compensated absences	0.8	0.9	(0.1)
Other post employment benefits	1.3	1.0	0.3
Total liabilities	$ 43.4	$ 33.3	$ 10.1

Each year the District pays interest on the debt and a portion of the outstanding bonds and notes, referred to as redemption. During 2016-17 the District made regularly scheduled payments of $3,373,371 and $3,685,113 in 2015-16.

On June 23, 2016 the District issued two General Obligation bonds (as bank notes) with principal amounts of $5,915,000 and $3,915,000. The first, Series 2016, refinanced the 2011 series bonds at a savings of $74,500. The second, Series A of 2016, was used to pay off the General Obligation notes for the Oak Flat Performance Contract at a potential future savings of $392,947.

On April 13, 2017 the District closed on $12,635,000 in General Obligation Bonds, Series of 2017, resulting in $13,004,518.32 deposit to the Newville Projects Fund. On May 22, 2017 the Board passed a parameters resolution to incur general obligation debt up to $18,000,000 in support of the Mt. Rock Elementary School renovation and conversion as part of the District reorganization.

Other post-employment benefits (OPEBs) has to do with purchasing discounted health insurance after retirement through the District. The District's July 2016 actuarial accrued liability of $3.4 million is being amortized over a period of 30 years. Additional OPEB detail is available starting at page FS-29 of the notes.

GASB 68 requires the District to report its pension related items. The net pension liability, including deferred outflows and inflows, increased by $1.8 million during 2016. The pension obligation at June 2017 was $58.2 million compared to $56.4 million in June 2016.

NEXT YEAR'S BUDGET AND OTHER FACTORS

	Original Budget 2017-18	2016-17	Change
Total revenue	$ 49.2	$ 48.2	$ 1.0
Total expenditures and other uses	49.3	48.3	1.0
Excess revenues (expenditures)	$ (0.1)	$ (0.1)	$ -

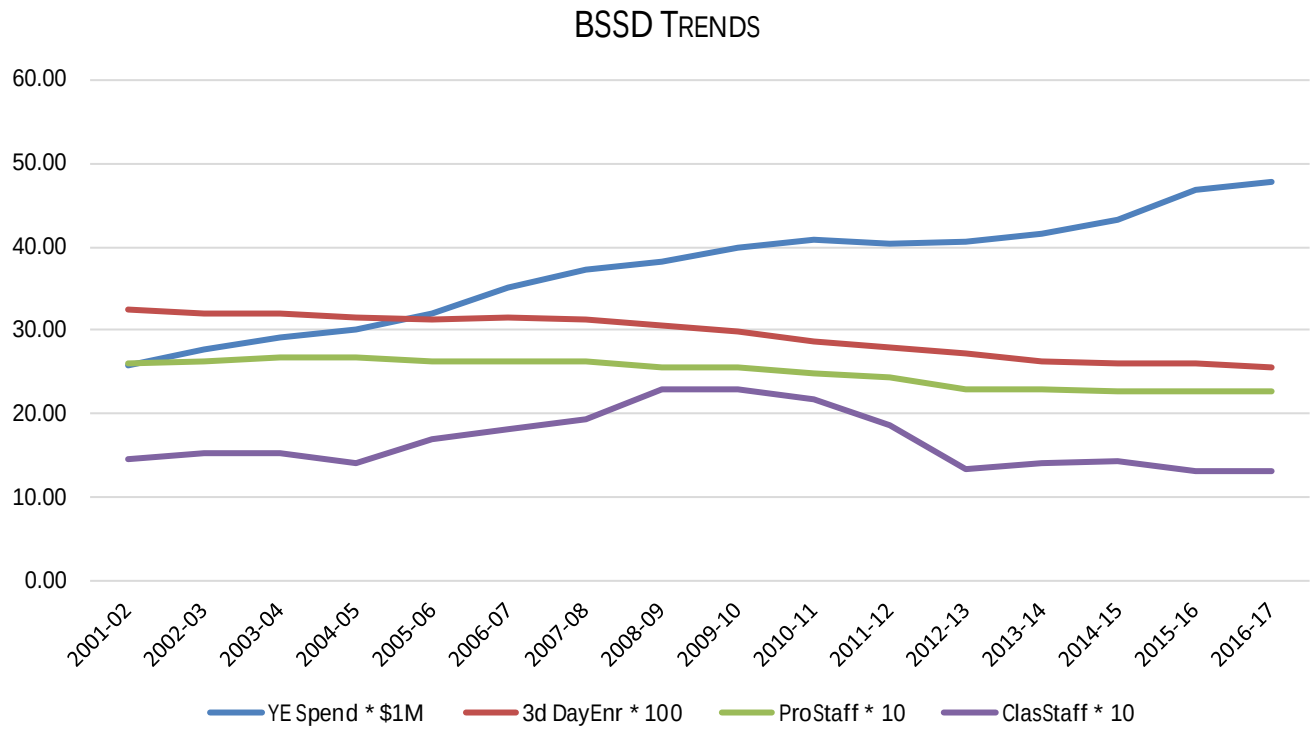
The Big Spring School District is committed to maintaining a strong educational program for students while minimizing the burden on taxpayers. In June 2017 the District approved a $49.3 million budget to cover the increasing cost of benefits (retirement and healthcare). The Commonwealth is struggling with the cost of retirement contributions also and any increase in subsidy to the District is mostly a reflection of the 50% subsidy paid on the dramatic increases in PSERS payments. 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 without additional state or federal funding. For 2016-17 the District approved a 6% decrease in healthcare premiums. Looking forward to the 2017-18, the District forecasts at a 10% reduction in healthcare premiums.

