BIG SPRING SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Big Spring School District
Newville, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of Big Spring School District as of and for the year ended June 30, 2015, 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 opinion.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of Big Spring School District, as of June 30, 2015, 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.

Emphasis of matter

As described in the notes to the financial statements titled *recent accounting standards,* the District implemented this new accounting guidance, GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*". Our opinion is not modified with respect to this matter.

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.

Board of School Directors
Big Spring School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, 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 1, 2015

Mechanicsburg, Pennsylvania

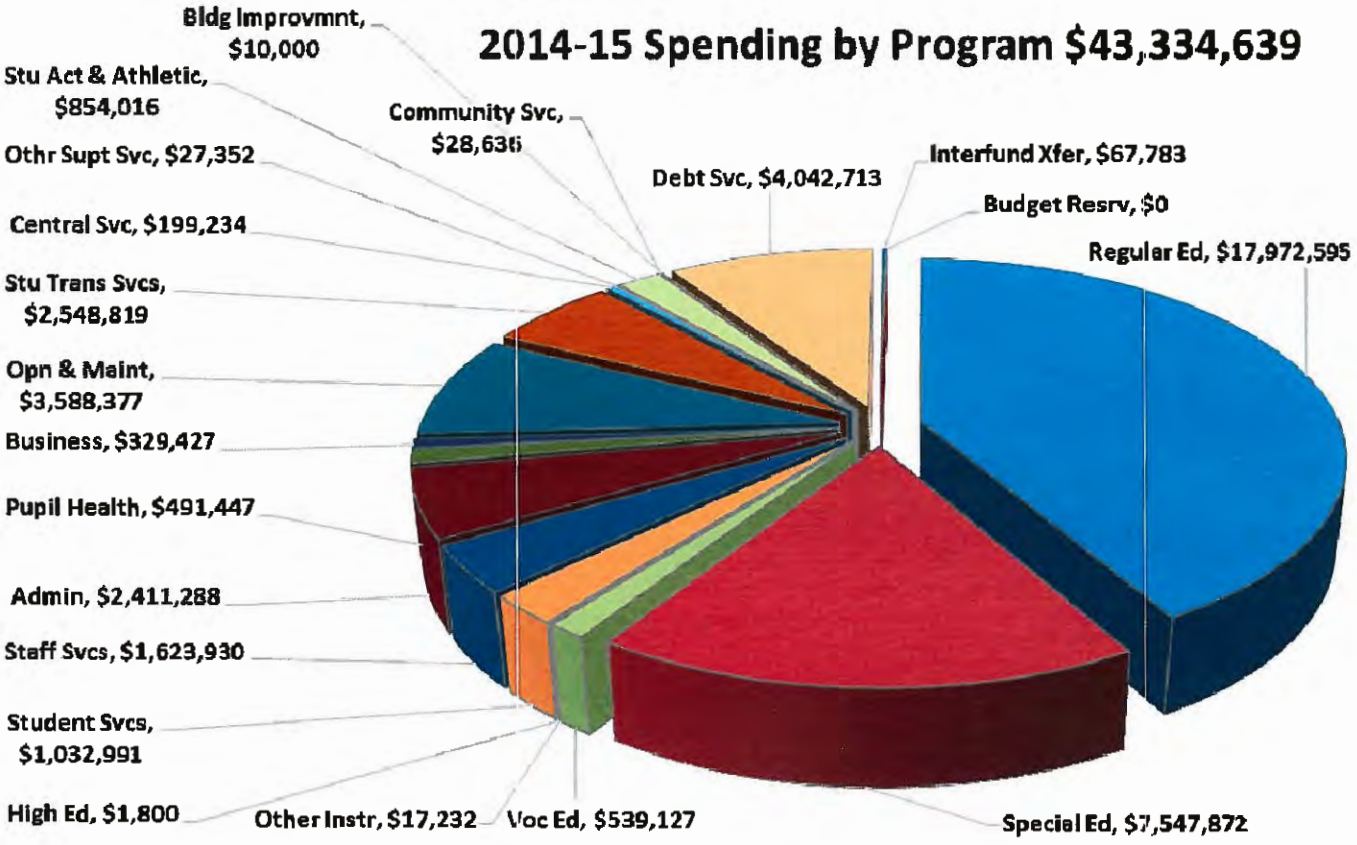
BIG SPRING SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

This discussion and analysis provides an overview of the District's financial performance for the year ending June 2015. 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 2015, 2014 and 2013. The MD&A also includes comparisons of current year financial activities to the previous year. The 2014 and 2013 amounts come from our prior year MD&A, and are otherwise not a part of the June 2015 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.

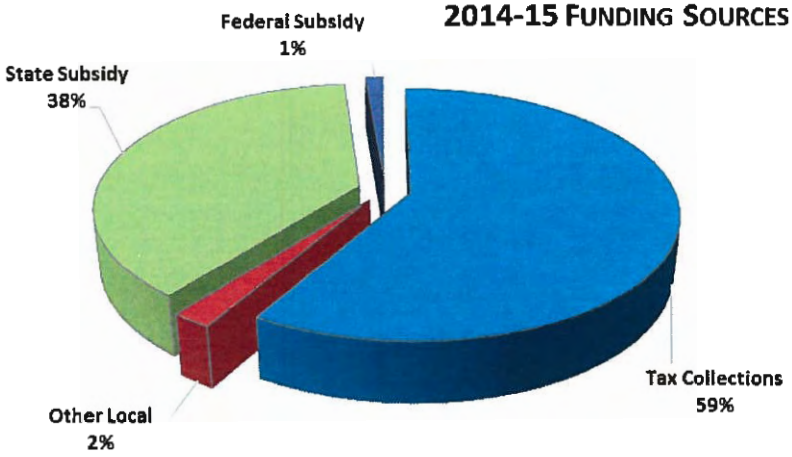
FINANCIAL HIGHLIGHTS



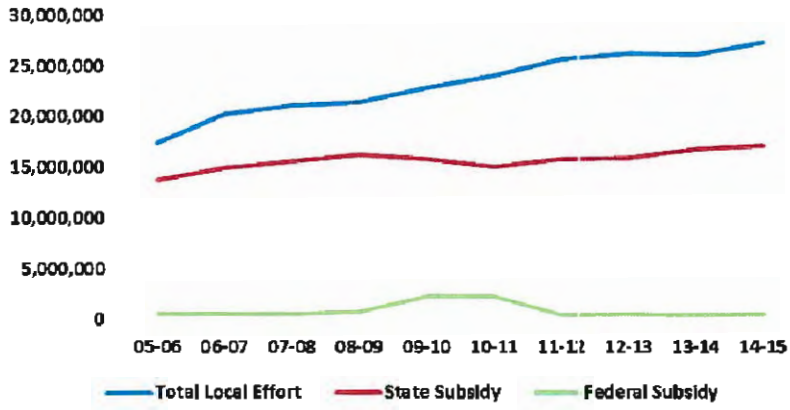
General Fund revenues increased 3.4% from $43,462,127 in 2013-14 to $44,965,960 in 2014-15; expenditures and other uses (sources) increased from $43,178,065 in 2013-14 to $43,334,639 in 2014-15 or 0.4% from the prior year. The District added $1,631,321 to the fund balance for a total of $8,421,144 as of June 30, 2015. Of that total, $500,000 is prepaid employee health insurance, $554,000 is committed for PSERS expense and $2,650,000 is assigned for various uses, including PSERS, healthcare, special education and technology, leaving an unassigned balance of $4,717,144. The Administration expects to transfer $1,100,000 to the Capital Project Fund in 2015-16, leaving an *unassigned* balance of $3,617,144 or 7.7% of the $46,949,740 in the 2015-16 Budget – within the 8% maximum required under state law.

The funding source graph at right shows the story 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. In 2014-15, Federal revenue continued at 1% of total revenues. The Commonwealth's share decreased down by 1% from 39% in 2013-14.