The 2017-18 budget shows $49,166,960 in revenues, which is a 2% increase over the 2016-17 revenue budget of $48,187,301. The real estate millage increased from 13.2885 to 14.0429, or 2.5%. The earned income tax rate remains at 1.65%.

The 2017-18 expenditures and other uses budget is $49,346,946 or a 2.2% increase over 2016-17 budget of $48,298,919. The 2017-18 budget exceeds revenues by $179,987. The major drivers of the 2017-18 budget are the 2.7% wage increase for CBA salaries, 2.7% for administrative and support staffs and the PSERS contribution rate increased from 30.03 % in 2016-17 to 32.57% of payroll in 2017-18 – an 8.4% year over year increase in rate. The projected rate for 2018-19 is 35.53; however, that is likely to increase based on PSERS final Board vote.

In 2016-17 the District continued its expansion and upgrade of both technology infrastructure and student devices. Last year the district entered into a five-year partnership with Questeq and during the course of the first year, the district invested in additional resources to form a new technology culture of transformation and leadership. This year, with the help of the Federal E-rate Program, the District renovated its entire wired & wireless infrastructure using $471,815 from the Capital Reserve fund to better support students, parents and staff. Currently, the District was approved for $273,953 in E-rate reimbursement to the Capital Reserve fund and is awaiting final approval and invoice processing. During 2016-17 the District continued its commitment to individual student devices with $512,472 spent on student devices to complete the transformation from grades 4-12.

Looking ahead, the near term challenge for the District is stable and reliable Commonwealth funding. The previous year (2015-16) was a disaster due to a state budget that did not appear in total for 11 months. The District had to use Capital Reserve to pay debt service and skip payments into the South Central Trust in order to preserve cash for General Fund operation. The 2016-17 budget passed on time with small increase for the District due to the new funding formula. At this time, the forecast for the 2017-18 state budget is not good due to a continued lack of political leadership and cooperation. The longer term challenge for the District is captured in the graph below. The District continues to see a slow, but constant, decline in student enrollment. This caused some reduction in staffing over the past several years. Even with the cuts, the budget continues to grow, largely as a result of the increasing cost of benefits due to healthcare, pension payments and tuition payments related to special education.



Despite the many challenges of declining enrollment against increases in PSERS and healthcare, the District stands committed to ensuring the best opportunities for students. The 2017-18 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, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 1,586,877	$ 529,801	$ 2,116,678
Investments	17,115,000	-	17,115,000
Taxes receivable (net of allowance for uncollectibles)	2,285,974	-	2,285,974
Internal balances	14,956	(14,956)	-
Due from other governments	2,451,273	1,707	2,452,980
Other receivables	118,269	11,307	129,576
Inventories	-	24,010	24,010
Prepaid health insurance	1,350,000	-	1,350,000
Restricted cash	5,624	-	5,624
Restricted investments	12,900,000	-	12,900,000
Capital assets not being depreciated	3,359,699	-	3,359,699
Capital assets being depreciated, net	53,334,999	178,531	53,513,530
Total assets	94,522,671	730,400	95,253,071
Deferred outflows of resources			
Deferred outflows for pension	12,133,192	-	12,133,192
Liabilities			
Accounts payable	2,220,968	32,371	2,253,339
Payroll and benefits payable	4,307,914	-	4,307,914
Unearned revenues	1,000	21,097	22,097
Accrued interest on bonds payable	177,900	-	177,900
Long-term liabilities			
Due within one year	3,785,000	-	3,785,000
Due in more than one year, net	39,648,312	-	39,648,312
Net pension liability	69,280,000	-	69,280,000
Total liabilities	119,421,094	53,468	119,474,562
Deferred inflows of resources			
Deferred inflows for pension	1,100,847	-	1,100,847
Deferred charges on refundings	27,973	-	27,973
Total deferred inflows of resources	1,128,820	-	1,128,820
Net position			
Invested in capital assets (net of related debt)	3,460,059	178,531	3,638,590
Restricted	11,950,239	-	11,950,239
Unrestricted (deficit)	(29,304,349)	498,401	(28,805,948)
Total net position (deficit)	$ (13,894,051)	$ 676,932	$ (13,217,119)