2014-15 FUNDING SOURCES



FUNDING SOURCE HISTORY



Going forward, the double impact of medical expense and PSERS rates creates a challenge for the district. As the Commonwealth struggles to meet their obligation for their 50% share of the PSERS contributions, the District is left to absorb the full cost of healthcare and their share of the PSERS payment.

The economy's impact on the District remains uncertain. Investment earnings continue to be almost non-existent compared to 2008 levels. Unfortunately, the District faces an uncertain future for EIT revenue due to the shaky economy and implementation of Act 32. The District collected $5.26 million of EIT in 2012-13,

$4.44 million in 2013-14 and $4.91 million in 2014-15. The uneven collection rate since Act 32 implementation remains a significant budget question going forward.

The Capital Reserve Fund ending balance was $6,193,028 at June 30, 2013, $6,790,732 at June 30, 2014 and $5,135,903 at June 30, 2015. The District earned $4,069 of investment earnings in the capital reserve during 2014-15 but also spent $1,658,898. The District funded several medium sized projects from the Capital Projects fund including a paving project at Oak Flat to change traffic patterns and renovate all paved surfaces, change 3 to the Honeywell Performance Contract detailed below and conducted preliminary work for a new stadium renovation. The District also contracted for a facilities study in preparation for a future Newville renovation project.

In October of 2013 the Board initiated a performance contract to renovate and increase the capacity of the Oak Flat HVAC system at a cost of $ 3,784,035 with construction starting in January 2014 and an expected completion date of August 18, 2014. With PLANCON effectively closed for new projects, the District self-funded the project using a variable rate bank loan (max 3.8%) of $3,865,000. The District added three change orders to the project, one for $85,535 to replace a modular wall system, a second for $174,805 to install an integrated building security system that is part of Honeywell's enterprise building management (EBI) system that controls HVAC, fire/safety and security, and the third was for replacement of the pool dehumidification unit and IP cameras at the High School for $568,052. The final project punch list is finishing up as of November 2015.

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 in 2013-14 and 2014-15. The District funded a 10.08% increase in premiums to SCT for 2014-15. With good claims experience, the balance in the trust increased from $1,300,639 in 2013-14 to $2,175,168 at June 30, 2015. The improved position added $500,000 in prepaid employee health insurance to the District's overall fund balances. In January 2015 the Board and the Big Spring Education Association signed a new collective bargaining agreement with salary retroactive to July 1, 2014 and a new high deductive health plan as of July 1, 2015.

In 2010 the Board and administration developed an elementary school reconfiguration plan closing unused elementary schools. The first action was to close Plainfield in June 2011. In June 2012 the Board leased Plainfield to Yellow Breeches for the 2012-13 year. On May 7, 2014 the District completed the sale of Plainfield and Frankford schools to Yellow Breeches for a combination of pre-paid student tuition and $195,123 in cash. In May of 2015 the administration received an offer from River Rock Academy to purchase Mifflin Elementary for $45,000 in cash and $156,880 in pre-paid tuition. After working through several issues, the Board voted to accept the offer in September 2015 and the sale is processing through the courts for approval.

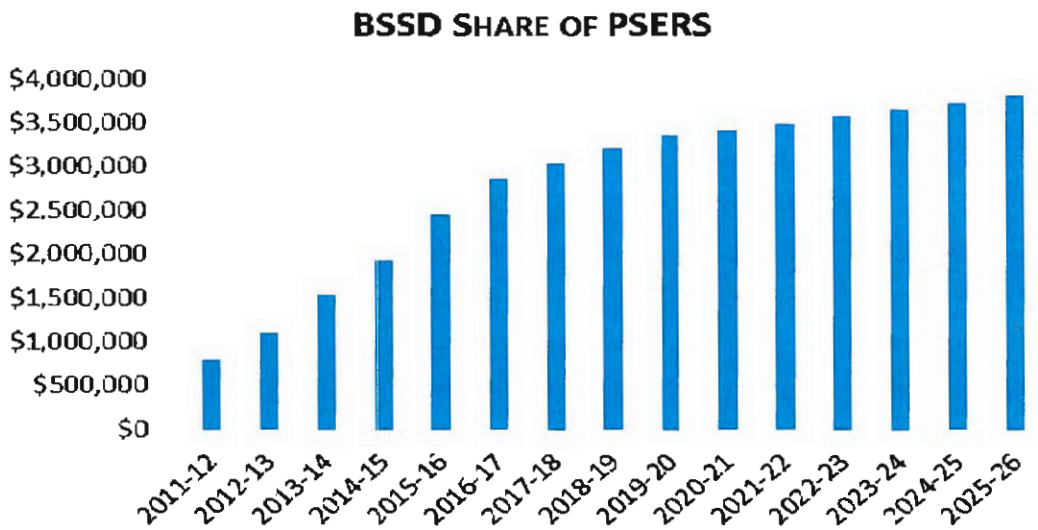
In February 2013 the Board completed a bond refunding that restructured all of the District's bond debt in order to level payments. On January 1, 2014 the District took out a G.O. Note with F&M Trust to finance

the Performance Contract at Oak Flat. The District made the last payment from the Note to Honeywell in August 2014 and began to repay the note in April 2015. In April 2015 the District's financial advisors recommended a refinancing in December 2015 for the 2010A bonds. With that, the Board decided to look into including $3.0 million in new money to fund stadium renovations. With the December 1st bond issuance, the District's bonds and G.O. note are scheduled to be paid off in 2025. Standard & Poor's Ratings Services has assigned its 'AA-' long-term rating to the 2015 Series of general obligation bonds.

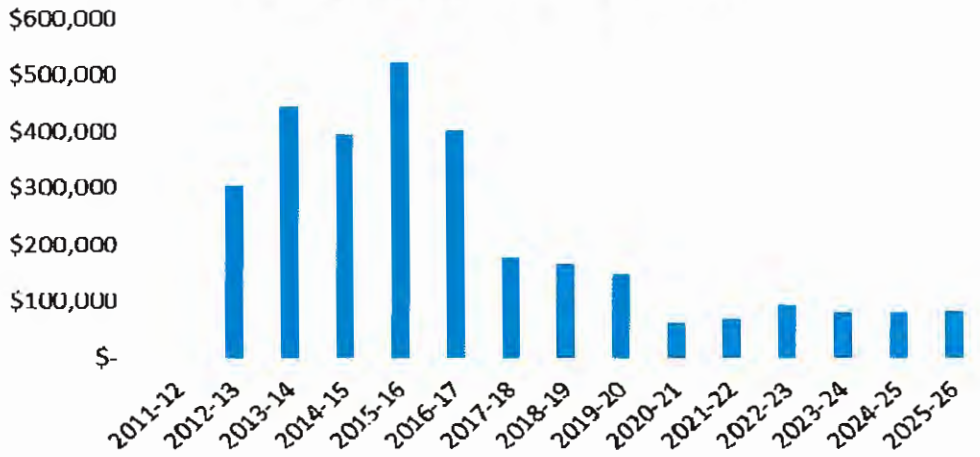
The District continues under the restrictions of Act 1 which limits future increases in the District's real estate taxes and displaces a selected amount of local real estate taxes with gaming funds. The District was allotted $774,580 in gaming funds in 2014-15 compared with $770,160 in 2013-14; these funds were distributed in equal amounts to each qualified taxpayer of $130.78 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 PSERS payment went from $1,610,064 in 2011-12 to $2,181,156 in 2012-13, $3,071,004 for 2013-14 and $3,862,630 in 2014-15 with the Commonwealth returning approximately half that in PSERS subsidy payment.

As you can see in the charts below, the steep rise in PSERS retirement contributions is remarkable as increases of this magnitude will continue until 2016-17. With a corresponding 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 when paying more than 32% of payroll into PSERS at least through 2035.