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

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	$ 30,356,210	$ 377,837	$ 5,462,626	$ -	$ (24,515,747)	$ -	$ (24,515,747)
Instructional student support	3,513,226	-	379,210	-	(3,134,016)	-	(3,134,016)
Administrative and financial support	4,230,329	1,079	944,006	-	(3,285,244)	-	(3,285,244)
Operation and maintenance of plant	3,918,606	-	236,709	-	(3,681,897)	-	(3,681,897)
Student transportation	2,429,794	24,395	1,480,755	-	(924,644)	-	(924,644)
Student activities	1,031,799	73,317	80,584	-	(877,898)	-	(877,898)
Community services	25,605	7,920	1,530	-	(16,155)	-	(16,155)
Interest on long-term debt	559,468	-	-	736,041	176,573	-	176,573
Total governmental activities	46,065,037	484,548	8,585,420	736,041	(36,259,028)	-	(36,259,028)
Business-type activities							
Food service	1,304,663	605,287	593,854	-	-	(105,522)	(105,522)
Total school district	$ 47,369,700	$ 1,089,835	$ 9,179,274	$ 736,041	(36,259,028)	(105,522)	(36,364,550)
General revenues							
Real estate taxes					22,496,332	-	22,496,332
Earned income taxes					5,586,396	-	5,586,396
Personal taxes					181,678	-	181,678
Other taxes					307,985	-	307,985
Investment earnings					154,063	1,351	155,414
State general subsidies					10,050,562	-	10,050,562
Transfers					(65,909)	65,909	-
Total general revenues and transfers					38,711,107	67,260	38,778,367
Change in net position					2,452,079	(38,262)	2,413,817
Net position (deficit) - beginning					(16,346,130)	715,194	(15,630,936)
Net position (deficit) - ending					$ (13,894,051)	$ 676,932	$ (13,217,119)

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

BIG SPRING SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	General	Capital Reserve	Capital Projects Stadium	Capital Projects Newville	Total
Assets					
Cash and cash equivalents	$ 1,507,895	$ 78,982	$ -	$ -	$ 1,586,877
Investments	11,715,000	5,400,000	-	-	17,115,000
Restricted cash and cash equivalents	-	-	95	5,529	5,624
Restricted investments	-	-	-	12,900,000	12,900,000
Taxes receivable (net of allowance for uncollectibles)	2,285,974	-	-	-	2,285,974
Due from governmental funds	-	2,600,000	-	-	2,600,000
Due from proprietary funds	14,956	-	-	-	14,956
Due from other governments	2,451,273	-	-	-	2,451,273
Other receivables	118,269	-	-	-	118,269
Prepaid health insurance	1,350,000	-	-	-	1,350,000
Total assets	$ 19,443,367	$ 8,078,982	$ 95	$ 12,905,529	$ 40,427,973
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	$ 1,003,678	$ 261,905	$ -	$ 955,385	$ 2,220,968
Payroll and benefits payable	4,307,914	-	-	-	4,307,914
Unearned revenues	1,000	-	-	-	1,000
Due to governmental funds	2,600,000	-	-	-	2,600,000
Total liabilities	7,912,592	261,905	-	955,385	9,129,882
Deferred inflows of resources					
Unavailable tax revenue	2,046,702	-	-	-	2,046,702
Fund balances					
Nonspendable - employee health insurance	1,350,000	-	-	-	1,350,000
Restricted					
Capital outlays	-	-	95	11,950,144	11,950,239
Committed					
Capital outlays	-	7,817,077	-	-	7,817,077
Pension plan rate increases	554,000	-	-	-	554,000
Assigned - various items	3,750,000	-	-	-	3,750,000
Unassigned	3,830,073	-	-	-	3,830,073
Total fund balances	9,484,073	7,817,077	95	11,950,144	29,251,389
Total liabilities, deferred inflows of resources and fund balances	$ 19,443,367	$ 8,078,982	$ 95	$ 12,905,529	$ 40,427,973

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

BIG SPRING SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances - Governmental funds		$ 29,251,389
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	$ 99,031,008	
Accumulated depreciation	(42,336,310)	56,694,698
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 taxes	613,128	
Earned income taxes	1,420,000	
Personal taxes	13,574	2,046,702
Certain liabilities are not due and payable in the current year, and therefore are not presented as liabilities in the governmental funds. At year end, these liabilities consist of:		
Bonds and note payable	(40,525,000)	
Compensated absences	(825,000)	
Other post employment benefits	(1,323,912)	
Long-term liabilities	(42,673,912)	
Accrued interest on bonds and notes payable	(177,900)	(42,851,812)
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)	(759,400)	
Deferred charge on refundings	(27,973)	(787,373)
Certain liabilities, such as the net pension liability, are not due and payable in the current year and therefore are not presented as liabilities in the governmental funds. At year end, these liabilities consist of:		
Net pension liability	(69,280,000)	
Deferred outflows and inflows of resources related to the net pension liability are applicable to future years, and therefore are not presented in the governmental funds. At year end, these deferred outflows and inflows of resources consist of:		
Deferred outflows of resources related to pensions	12,133,192	
Deferred inflows of resources related to pensions	(1,100,847)	(58,247,655)
Net position (deficit) - Governmental activities		$ (13,894,051)

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General	Capital Reserve	Capital Projects		Total
			Stadium	Newville	
Revenues					
Local sources - taxes	$ 28,167,989	$ -	$ -	$ -	$ 28,167,989
Local sources - other	1,154,682	28,133	4,655	19,261	1,206,731
State sources	18,179,145	-	-	-	18,179,145
Federal sources	624,758	-	-	-	624,758
Total revenues	48,126,574	28,133	4,655	19,261	48,178,623
Expenditures					
Instruction	27,267,355	-	-	-	27,267,355
Support services	13,036,517	1,050,649	2,775	204,729	14,294,670
Noninstructional services	975,305	-	-	-	975,305
Capital outlay	-	173,159	2,049,022	1,023,463	3,245,644
Debt service (principal and interest)	3,897,449		-		3,897,449
Total expenditures	45,176,626	1,223,808	2,051,797	1,228,192	49,680,423
Excess (deficiency) of revenues over expenditures	2,949,948	(1,195,675)	(2,047,142)	(1,208,931)	(1,501,800)
Other financing sources (uses)					
Bond premium	-	-	-	574,247	574,247
Issuance of bonds	-	-	-	12,635,000	12,635,000
Transfers from other funds	-	2,600,000	50,172	-	2,650,172
Transfers to other funds	(2,665,909)	-	-	(50,172)	(2,716,081)
Net changes in fund balances	284,039	1,404,325	(1,996,970)	11,950,144	11,641,538
Fund balances - beginning	9,200,034	6,412,752	1,997,065	-	17,609,851
Fund balances - ending	$ 9,484,073	$ 7,817,077	$ 95	$ 11,950,144	$ 29,251,389

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, 2017

Total net change in fund balances - Governmental funds		$ 11,641,538
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	$ 4,974,875	
Disposals (adjusted cost basis of the assets exceeded the amount of proceeds received)	(94,428)	
Depreciation expense	(2,613,161)	2,267,286
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 taxes	98,828	
Earned income taxes	300,000	
Personal taxes	5,574	404,402
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	(12,635,000)	
Principal repayments	3,315,000	(9,320,000)
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	(574,247)	
Amortization of bond premiums (discounts)	58,371	
Amortization of charges on refundings	11,210	(504,666)
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.		(46,600)
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 decreased during the year.		114,000
Payments of other post employment 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 post employment benefit accruals increased during the year.		(290,212)
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:		
Change in deferred outflows and inflows	(1,924,650)	
Amortization of difference between plan contributions and actual contributions	(41,646)	
Amortization of change in proportionate share of net pension liability	152,627	(1,813,669)
Change in net position - Governmental activities		$ 2,452,079

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

BIG SPRING AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Food Service
Assets	
Current assets	
Cash and cash equivalents	$ 529,801
Due from other governments	1,707
Other receivables	11,307
Inventories	24,010
Total current assets	566,825
Capital assets being depreciated, net	178,531
Total assets	745,356
Liabilities	
Current liabilities	
Accounts payable	32,371
Due to governmental funds	14,956
Unearned revenues	21,097
Total current liabilities	68,424
Net position	
Invested in capital assets (net of related debt)	178,531
Unrestricted	498,401
Total net position	$ 676,932

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, 2017

	Food Service
Operating revenues - Food service revenue	$ 605,287
Operating expenses	
Salaries	9,358
Employee benefits	3,722
Food service management - non-food costs	653,021
Food and milk	465,706
Supplies and other expenses	40,053
Purchased property services - utilities	65,000
Depreciation	67,803
Total operating expenses	1,304,663
Operating income (loss)	(699,376)
Nonoperating revenues	
Earnings on investments	1,351
State sources - meal subsidies	29,764
Federal sources - meal subsidies	477,672
Federal sources - donated commodities	86,418
Total nonoperating revenues	595,205
Income (loss) before transfers	(104,171)
Transfers from other funds	65,909
Change in net position	(38,262)
Net position - beginning	715,194
Net position - ending	$ 676,932

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, 2017

	Food Service
Operating activities	
Cash received from users	$ 604,494
Cash payments to employees for services	(13,080)
Cash payments to suppliers for goods and services	(1,344,956)
Net cash provided by (used for) operating activities	(753,542)
Non-capital financing activities	
State sources	33,888
Federal sources	627,962
General Fund advances (due from/to governmental funds)	1,662
General Fund contributed services	65,909
Net cash provided by (used for) non-capital financing activities	729,421
Capital and related financing activities	
Cash payments for equipment	(2,825)
Net cash provided by (used for) capital and related financing activities	(2,825)
Investing activities	
Earnings on investments	1,351
Net cash provided by (used for) investing activities	1,351
Net change in cash and cash equivalents	(25,595)
Cash and cash equivalents - beginning	555,396
Cash and cash equivalents - ending	$ 529,801
Supplemental Disclosure of Noncash Transactions	
Donated commodities	$ 86,418
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	$ (699,376)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	67,803
Net change in other assets and other liabilities	
Other receivables	(2,273)
Inventories	(9,864)
Accounts payable	(111,312)
Unearned revenues	1,480
Total adjustments	(54,166)
Net cash provided by (used for) operating activities	$ (753,542)

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Student Activities
Assets	
Cash and cash equivalents	$ 34,788
Investments	173,765
Total assets	208,553
Liabilities	
Due to student groups	208,553
Total liabilities	208,553
Net position	$ -

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

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.

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. The Governmental Accounting Standards Board (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) 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

Fund accounting (Cont'd.)