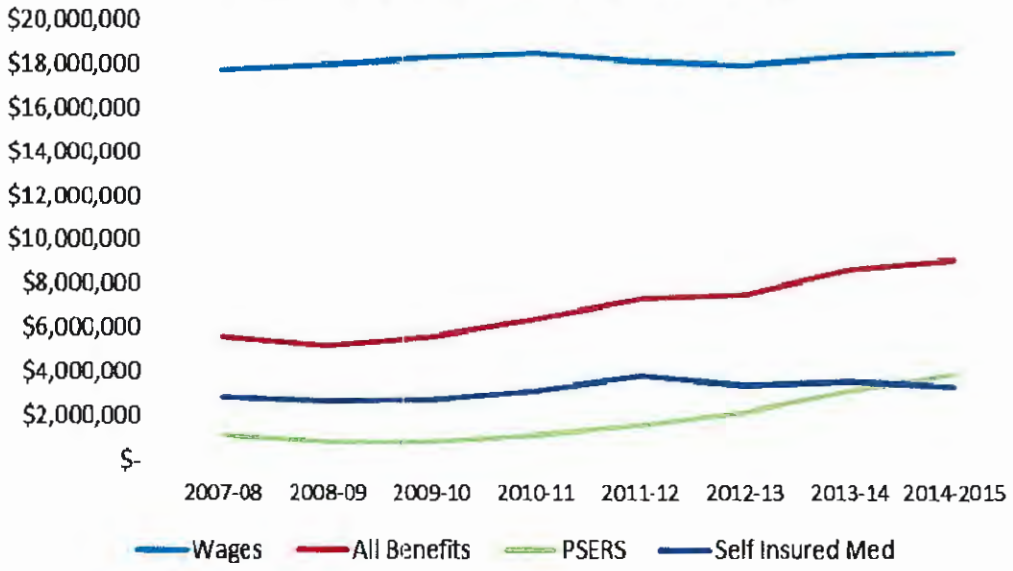


BSSD PSERS INCREASE BY YEAR



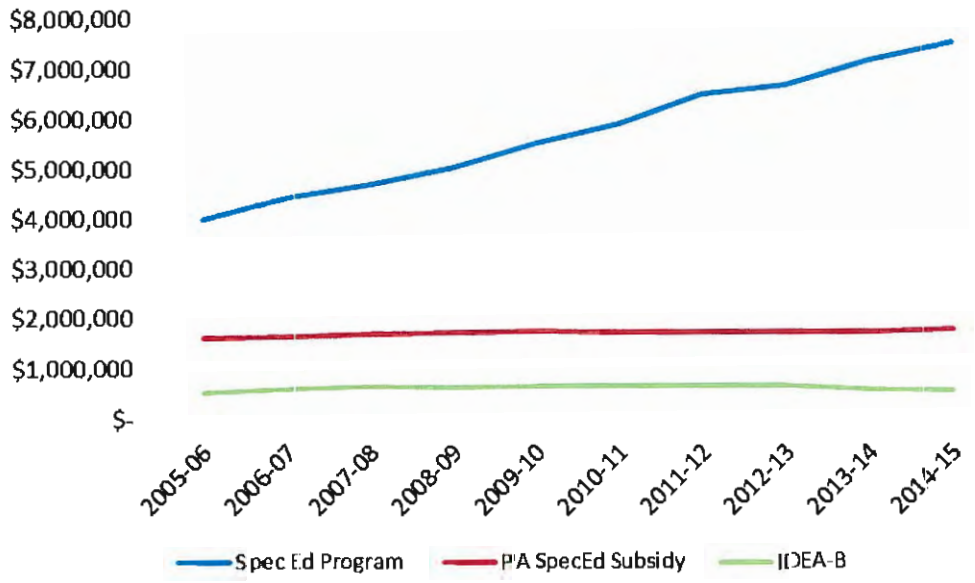
Healthcare expense went from $3,409,069 in 2012-13 to $3,543,437 in 2013-14. And this year it went down to $3,304,554. The chart below shows the competition between wages and benefits for the budget dollar. Due to the quickly rising cost of retirement contributions and the expected rise in future healthcare, 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 2.2% in 2013-14, 2.7% in 2014-15 and 2.4% in 2015-16 to balance the budget. The 2014-15 millage of 12.9771 was enacted in June 2014.

WAGE V. BENEFITS: PSERS & HEALTHCARE



This District is also squeezed by the continuously increasing cost of Special Education services. Over the last ten years, special education has increased at an average of 7.8% per year. The decline in student population and other external factors kept the 2014-15 increase to 5%, just below the average at 7.1%. The District continues to struggle with increasing demands from parents, the courts, and widening mandates from both the state and federal level that contrasts dramatically with flat funding from the Commonwealth and declining support from the Federal IDEA program.

SPECIAL EDUCATION - AN UNFUNDED MANDATE



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 $31.5 million at June 2013, $34.4 million at June 2014, and a deficit of $19.3 million at June 2015. The June 2015 deficit results from the requirement to include pension related debt of $55.6 million. The following summarizes the Statement of Net Position (page FS-1).

	Governmental Activities			Business-type Activities			Totals		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Current and other assets	$ 19.7	$19.9	$18.1	0.5	$ 0.6	$ 0.4	$ 20.2	$20.5	$18.5
Capital assets	54.3	55.0	52.1	0.3	0.3	0.4	54.6	55.3	52.5
Total assets	74.0	74.9	70.2	0.8	0.9	0.8	74.8	75.8	71.0
Deferred outflows-pension	4.3	n/a	n/a	n/a	n/a	n/a	4.3	n/a	n/a
Current and other liabilities	4.8	5.1	4.3	-	0.2	-	4.8	5.3	4.3
Long-term liabilities	88.8	36.1	35.1	-	-	-	88.8	36.1	35.1
Total liabilities	93.6	41.2	39.4	-	0.2	-	93.6	41.4	39.4
Deferred inflows-pension	4.0	n/a	n/a	n/a	n/a	n/a	4.0	n/a	n/a
Capital assets (net of related debt)	23.1	20.6	18.3	0.3	0.3	0.4	23.4	20.9	18.8
Restricted for capital projects		-	-	-	-	-	-	-	-
Unrestricted	(42.4)	13.1	12.4	0.4	0.4	0.3	(42.0)	13.5	12.7
Total net position	$ (19.3)	$33.7	$30.7	0.7	$ 0.7	$ 0.8	$(18.6)	$34.4	$31.5

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 for the 2014-15 year.

For the implementation of GASB 68, the total net position as of July 1, 2014 is restated as follows:

Net position as previously reported at June 30, 2014	$ 33,657,534
Adjustments for pension related amounts	(54,162,832)
Net position (deficit) as restated at July 1, 2014	$ (20,505,298)

Statement of Activities

The following summarizes the Statement of Activities (page FS-2). It shows that total net position increased by $1,246,133 during 2015 and $2,870,034 during 2014.