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

Fund accounting (Cont'd.)

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.

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.

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 are considered to be 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.

Types of authorized investments are limited by State regulations. Pooled investment funds are required to be operated in accordance with State regulations.

Investments, including pooled investments, are reported at fair value.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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". Any balances between funds are short term items pending periodic repayments.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Capital assets (Cont'd.)

Capital assets are depreciated using the straight-line method, allowing for reasonable salvage values on equipment, 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

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Deferred outflows/inflows of resources

In addition to assets, the statement of net position reports 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 future periods and so will *not* be recognized as an outflow of resources (i.e. expense/expenditure) until then. The District has two items that qualify for reporting in this category, which are a deferred pension contribution and deferred outflows of resources for pension which are reported in the government-wide statement of net position. A deferred pension contribution results from contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year. Deferred outflows of resources for pension relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business type activities. These amounts are deferred and amortized over a closed five year period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (i.e. revenue) until that time. The District has three types of items that qualify for reporting in this category. The first item, *deferred inflows of resources for pension*, relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, or differences between employer contributions and the proportionate share of total contributions reported by the pension plan. These amounts are deferred and amortized over a closed five year period. The second item, *unavailable revenue*, arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources - property taxes, earned income taxes and personal taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The third item, *deferred charges on refundings*, relates to the district-wide statement of net position. Charges on refundings result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

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 June 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Pensions (Cont'd.)

Benefits provided (Cont'd.)

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the 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%.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Pensions (Cont'd.)

Contributions (Cont'd.)

Employer contributions

The school districts' contractually required contribution rate for fiscal year ended June 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan for the District were $ 5,414,570 for the year ended June 2017.

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.

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).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Governmental fund balances (Cont'd.)

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.

Estimates

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

Recent accounting standards

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

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information proved by state and local governmental employers about financial support for OPEB that is provide by other entities. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and establishes new accounting and financial reporting requirements for OPEB plans. This statement is effective for fiscal years beginning after June 15, 2017. The District is currently evaluating what effect, if any, the adoption of GASB 75 will have on the District's financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Recent accounting standards (Cont'd.)

In March 2016, the GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this statement for the selection of assumptions in a circumstance in which the pension liability is measured as of a date other than the most recent fiscal year-end. In that circumstance, the effective date is June 15, 2017. The District is currently evaluating what effect, if any, the adoption of GASB 82 will have on the District's financial statements.

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 is currently evaluating what effect, if any, the adoption of GASB 83 will have on the District's financial statements.

There are other GASB pronouncements that will become effective for future reporting periods. The District does not currently anticipate any significant impact on the District's financial statements from these pronouncements.

Subsequent events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 5, 2017, 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.

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

As of June 30, 2017, the District's deposits totaled $ 145,131 and the depository institution balances totaled $ 580,882. Of the depository institution balances, $ 347,196 was covered by federal deposit insurance and $ 233,686 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, 2017, District deposits in these organizations are as follows:

	Cash and Cash Equivalents	Investments
Pennsylvania School District Liquid Asset Fund (PSDLAF)	$ 1,995,723	$ 30,015,000
Pennsylvania Local Government Investment Trust (PLGIT)	16,236	-

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.

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	$ 1,592,501	$ 30,015,000
Business-type activities	529,801	-
Fiduciary funds	34,788	173,765
	$ 2,157,090	$ 30,188,765

Investments consist of certificates of deposit with original maturities of more than three months from the date of acquisition.

TAXES RECEIVABLE

Taxes receivable are as follows:

	Taxes Receivable (Gross)	Allowance for Uncollectibles	Taxes Receivable (Net)	Unavailable Tax Revenue
Real estate taxes	$ 852,506	$ 106	$ 852,400	$ 613,128
Earned income taxes	1,420,000	-	1,420,000	1,420,000
Personal taxes	16,908	3,334	13,574	13,574
General Fund	2,289,414	3,440	2,285,974	2,046,702
Full accrual adjustment	-	-	-	(2,046,702)
Governmental activities	$ 2,289,414	$ 3,440	$ 2,285,974	$ -

DUE FROM/TO OTHER FUNDS AND INTERFUND TRANSFERS

Interfund balances are as follows:

	Assets	Liabilities	
General Fund	$ 14,956	$ 14,956	Food Service Fund
Capital Reserve Fund	2,600,000	2,600,000	General Fund

Interfund transfers were as follows:

	Other financing sources	Other financing uses	
Food Service Fund	$ 65,909	$ 65,909	General Fund
Capital Reserve Fund	2,600,000	2,600,000	General Fund

DUE FROM OTHER GOVERNMENTS

Due from other governments are as follows:

	Governmental Activities	Business-type Activities
Local sources - earned income taxes	$ 613,524	$ -
Local sources - realty transfer taxes	19,313	-
Local sources - other schools	188,829	-
Local sources - other items	36,215	-
State sources	1,479,582	93
Federal sources	113,810	1,614
	$ 2,451,273	$ 1,707

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	1,673,326	4,127,444	(3,340,479)	2,460,291
	2,572,734	4,127,444	(3,340,479)	3,359,699
Capital assets being depreciated				
Buildings and improvements	80,104,958	3,459,736	-	83,564,694
Furniture and equipment	3,264,187	190,990	(97,184)	3,357,993
Library books	2,308,721	-	-	2,308,721
Technology equipment	6,250,123	537,184	(347,406)	6,439,901
	91,927,989	4,187,910	(444,590)	95,671,309
Accumulated depreciation				
Buildings and improvements	(30,354,811)	(2,190,465)	-	(32,545,276)
Furniture and equipment	(2,535,401)	(110,411)	85,956	(2,559,856)
Library books	(2,077,848)	-	-	(2,077,848)
Technology equipment	(5,105,251)	(312,285)	264,206	(5,153,330)
	(40,073,311)	(2,613,161)	350,162	(42,336,310)
Capital assets being depreciated, net	51,854,678	1,574,749	(94,428)	53,334,999
Governmental activities capital assets, net	$ 54,427,412	$ 5,702,193	$ (3,434,907)	$ 56,694,698
Business-type activities				
Capital assets being depreciated				
Furniture and equipment	$ 1,612,535	$ 2,825	$ -	$ 1,615,360
Accumulated depreciation				
Furniture and equipment	(1,369,026)	(67,803)	-	(1,436,829)
Business-type activities capital assets, net	$ 243,509	$ (64,978)	$ -	$ 178,531

CAPITAL ASSETS (Cont'd.)

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Instruction	$ 2,025,127
Instructional student support	126,570
Administrative and financial support	151,885
Operation and maintenance of plant	227,827
Student activities	81,752
	$ 2,613,161
Business-type activities - Food service	$ 67,803

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	$ 31,205,000	$ 12,635,000	$ (3,315,000)	$ 40,525,000	$ 3,445,000
Bond premiums (discounts)	243,524	574,247	(58,371)	759,400	-
Compensated absences	939,000	111,583	(225,583)	825,000	225,000
Other post employment benefits	1,033,700	405,633	(115,421)	1,323,912	115,000
Net pension liability	61,205,486	15,153,100	(7,078,586)	69,280,000	-
	$ 94,626,710	$ 28,879,563	$ (10,792,961)	$ 112,713,312	$ 3,785,000

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
1999 Series (note)	$ 760,000	$ -	$ -	$ (370,000)	$ 390,000
2012 Series	9,570,000	-	-	(730,000)	8,840,000
2013 Series	1,500,000	-	-	(740,000)	760,000
2015 Series	9,545,000	-	-	(375,000)	9,170,000
2016 Series	5,915,000	-	-	(1,095,000)	4,820,000
2016 Series A	3,915,000	-	-	(5,000)	3,910,000
2017 Series	-	12,635,000	-	-	12,635,000
	31,205,000	12,635,000	-	(3,315,000)	40,525,000
Bond premium	243,524	574,247	-	(58,371)	759,400
	$ 31,448,524	$ 13,209,247	$ -	$ (3,373,371)	$ 41,284,400

The 2017 Series bond in the amount of $ 12,635,000 was issued at a premium of $ 574,247. After payment of issuance costs of $ 204,729, the net proceeds of $ 13,004,518 were deposited into the District's capital projects fund to be used for various capital projects including a track and turf project and future renovations to the Newville Elementary School.

	Interest Rates	Maturity Date	Callable Date	Due Within One Year
1999 Series (note)	(1)	December 2017	45 days notice	$ 390,000
2012 Series	.90% to 2.00%	April 2023	April 2018	740,000
2013 Series	1.50% to 3.00%	April 2018	Not Callable	760,000
2015 Series	0.23% to 3.00%	March 2025	March 2021	375,000
2016 Series	1.94%	February 2021	Anytime, w/o penalty	1,170,000
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
				$ 3,445,000

(1) 1.25% above the "weekly rate" (.95% at June 2017), not to exceed 25.00%.

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
2018	$ 3,445,000	$ 992,160	$ 4,437,160
2019	3,330,000	999,317	4,329,317
2020	3,395,000	933,922	4,328,922
2021	3,480,000	854,004	4,334,004
2022	3,585,000	778,476	4,363,476
2023-2027	17,750,000	2,875,425	20,625,425
2028-2030	5,540,000	550,024	6,090,024
	$ 40,525,000	$ 7,983,328	$ 48,508,328

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, $ 17,000 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.

Other post employment benefits (OPEBs)

OPEBs are presented in accordance with GASB Statement No. 45, 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.

LONG-TERM LIABILITIES (Cont'd.)

Other post employment benefits (OPEBs) (Cont'd.)

Plan description

Under the negotiations 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 dependents results in what is known as an "implicit rate subsidy," which creates an additional cost to the District.

Participant information	
Active participants	273
Vested former members	0
Retired participants	54
	327

LONG-TERM LIABILITIES (Cont'd.)

Other post employment benefits (OPEBs) (Cont'd.)

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.

Annual OPEB cost and net OPEB obligation

The annual OPEB cost (expense) is calculated based on the actuarially determined annual required contribution (ARC) of the District. The ARC represents a funding level that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL) over 30 years.