	Governmental Activities			Business-type Activities			Totals		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Program revenues									
Charges for services	$ 0.4	$ 0.5	$ 0.5	$ 0.6	$ 0.7	$ 0.7	$ 1.0	$ 1.2	$ 1.2
Operating grants and contributions	7.7	7.3	6.9	0.5	0.5	0.5	8.2	7.8	7.3
Capital grants and contributions	0.8	0.9	0.8	-	-	-	0.8	0.9	0.8
General revenues							-		
Taxes	26.5	25.2	24.5	-	-	-	26.5	25.2	24.5
Earnings on investments	-	0.1	-	-	-	-	-	0.1	-
Gain on sale of capital assets	-	0.1	-	-	-	-	-	0.1	-
State general subsidies	9.7	9.7	9.5	-	-	-	9.7	9.7	9.5
Total revenues	45.1	43.8	42.2	1.1	1.2	1.1	46.2	45.0	43.3
Direct expenses	43.8	40.8	39.2	1.2	1.3	1.3	45.0	42.1	40.5
Excess revenues (expenses) before transfers	1.3	3.0	2.9	(0.1)	(0.1)	(0.1)	1.2	2.9	2.9
Transfers between activities	(0.1)	(0.1)	(0.1)	0.1	0.1	0.1	-	-	-
Change in net assets	$ 1.2	$ 2.9	$ 2.9	$ -	$ -	$ -	$ 1.2	$ 2.9	$ 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 represents 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		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Instruction	$ 28.4	$ 26.3	$ 25.1	$ 5.5	$ 5.3	$ 5.1	$ 22.9	$ 21.0	$ 20.0
Instructional student support	3.4	3.3	2.9	0.4	0.3	0.3	3.0	3.0	2.6
Administrative and financial support	3.3	3.2	3.2	0.2	0.2	0.2	3.1	3.0	3.0
Operation and maintenance of plant	4.4	3.9	3.8	0.2	0.2	0.1	4.2	3.7	3.7
Pupil transportation	2.6	2.4	2.4	1.6	1.7	1.6	1.0	0.7	0.7
Student activities	1.0	0.9	0.8	0.1	0.1	0.1	0.9	0.8	0.7
Community services	-	-	-	-	-	-	-	-	-
Interest on long-term debt	0.7	0.8	1.1	-	0.9	0.8	0.7	(0.1)	0.3
	$ 43.8	$ 40.8	$ 39.2	$ 8.0	$ 8.7	$ 8.1	35.8	32.1	31.1
Transfers to business-type activities							0.1	0.1	0.1
Total governmental activities							35.9	32.2	31.2
State general subsidies revenues							9.7	9.7	9.5
Total needs from taxes and other local sources							$ 26.2	$ 22.5	$ 21.7

	Business-type Activities								
	Direct Expenses			Program Revenues			Net Expense		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
	$ 1.2	$ 1.3	$ 1.3	$ 1.1	$ 1.2	$ 1.1	$ 0.1	$ 0.1	$ 0.2
Transfers from governmental activities and investment earnings							(0.1)	(0.1)	(0.1)
							$ -	$ -	$ -

THE DISTRICT'S FUNDS

Governmental Funds – fund balances

Governmental Funds - fund balances

	2015	2014	2013	2014-15 Change	2013-14 Change
General fund - nonspendable	$ 0.5	$ -	$ -	$ 0.5	$ -
General fund - committed	0.6	0.6	0.6	-	-
General fund - assigned	2.6	2.4	1.9	0.2	0.5
General fund - unassigned	4.7	3.8	4.0	0.9	(0.2)
Capital reserve fund - committed	5.1	6.8	6.2	(1.7)	0.6
Capital projects fund - restricted	-	-	-	-	-
Governmental fund balances	$ 13.5	$ 13.6	$ 12.7	$ (0.1)	$ 0.9

Changes from 2014 to 2015

The General Fund budget for 2014-15 included a $516,920 deficit requiring the use of fund balance. Instead of a deficit, the General Fund finished the year with a $1.6 million increase over June 2014. Part of that increase was due to an addition of $500,000 of nonspendable fund balance in the South Central Trust as prepaid health insurance. As part of the general fund balance the District has $554,000 committed for PSERS; assigned amounts are $650,000 for PSERS, $350,000 for healthcare; $1,200,000 for technology, $250,000 for special education and $200,000 for upgrade to SIS/Financial software. The capital project (reserve) fund was $ 5.1 million on June 30, 2015, a decrease of $1.7 million from 2014.

Changes from 2013 to 2014 (previous year)

At June 30, 2014 the District's general fund balance totaled almost $6.8 million, which is a small increase over $6.5 million in 2013. The capital project (reserve) fund was $ 6.8 million on June 30, 2014, an increase of $.6 million over 2013. The Oak Flat capital projects fund (restricted) closed on June 30, 2014.

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		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Total revenues	$ 45.0	$ 42.9	$ 41.2	$ 45.0	$ 43.5	$ 42.8	$ -	$ 0.6	$ 1.5
Total expenditures	45.2	41.7	39.6	43.3	41.6	39.6	1.9	(0.1)	-
Excess revenues (expenditures)	(0.2)	1.2	1.7	1.7	1.9	3.2	1.9	0.7	1.5
Other financing sources (uses)	(0.5)	(1.6)	(1.7)	(0.1)	(1.6)	(2.6)	0.4	-	(0.9)
Net change in fund balance	$ (0.7)	$ (0.4)	$ -	$ 1.6	$ 0.3	$ 0.6	$ 2.3	$ 0.7	$ 0.6

In 2015, actual revenues exceeded the actual expenditures by $1,694,280. Actual expenditures were $1,878,745 under the final budgeted amount while revenues were $2,876 under budget.

Under the modified accrual basis of accounting, the District considers taxes unavailable to be recognized as revenue unless they are received within 2 months after the fiscal year. The District's unavailable tax revenue was $1.4 million at June 2014 and increased to $1.5 at June 2015. This increase resulted in $0.1 million less revenue, primarily earned income taxes, being recognized in the General Fund during 2015.

CAPITAL ASSETS

The District completed the Performance Contract under the Guaranteed Energy Savings Program to renovate and expand the HVAC at Oak Flat Elementary. This project started work in January 2014 but most work took place during the summer with a completion in late August 2014 just in time for school start.

During 2014-15, the District spent $1.7 million on capital assets. The District made a commitment to one-to-one computing by purchasing 1400 Chromebooks to outfit all secondary students and provide 5 devices for classrooms in grades 4 & 5 in each building. The District also invested in several capital projects including $524,557 to replace part of the High School roof, $236,620 to repave part of the Middle School lot and $260,340 in Performance Contract change orders for a sliding door in the Oak Flat gym and installation of the Honeywell EBI security and video monitoring system.

	Capital assets (net of depreciation)				
	2015	2014	2013	2014-15 Change	2013-14 Change
Governmental activities					
Land	$ 0.9	$ 0.9	$ 1.0	$ -	$ (0.1)
Construction in progress	-	-	-	-	-
Buildings and improvements	51.3	52.3	49.2	(1.0)	3.1
Furniture and equipment	0.7	0.8	1.0	(0.1)	(0.2)
Library books	0.3	0.2	0.2	0.1	(0.0)
Computer equipment	1.1	0.8	0.7	0.3	0.1
	$ 54.3	$ 55.0	$ 52.1	$ (0.7)	$ 2.9
Business-type activities					
Furniture and equipment	$ 0.3	$ 0.4	$ 0.4	$ (0.1)	$ -

Capital assets in the governmental activities were $54.3 million and $55 million at June 2015 and 2014, respectively. The District purchased capital assets totaling $5.1 million in 2014 and recognized $2.2 in depreciation. For the year ended June 2015, the District purchased $1.7 in assets against $2.4 in depreciation resulting in the decrease of $.7 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.

	2015	2014	2013	2014-15 Change	2013-14 Change
Governmental activities					
General obligation bonds and notes	$ 30.9	$ 34.1	$ 33.4	$ (3.2)	$ 0.7
Compensated absences	1.0	1.1	0.8	(0.1)	0.3
Other post employment benefits	0.8	0.6	0.5	0.2	0.1
Unamortized bond premiums	0.3	0.4	0.4	(0.1)	-
Total liabilities	$ 33.0	$ 36.2	$ 35.1	$ (3.2)	$ 1.1

Each year the District pays interest on the debt and a portion of the outstanding bonds and notes, referred to as redemption. In 2013-14 the District arranged a $3,865,000 bank note to pay for the Oak Flat Performance Contract. During 2014-15 the District made regularly scheduled payments of $3,207,955. During 2013-14 the District made regularly scheduled redemptions of $3,105,000.

In February 2013 the District completed a bond refunding resulting in an average annual reduction of $442,212 from 2014 through 2021. This transaction completed restructuring of all District debt in order to level payments and take advantage of current rates to help offset rising PSERS expense. In April 2015 the District's financial advisors recommended a refinancing in December 2015 for the 2010A bonds. With that, the Board decided to look into including $3 million in new money to fund stadium renovations. With the December 1st bond issuance the District's bonds and G.O. note are scheduled to be paid off in 2025.

Other post-employment benefits (OPEBs) has to do with purchasing discounted health insurance after retirement through the District. The District's July 2008 actuarial accrued liability of $4.0 million is being amortized over a period of 30 years. Additional OPEB detail is available starting at page FS-28 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 $1.4 million during 2015. The pension obligation at June 2015 was $55.6 million compared to $54.2 million in June 2014.

NEXT YEAR'S BUDGET AND OTHER FACTORS

	Original Budget		
	2015-16	2014-15	Change
Total revenue	$ 46.7	$ 45.0	$ 1.7
Total expenditures and other uses	47.0	45.5	$ 1.5
Excess revenues (expenditures)	$ (0.3)	$ (0.5)	$ 0.2

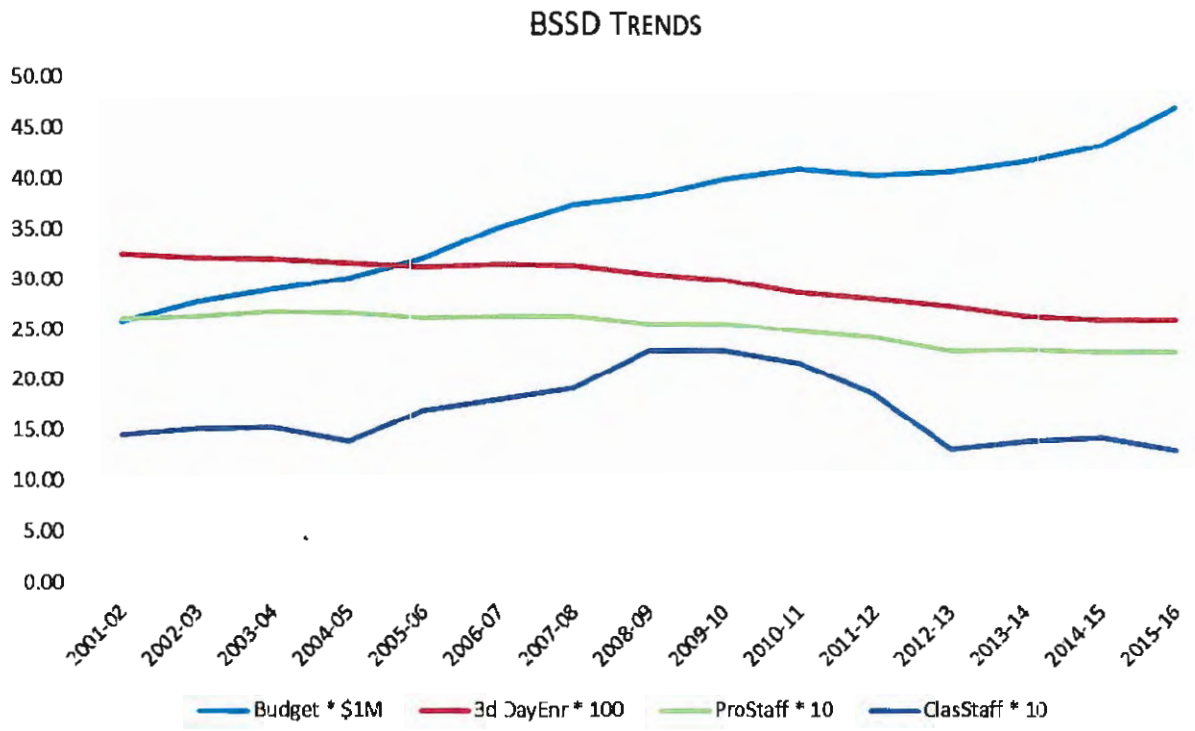
The Big Spring School District is committed to maintaining a strong educational program for students while minimizing the burden on taxpayers. In June 2015 the District approved a $47.0 million budget to cover the increasing cost of benefits (retirement and healthcare). The Commonwealth is struggling 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 declining year-to-year. In addition, the District continues to expand services for special needs students without additional state or federal funding. For 2015-16 the District absorbed a 7% increase in healthcare premiums. Looking forward to the 2016-17 and the continuing implantation of PPACA, the District forecasts at least a 5% increase in healthcare.

The 2015-16 budget shows $46,693,277 in revenues, which is a 3.8% increase over the 2014-15 revenue budget. The real estate millage increased from 12.9771 to 13.2885, or 2.4% as limited by the Act 1 index. The earned income tax rate remains at 1.65%.

The 2015-16 expenditures and other uses budget is $46,949,740 or a 3.2% increase over 2014-15 budget of $45,484,756. This exceeds revenues by $256,463. The major drivers of the 2015-16 budget are the 2.75% wage increase for CBA salaries, 2% for administrative and support staffs and the PSERS contribution rate increased from 21.40% to 25.84% of payroll -- a 20.7% year over year increase. The projected rate for 2016-17 is 29.27% or a 13.3% annual increase.

This budget continues the purchase of Chromebooks for ninth grade; that Chromebook remains with student until graduation. The Middle School Chromebooks are assigned to a grade and not students. While expenditures exceeded revenues by $256,463, the Board did this expecting to use part of the assigned fund balance for technology, if necessary.

The 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 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, PSERS, healthcare and a difficult economy, the District stands committed to ensuring the best opportunities for students. The 2015-16 budget protects essential programs and services while the District continues to look for reductions and efficiencies at every level.

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, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 12,673,404	$ 409,975	$ 13,083,379
Investments	1,960,000	-	1,960,000
Taxes receivable (net of allowance for uncollectibles)	1,805,000	-	1,805,000
Internal balances	9,802	(9,802)	-
Due from other governments	2,801,176	65,016	2,866,192
Other receivables	37,248	4,919	42,167
Inventories	-	12,256	12,256
Prepaid health insurance	500,000	-	500,000
Capital assets not being depreciated	911,730	-	911,730
Capital assets being depreciated, net	53,361,593	293,104	53,654,697
Total assets	74,059,953	775,468	74,835,421
Deferred outflows of resources			
Net deferred pension contributions	4,227,982	-	4,227,982
Deferred charges on refundings	39,200	-	39,200
Total deferred outflows of resources	4,267,182	-	4,267,182
Liabilities			
Accounts payable	1,081,588	25,357	1,106,945
Payroll and benefits payable	3,572,995	-	3,572,995
Unearned revenues	-	19,824	19,824
Accrued interest on bonds payable	188,100	-	188,100
Long-term liabilities			
Due within one year	3,610,000	-	3,610,000
Due in more than one year	29,113,863	-	29,113,863
Unamortized bond discounts	242,296	-	242,296
Net pension liability	55,808,811	-	55,808,811
Total liabilities	93,617,653	45,181	93,662,834
Deferred inflows of resources			
Net pension investment earnings difference	3,989,697	-	3,989,697
Net position			
Invested in capital assets (net of related debt)	23,123,982	293,104	23,417,086
Unrestricted (deficit)	(42,404,197)	437,183	(41,967,014)
Total net position (deficit)	$ (19,280,215)	$ 730,287	$ (18,549,928)

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

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	$ 28,428,374	$ 251,348	$ 5,239,957	$ -	$ (22,937,069)	$ -	$ (22,937,069)
Instructional student support	3,413,287	-	357,238	-	(3,056,049)	-	(3,056,049)
Administrative and financial support	3,295,654	-	239,580	-	(3,056,074)	-	(3,056,074)
Operation and maintenance of plant	4,441,639	24,695	172,086	-	(4,244,858)	-	(4,244,858)
Student transportation	2,553,469	-	1,607,829	-	(945,640)	-	(945,640)
Student activities	944,135	75,685	59,898	-	(808,552)	-	(808,552)
Community services	29,284	-	1,521	-	(27,763)	-	(27,763)
Interest on long-term debt	731,321	-	-	870,736	139,415	-	139,415
Total governmental activities	43,837,163	351,728	7,678,109	870,736	(34,936,590)	-	(34,936,590)
Business-type activities							
Food service	1,228,559	639,582	547,041	-	-	(41,936)	(41,936)
Total school district	$ 45,065,722	$ 991,310	$ 8,225,150	$ 870,736	(34,936,590)	(41,936)	(34,978,526)
General revenues							
Real estate taxes					20,672,004	-	20,672,004
Earned income taxes					5,080,138	-	5,080,138
Personal taxes					175,850	-	175,850
Other taxes					545,630	-	545,630
Investment earnings					39,658	27	39,685
State general subsidies					9,711,352	-	9,711,352
Transfers					(62,959)	62,959	-
Total general revenues and transfers					36,161,673	62,986	36,224,659
Change in net position					1,225,083	21,050	1,246,133
Net position (deficit) - beginning, restated					(20,505,298)	709,237	(19,796,061)
Net position (deficit) - ending					$ (19,280,215)	$ 730,287	$ (18,549,928)