Components of the annual OPEB cost, the amount contributed to the Plan, and changes in the net OPEB obligation are as follows:

District normal cost	$ 213,642
Amortization of unfunded actuarial accrued liability	208,934
Annual required contribution	422,576
Interest on the net OPEB obligation	46,517
Adjustment to the ARC	(63,460)
Annual OPEB cost	405,633
Contributions made to the plan	(115,421)
Increase in net OPEB obligation	290,212
Net OPEB obligation - beginning	1,033,700
Net OPEB obligation - ending	$ 1,323,912

The percentage of annual OPEB cost contributed was as follows:

Year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 2017	$ 405,633	28.45%	$ 1,323,912

LONG-TERM LIABILITIES (Cont'd.)

Other post employment benefits (OPEBs) (Cont'd.)

Funding status and funding progress

The actuarial accrued liability (AAL) for OPEBs as of July 2016 was $ 3,403,297. There are no Plan assets, thus, the entire amount is unfunded. The District does not have any current plans to fund the AAL.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
July 2016	$ -	$ 3,403,297	$ 3,403,297	0.00%	$15,054,068	22.61%

Actuarial assumptions and methods

Actuarial assumptions and methods used in the July 2016 actuarial valuation include the following:

Interest rate	4.50%
General inflation rate	2.50%
Health care cost trend rate	6.5% in 2016, 6.0% in 2017 and 5.5% in 2018 through 2020. Rates gradually decrease from 5.4% in 2021 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Actuarial cost method	Benefits are allocated on a level basis over the earnings of an individual from date of hire to assumed retirement age.
Amortization period	30 years

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 District 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.

LONG-TERM LIABILITIES (Cont'd.)

Other post employment benefits (OPEBs) (Cont'd.)

Actuarial assumptions and methods (Cont'd.)

The required schedule of funding progress in the other required supplementary information (ORSI) immediately following the notes to financial statements, presents 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.

PSERS health insurance premium assistance

While PSERS is primarily responsible for administering a defined benefit pension plan, it also administers its Health Insurance Premium Assistance Program (Premium Assistance). Under this program, employer contribution rates for Premium Assistance are established to provide reserves in its Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

The contribution rate for employers used to fund Premium Assistance was .83% for the year ended June 2017. Contributions to the Premium Assistance plan for the District were $ 149,653 for the year ended June 2017. This is in addition to the 29.20% employer contribution rate for the pension plan.

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

At June 30, 2017, the District reported a liability of $ 69,280,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was .1398%, which was a decrease of .0015 from its proportion measured as of June 30, 2015.

LONG-TERM LIABILITIES (Cont'd.)

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

For the year ended June 2017, the District recognized pension expense of $ 7,078,586. At June 30, 2017, 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	$ -	$ 577,103
Changes in assumptions	2,500,874	-
Net difference between projected and actual investment earnings	3,861,374	-
Changes in proportions	349,775	523,744
Difference between employer contributions and proportionate share of total contributions	156,252	-
Contributions subsequent to the measurement date	5,264,917	-
	$ 12,133,192	$ 1,100,847

At June 30, 2017, $ 5,264,917 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date that are 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 years ended June 30 as follows:

Year Ending June	
2017	$ 1,136,000
2018	1,136,000
2019	2,017,000
2020	1,324,000

LONG-TERM LIABILITIES (Cont'd.)

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

Changes in actuarial assumptions

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

Changes in assumptions used in measurement of the total pension liability beginning June 30, 2016:

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the 5 year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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.

LONG-TERM LIABILITIES (Cont'd.)

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

Changes in 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	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0%)	0.5%
	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, 2016.

Discount rate

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

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	$ 84,749,000	$ 69,280,000	$ 56,283,000

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.

TAX ABATEMENT

The District negotiates property tax abatement agreements on an individual basis. As of June 30, 2017, the District has one tax abatement agreement.

The agreement was negotiated under the Pennsylvania Local Economic Revitalization Tax Assistance Act of December 1, 1977, referred to as LERTA. LERTA permits local taxing authorities such as the District to provide tax abatement for new construction on deteriorated industrial, commercial or other business property in economically depressed communities. The exemption amount, if approved by a Board of School Director's resolution, would be the valuation of the new construction or improvement. The Act establishes that the length of exemption shall not exceed ten years, with a schedule stipulating the portion of the new construction or improvements to be exempted by year. The current District LERTA property has an established tax assessment percentage of 35 percent over the five year period.

The state law does not provide for the recapture of abated taxes, in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement.

The District has not made any commitments as part of the agreement other than to reduce real estate taxes. The District is not subject to any tax abatement agreements entered into by other governmental entities.

TAX ABATEMENT (Cont'd.)

For the year ended June 30, 2017, the following schedule provides the LERTA eligible property and related tax abatement:

Owner of Tax Parcel	Year of Abatement *	Exempted Real Estate Valuation	Percentage of Abatement	Abated 2016/2017 Real Estate Taxes
PANCAL 954 Centerville (Unit B) LLC	4	$ 30,434,000	65%	$ 271,023
Gross amount of District tax reduction				$ 271,023

Note: The District millage for 2016/2017 was 13.7004 mills.
* Year of Abatement based on calendar year - exemption percentage allocated to school year.