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

BIG SPRING SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	General	Capital Reserve	Total
Assets			
Cash and cash equivalents	$ 7,516,460	$ 5,156,944	$ 12,673,404
Investments	1,960,000	-	1,960,000
Taxes receivable (net of allowance for uncollectibles)	1,805,000	-	1,805,000
Due from governmental funds	-	25,893	25,893
Due from proprietary funds	9,802	-	9,802
Due from other governments	2,801,176	-	2,801,176
Other receivables	37,248	-	37,248
Prepaid health insurance	500,000	-	500,000
Total assets	$ 14,629,686	$ 5,182,837	$ 19,812,523
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	$ 1,034,654	$ 46,934	$ 1,081,588
Payroll and benefits payable	3,572,995	-	3,572,995
Due to governmental funds	25,893	-	25,893
Total liabilities	4,633,542	46,934	4,680,476
Deferred inflows of resources			
Unavailable tax revenue	1,575,000	-	1,575,000
Fund balances			
Nonspendable - employee health insurance	500,000	-	500,000
Committed			
Capital outlays	-	5,135,903	5,135,903
Pension plan rate increases	554,000	-	554,000
Assigned - various items	2,650,000	-	2,650,000
Unassigned	4,717,144	-	4,717,144
Total fund balances	8,421,144	5,135,903	13,557,047
Total liabilities, deferred inflows of resources and fund balances	$ 14,629,686	$ 5,182,837	$ 19,812,523

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, 2015

Total fund balances - Governmental funds		$ 13,557,047
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	$ 92,152,276	
Accumulated depreciation	(37,878,953)	54,273,323
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	556,000	
Earned income taxes	1,010,000	
Personal taxes	9,000	1,575,000
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 notes payable	(30,907,045)	
Compensated absences	(1,001,000)	
Other post employment benefits	(815,818)	
Long-term liabilities	(32,723,863)	
Accrued interest on bonds and notes payable	(188,100)	(32,911,963)
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)	(242,296)	
Charges on refundings	39,200	(203,096)
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	(55,808,811)	
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 the net pension liability	4,227,982	
Deferred inflows of resources related to the net pension liability	(3,989,697)	(55,570,526)
Net position (deficit) - Governmental activities		$ (19,280,215)

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, 2015

	General	Capital Reserve	Total
Revenues			
Local sources - taxes	$ 26,313,622	$ -	$ 26,313,622
Local sources - other	943,498	4,069	947,567
State sources	17,139,990	-	17,139,990
Federal sources	568,850	-	568,850
Total revenues	44,965,960	4,069	44,970,029
Expenditures			
Instruction	26,078,626	-	26,078,626
Support services	12,252,865	974,291	13,227,156
Noninstructional services	882,652	-	882,652
Capital outlay	10,000	684,607	694,607
Debt service (principal and interest)	4,042,713	-	4,042,713
Refund of prior years revenues	4,824	-	4,824
Total expenditures	43,271,680	1,658,898	44,930,578
Excess (deficiency) of revenues over expenditures	1,694,280	(1,654,829)	39,451
Other financing sources (uses)			
Transfers to other funds	(62,959)	-	(62,959)
Net changes in fund balances	1,631,321	(1,654,829)	(23,508)
Fund balances - beginning	6,789,823	6,790,732	13,580,555
Fund balances - ending	$ 8,421,144	$ 5,135,903	$ 13,557,047

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, 2015

Total net change in fund balances - Governmental funds		$ (23,508)
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	$ 1,729,164	
Depreciation expense	(2,447,164)	(718,000)
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	(12,000)	
Earned income taxes	175,000	
Personal taxes	(3,000)	160,000
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 (no bonds were issued)	-	
Principal repayments	3,207,955	3,207,955
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:		
Amortization of bond premiums (discounts)	100,938	
Amortization of deferred charges on refundings	(13,500)	87,438
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 decreased during the year.		16,000
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.		94,000
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.		(191,108)
Pension costs are paid on covered wages at a set contribution rate and are presented as expenditures in the governmental funds. In the statement of activities, the changes in net pension liability, deferred outflows and deferred inflows related to the timing of pension costs resulted in an increase in the net unfunded pension obligation during the year.		(1,407,694)
Change in net position - Governmental activities		$ 1,225,083

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

BIG SPRING AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Food Service
Assets	
Current assets	
Cash and cash equivalents	$ 409,975
Due from other governments	65,016
Other receivables	4,919
Inventories	12,256
Total current assets	492,166
Capital assets being depreciated, net	293,104
Total assets	785,270
Liabilities	
Current liabilities	
Accounts payable	25,357
Due to governmental funds	9,802
Unearned revenues	19,824
Total current liabilities	54,983
Net position	
Invested in capital assets (net of related debt)	293,104
Unrestricted	437,183
Total net position	$ 730,287

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, 2015

	Food Service
Operating revenues - Food service revenue	$ 639,582
Operating expenses	
Salaries	6,911
Employee benefits	2,466
Food service management - non-food costs	564,511
Food and milk	492,498
Supplies and other expenses	24,713
Purchased property services - utilities	65,000
Depreciation	72,460
Total operating expenses	1,228,559
Operating income (loss)	(588,977)
Nonoperating revenues	
Earnings on investments	27
State sources - meal subsidies	32,078
Federal sources - meal subsidies	444,612
Federal sources - donated commodities	70,351
Total nonoperating revenues	547,068
Income (loss) before transfers	(41,909)
Transfers from other funds	62,959
Change in net position	21,050
Net position - beginning	709,237
Net position - ending	$ 730,287

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, 2015

	Food Service
Operating activities	
Cash received from users	$ 642,539
Cash payments to employees for services	(9,377)
Cash payments to suppliers for goods and services	(1,207,938)
Net cash provided by (used for) operating activities	(574,776)
Non-capital financing activities	
State sources	32,415
Federal sources	446,377
General Fund advances (Due from/to governmental funds)	(1,739)
General Fund contributed services	62,959
Net cash provided by (used for) non-capital financing activities	540,012
Capital and related financing activities	
Cash payments for equipment	(13,755)
Net cash provided by (used for) capital and related financing activities	(13,755)
Investing activities	
Earnings on investments	27
Net cash provided by (used for) investing activities	27
Net change in cash and cash equivalents	(48,492)
Cash and cash equivalents - beginning	458,467
Cash and cash equivalents - ending	$ 409,975
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	$ (588,977)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	72,460
Donated commodities	70,351
Net change in other assets and other liabilities	
Other receivables	(3,030)
Inventories	707
Accounts payable	(132,274)
Unearned revenues	5,987
Total adjustments	14,201
Net cash provided by (used for) operating activities	$ (574,776)

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

BIG SPRING SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Student Activities
Assets	
Cash and cash equivalents	$ 28,747
Investments	169,303
Total assets	198,050
Liabilities	
Due to student groups	198,050
Total liabilities	198,050
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 notes 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 Fund 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 expensed when consumed. Donated commodities are recognized as revenue and are inventoried at an estimated cost value.

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:

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.

Deferred outflows/inflows of resources other than pensions

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, as appropriate. 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) until then. The District has only one type of item that qualifies for reporting in this category. Deferred charges on refundings are reported in 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Deferred outflows/inflows of resources other than pensions (Cont'd.)

In addition to liabilities, the governmental funds balance sheet reports a separate section for deferred inflows of resources, as appropriate. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of resources that applies to future periods and so will *not* be recognized as an inflow of resources (i.e. revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable tax revenue*, is reported only in the governmental funds balance sheet. These unavailable revenues from taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

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.state.pa.us.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Pensions (Cont'd.)

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Pensions (Cont'd.)

Contributions (Cont'd.)

Member contributions (Cont'd.)

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

Members who joined the System after June 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer contributions

The school districts' contractually required contribution rate for fiscal year ended June 2015 was 20.50% 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 $ 3,700,183 for the year ended June 2015.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Governmental fund balances

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

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

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

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

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

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

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

GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions - An Amendment to GASB Statement No. 27*", was effective for the year ending June 2015. This statement governs the specifics of accounting for public pension plan obligations for participating employers and seeks to improve accounting and financial reporting for pensions. The District implemented this standard in the current year. The District-wide financial statements reflect a very large negative impact to its net financial position as a result of the implementation of this standard as reflected in the Statement of Net Position (page FS-1), the Statement of Activities (page FS-2), and the Pension Plan disclosures in the Notes to Financial Statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Recent accounting standards (Cont'd.)

Net position at July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

Net position as previously reported at June 30, 2014		$ 33,657,534
Adjustment for pension related amounts		
Net pension liability (measurement date as of June 30, 2013)	$ (57,065,139)	
Deferred outflows - District contributions made during fiscal year 2014	2,902,307	(54,162,832)
Net position (deficit) as restated at July 1, 2014		$ (20,505,298)

Subsequent events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 1, 2015, 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 to it. The District does not have a formal investment policy for custodial credit risk. However, the District requires all deposits in excess of federal deposit insurance coverage to be collateralized by the depository institution with approved collateral as provided by law.

As of June 30, 2015, the District's deposits totaled $ 13,752,016 and the depository institution balances totaled $ 14,443,025. Of the depository institution balances, $ 14,191,096 was covered by federal deposit insurance and $ 251,929 was collateralized by pooled assets. The pledged collateral is held by the Federal Reserve Bank, but is not titled in the District's name.

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

The District also has cash equivalents 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, 2015, District deposits in these organizations are as follows:

Pennsylvania School District Liquid Asset Fund (PSDLAF)	$ 1,477,186
Pennsylvania Local Government Investment Trust (PLGIT)	12,228

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	$ 12,673,404	$ 1,960,000
Business-type activities	409,975	-
Fiduciary funds	28,747	169,303
	$ 13,112,126	$ 2,129,303

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	$ 787,002	$ 1,002	$ 786,000	$ 556,000
Earned income taxes	1,010,000	-	1,010,000	1,010,000
Personal taxes	15,422	6,422	9,000	9,000
General Fund	1,812,424	7,424	1,805,000	1,575,000
Full accrual adjustment	-	-	-	(1,575,000)
Governmental activities	$ 1,812,424	$ 7,424	$ 1,805,000	$ -

DUE FROM/TO OTHER FUNDS AND INTERFUND TRANSFERS

Interfund balances are as follows:

	Assets	Liabilities	
Capital Reserve Fund	$ 25,893	$ 25,893	General Fund
General Fund	9,802	9,802	Food Service Fund

Interfund transfers were as follows:

	Other financing sources	Other financing uses	
Food Service Fund	$ 62,959	$ 62,959	General Fund

DUE FROM OTHER GOVERNMENTS

Due from other governments are as follows:

	Governmental Activities	Business-type Activities
Local sources - earned income taxes	$ 533,272	$ -
Local sources - realty transfer taxes	242,951	-
Local sources - other schools	792,432	-
Local sources - other items	20,653	-
State sources	1,032,710	4,267
Federal sources	179,158	60,749
	$ 2,801,176	$ 65,016

CAPITAL ASSETS

Changes in capital assets were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 911,730	$ -	$ -	$ 911,730
Capital assets being depreciated				
Buildings and improvements	78,765,556	1,040,056	-	79,805,612
Furniture and equipment	3,201,540	52,848	(85,296)	3,169,092
Library books	2,308,721	-	-	2,308,721
Technology equipment	5,320,861	636,260	-	5,957,121
	89,596,678	1,729,164	(85,296)	91,240,546
Accumulated depreciation				
Buildings and improvements	(26,501,880)	(2,027,722)	-	(28,529,602)
Furniture and equipment	(2,371,838)	(136,949)	85,296	(2,423,491)
Library books	(2,077,848)	-	-	(2,077,848)
Technology equipment	(4,565,519)	(282,493)	-	(4,848,012)
	(35,517,085)	(2,447,164)	85,296	(37,878,953)
Capital assets being depreciated, net	54,079,593	(718,000)	-	53,361,593
Governmental activities capital assets, net	$ 54,991,323	$ (718,000)	$ -	$ 54,273,323
Business-type activities				
Capital assets being depreciated				
Furniture and equipment	$ 1,605,503	$ 13,755	$ (11,220)	$ 1,608,038
Accumulated depreciation				
Furniture and equipment	(1,253,694)	(72,460)	11,220	(1,314,934)
Capital assets being depreciated, net	351,809	(58,705)	-	293,104
Business-type activities capital assets, net	$ 351,809	$ (58,705)	$ -	$ 293,104

CAPITAL ASSETS (Cont'd.)

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Instruction	$ 1,916,504
Instructional student support	119,782
Administrative and financial support	143,738
Operation and maintenance of plant	215,606
Student activities	51,534
	$ 2,447,164
Business-type activities - Food service	$ 72,460

LONG-TERM LIABILITIES

Changes in long-term liabilities, other than net pension liability, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds and notes payable	$ 34,115,000	$ -	$ (3,207,955)	$ 30,907,045	$ 3,160,000
Compensated absences	1,095,000	104,876	(198,876)	1,001,000	200,000
Other post employment benefits	624,710	432,438	(241,330)	815,818	250,000
Unamortized bond premiums	343,234	-	(100,938)	242,296	-
	$ 36,177,944	$ 537,314	$ (3,749,099)	$ 32,966,159	$ 3,610,000

Bonds and notes payable

Changes in bonds and notes payable were as follows:

	Beginning Balance	New Issue	Scheduled Redemptions	Ending Balance
1999 Series	$ 1,455,000	$ -	$ (340,000)	$ 1,115,000
2010 Series	7,395,000	-	(530,000)	6,865,000
2011 Series	7,815,000	-	(1,020,000)	6,795,000
2012 Series	9,990,000	-	(5,000)	9,985,000
2013 Series	3,595,000	-	(1,300,000)	2,295,000
2014 Notes	3,865,000	-	(12,955)	3,852,045
	$ 34,115,000	$ -	$ (3,207,955)	$ 30,907,045

LONG-TERM LIABILITIES (Cont'd.)

Bonds and notes payable (Cont'd.)

	Interest Rates	Maturity Date	Callable Date	Due Within One Year
1999 Series	(1)	December 2017	45 days notice	$ 355,000
2010 Series	2.15% to 3.00%	June 2022	December 2015	550,000
2011 Series	3.00% to 4.00%	February 2021	August 2016	1,040,000
2012 Series	.90% to 2.00%	April 2023	April 2018	415,000
2013 Series	1.50% to 3.00%	April 2018	Not Callable	795,000
2014 Notes	(2)	April 2025	Anytime, w/o penalty	5,000
				$ 3,160,000

(1) 1.45% above the "weekly rate" (.13% at June 2015), not to exceed 25.00%.
(2) 2.49% until April 2019, then floating rate between 1.98% and 3.80% until maturity.