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		$ 2,608,577
Payments from the District and its retirees		3,982,725
Benefit claims paid by the trust	$ (3,490,292)	
Administrative and other fees, net of interest earned	(114,912)	
Stop loss premiums	(95,791)	(3,700,995)
Cash balance in the trust - ending		2,890,307
District prepaid health insurance		(1,350,000)
Amount available for benefit claims		$ 1,540,307

RISK MANAGEMENT (Cont'd.)

The amount available for benefit claims was as follows:

Accrual for benefit claims	$ 892,605
Accrual for administrative and other fees	66,226
Accrual for health insurance coverage on payroll payable	581,476
Amount available for benefit claims	$ 1,540,307

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.

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	250,000
Software	200,000
	$ 3,750,000

OPERATING LEASES

The District was obligated under various technology equipment lease agreements for the year ended June 30, 2017. Payments on these operating leases included in General Fund expenditures were $ 145,591. Future minimum payments under this operating lease agreement are as follows:

2017-2018	$ 145,591
2018-2019	145,591
2019-2020	51,869
	$ 343,051

COMMITMENTS AND CONTINGENCIES

The District's contract with its teaching staff expires in June 2019. The District contract with its classified staff expires in June 2019.

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 five construction contracts for the track, Newville Elementary School and Big Spring Middle School Roof projects during the year for a total cost of $ 545,093, $ 2,151,501 and $ 1,376,700, respectively. For the year ended June 30, 2017, the District incurred approximately $ 1,723,000 in costs. The outstanding commitments at June 30, 2017 for these contracts are approximately $ 2,350.000.

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.

BIG SPRING SCHOOL DISTRICT

BUDGETARY COMPARISON INFORMATION - GENERAL FUND

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Local sources - taxes	$ 28,231,512	$ 28,231,512	$ 28,167,989	$ (63,523)
Local sources - other	1,056,800	1,056,800	1,154,682	97,882
State sources	18,329,989	18,329,989	18,179,145	(150,844)
Federal sources	569,000	569,000	624,758	55,758
Total revenues	48,187,301	48,187,301	48,126,574	(60,727)
Expenditures				
Regular programs	19,914,430	19,741,983	18,747,322	994,661
Special programs	8,183,271	8,183,271	7,946,139	237,132
Vocational programs	659,500	659,500	536,454	123,046
Other instructional programs	49,963	49,963	37,440	12,523
Higher education programs	6,000	6,000	-	6,000
Pupil personnel	1,244,598	1,329,598	1,323,032	6,566
Instructional staff	1,373,173	1,459,523	1,409,281	50,242
Administration	2,564,389	2,565,884	2,454,062	111,822
Pupil health	559,719	559,719	513,809	45,910
Business	419,168	418,770	360,024	58,746
Operation and maintenance of plant	4,066,937	4,066,912	3,653,800	413,112
Student transportation	2,632,230	2,632,230	2,430,975	201,255
Central services	889,116	889,116	863,870	25,246
Other support services	27,650	27,675	27,664	11
Student activities	1,064,047	1,064,047	948,645	115,402
Community services	29,571	29,571	26,660	2,911
Capital outlay	12,500	12,500	-	12,500
Debt service (principal and interest)	4,055,473	4,055,473	3,897,449	158,024
Total expenditures	47,751,735	47,751,735	45,176,626	2,575,109
Excess (deficiency) of revenues over expenditures	435,566	435,566	2,949,948	2,514,382
Other financing sources (uses)				
Transfers to other funds	(467,184)	(467,184)	(2,665,909)	(2,198,725)
Budgetary reserve	(80,000)	(80,000)	-	80,000
Net change in fund balance	(111,618)	(111,618)	284,039	395,657
Fund balance - beginning	8,935,487	8,935,487	9,200,034	264,547
Fund balance - ending	$ 8,823,869	$ 8,823,869	$ 9,484,073	$ 660,204

BIG SPRING SCHOOL DISTRICT

OTHER POST EMPLOYMENT BENEFIT PLANS
LAST 3 BIENNIAL VALUATIONS

HEALTH CARE BENEFITS
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
July 2016	$ -	$ 3,403,297	$ 3,403,297	0.00%	$15,054,068	22.61%
July 2014	-	$ 3,780,330	$ 3,780,330	0.00%	$ 13,999,854	27.00%
July 2012	-	3,251,275	3,251,275	0.00%	15,274,804	21.29%

The District is required to have an actuarial valuation at least biennially (every 2 years). If the plan experiences significant changes, a new actuarial valuation should be performed rather than waiting for the next scheduled valuation date.

BIG SPRING SCHOOL DISTRICT

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

Year Ending	District Proportion of the Net Pension Liability	District Proportionate Share of the Net Pension Liability	District's Covered Employee Payroll	District Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 2017	0.1398%	$ 69,280,000	$ 18,099,573	382.77%	50.14%
June 2016	0.1413%	61,205,486	18,175,445	336.75%	54.36%
June 2015	0.1410%	55,808,811	17,995,841	310.12%	57.24%

* 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, 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%

* 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.