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

Year Ending June	Principal	Interest	Total
2016	$ 3,160,000	$ 781,192	$ 3,941,192
2017	3,255,000	697,309	3,952,309
2018	3,355,000	606,865	3,961,865
2019	3,255,000	528,334	3,783,334
2020	3,335,000	448,428	3,783,428
2021-2025	14,547,045	903,386	15,450,431
	$ 30,907,045	$ 3,965,514	$ 34,872,559

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.

LONG-TERM LIABILITIES (Cont'd.)

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.

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.

LONG-TERM LIABILITIES (Cont'd.)

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

Plan description (Cont'd.)

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	262
Vested former members	2
Retired participants	63
	327

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 (23 years remaining).

LONG-TERM LIABILITIES (Cont'd.)

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

Annual OPEB cost and net OPEB obligation (Cont'd.)

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	$ 210,598
Amortization of unfunded actuarial accrued liability	232,080
Annual required contribution	442,678
Interest on the net OPEB obligation	28,112
Adjustment to the ARC	(38,352)
Annual OPEB cost	432,438
Contributions made to the plan	(241,330)
Increase in net OPEB obligation	191,108
Net OPEB obligation - beginning	624,710
Net OPEB obligation - ending	$ 815,818

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 2015	$ 432,438	55.81%	$ 815,818

Funding status and funding progress

The actuarial accrued liability (AAL) for OPEBs as of July 2014 was $ 3,780,330. 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 2014	$ -	$ 3,780,330	$ 3,780,330	0.00%	$13,999,854	27.00%

LONG-TERM LIABILITIES (Cont'd.)

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

Actuarial assumptions and methods

Actuarial assumptions and methods used in the July 2014 actuarial valuation include the following:

Interest rate	4.50%
General inflation rate	2.50%
Health care cost trend rate	6.5% in 2014 decreasing by 0.5% per year to 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 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 (23 years remaining)

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.

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.

LONG-TERM LIABILITIES (Cont'd.)

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 .90% for the year ended June 2015. Contributions to the Premium Assistance plan for the District were $ 162,447 for the year ended June 2015. This is in addition to the 20.50% employer contribution rate for the pension plan.

PENSION PLAN

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

At June 30, 2015, the District reported a liability of $ 55,808,811 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013 to June 30, 2014. 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, 2014, the District's proportion was .1410%, which was an increase of .0016 from its proportion measured as of June 30, 2013.

For the year ended June 2015, the District recognized pension expense of $ 5,107,876 At June 30, 2015, 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
Contributions subsequent to the measurement date	$ 3,700,183	$ -
Net difference between projected and actual investment earnings	-	3,989,697
Changes in proportions	527,799	-
	$ 4,227,982	$ 3,989,697

PENSION PLAN (Cont'd.)

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

At June 30, 2015, $ 3,700,183 reported as deferred outflows of resources is for District pension 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 as follows:

Year Ending June	
2016	$ (870,244)
2017	(870,244)
2018	(870,244)
2019	(870,244)
2020	19,078

Actuarial assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1% and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. 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.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 2011 board meeting, and were effective beginning with the June 30, 2011 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.

PENSION PLAN (Cont'd.)

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

Actuarial assumptions (Cont'd.)

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provide through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	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, 2014.

Discount rate

The discount rate used to measure the total pension liability was 7.50%. 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.

PENSION PLAN (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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.50%) or 1% point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	$ 69,614,000	$ 55,808,811	$ 44,023,000

Pension plan fiduciary net position

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

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		$ 1,300,639
Payments from the District and its retirees		4,917,651
Benefit claims paid by the trust	$ (3,824,089)	
Administrative and other fees, net of interest earned	(142,516)	
Stop loss premiums	(76,517)	(4,043,122)
Cash balance in the trust - ending		2,175,168
District prepaid health insurance		(500,000)
Amount available for benefit claims		$ 1,675,168

The amount available for benefit claims was as follows:

Accrual for benefit claims	$ 1,035,977
Accrual for administrative and other fees	54,758
Accrual for health insurance coverage on payroll payable	584,433
Amount available for benefit claims	$ 1,675,168

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.

RISK MANAGEMENT (Cont'd.)

Other insurance

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

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

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

ASSIGNED FUND BALANCE

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

Technology	$ 1,200,000
Pension plan rate increases	650,000
Health care	350,000
Special education	250,000
Software	200,000
	$ 2,650,000

COMMITMENTS AND CONTINGENCIES

The District's contract with its teaching staff expires in June 2017. The District's contract with its classified staff expires in June 2016.

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. No major commitments in excess of routine requirements have been made by the District.

COMMITMENTS AND CONTINGENCIES (Cont'd.)

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.

SUBSEQUENT EVENT

On December 1, 2015 the District issued its 2015 Series of bonds. Proceeds were used to payoff a portion of the 2010 Series of bonds and to finance various capital projects. The bonds have interest rates ranging from .23% (due 2016) to 3.00%. At the option of the District, the bonds have a callable date of March 2021, or any date thereafter. Standard & Poor's Ratings Services has assigned its 'AA-' long-term rating and underlying rating for credit program to the District's 2015 Series of general obligation (GO) bonds.

A summary of the 2015 Series of bonds is as follows:

Bonds issued (2015 Series)	$ 9,850,000
Premiums on bonds issued	149,912
Payoff a portion of the 2010 Series - principal and interest	(6,830,297)
Bond issuance	
Underwriter's discount	(86,187)
Costs	(79,111)
Amount available to the District	$ 3,004,317

BIG SPRING SCHOOL DISTRICT

BUDGETARY COMPARISON INFORMATION - GENERAL FUND

YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Local sources - taxes	$ 26,215,657	$ 26,215,657	$ 26,313,622	$ 97,965
Local sources - other	1,162,550	1,162,550	943,498	(219,052)
State sources	17,019,366	17,019,366	17,139,990	120,624
Federal sources	571,263	571,263	568,850	(2,413)
Total revenues	44,968,836	44,968,836	44,965,960	(2,876)
Expenditures				
Regular programs	18,540,596	18,491,443	17,972,595	518,848
Special programs	7,692,913	7,690,413	7,547,872	142,541
Vocational programs	653,000	653,000	539,127	113,873
Other instructional programs	57,786	55,786	17,232	38,554
Higher education programs	-	2,000	1,800	200
Pupil personnel	1,102,214	1,102,214	1,032,991	69,223
Instructional staff	1,923,772	1,925,931	1,623,930	302,001
Administration	2,428,885	2,431,585	2,411,288	20,297
Pupil health	524,444	524,444	491,447	32,997
Business	410,847	410,847	329,427	81,420
Operation and maintenance of plant	4,038,012	4,028,012	3,588,377	439,635
Student transportation	2,368,635	2,558,635	2,548,819	9,816
Central services	215,215	215,215	199,234	15,981
Other support services	28,000	28,000	27,352	648
Student activities	891,154	891,154	854,016	37,138
Community services	37,148	37,148	28,636	8,512
Capital outlay	-	10,000	10,000	-
Debt service (principal and interest)	4,094,598	4,089,598	4,042,713	46,885
Refund of prior year revenues	-	5,000	4,824	176
Total expenditures	45,007,219	45,150,425	43,271,680	1,878,745
Excess (deficiency) of revenues over expenditures	(38,383)	(181,589)	1,694,280	1,875,869
Other financing sources (uses)				
Transfers to other funds	(378,537)	(378,537)	(62,959)	315,578
Budgetary reserve	(100,000)	(98,950)	-	98,950
Net change in fund balance	(516,920)	(659,076)	1,631,321	2,290,397
Fund balance - beginning	6,505,761	6,505,761	6,789,823	284,062
Fund balance - ending	$ 5,988,841	$ 5,846,685	$ 8,421,144	$ 2,574,459

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 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%
July 2010	-	3,732,005	3,732,005	0.00%	16,852,109	22.15%

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 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 Ending	Actual Employer Contribution	District's Covered Member Payroll	Contributions as a Percentage of Covered Payroll
June 2015	$ 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.