BIG SPRING SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the District's June 30, 2013 financial statements and, in our report dated October 31, 2013 we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary funds.

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.

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

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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages MDA-1 through MDA-15 and other required supplementary information on pages ORSI-1 and ORSI-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, 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.



December 9, 2014

Mechanicsburg, Pennsylvania

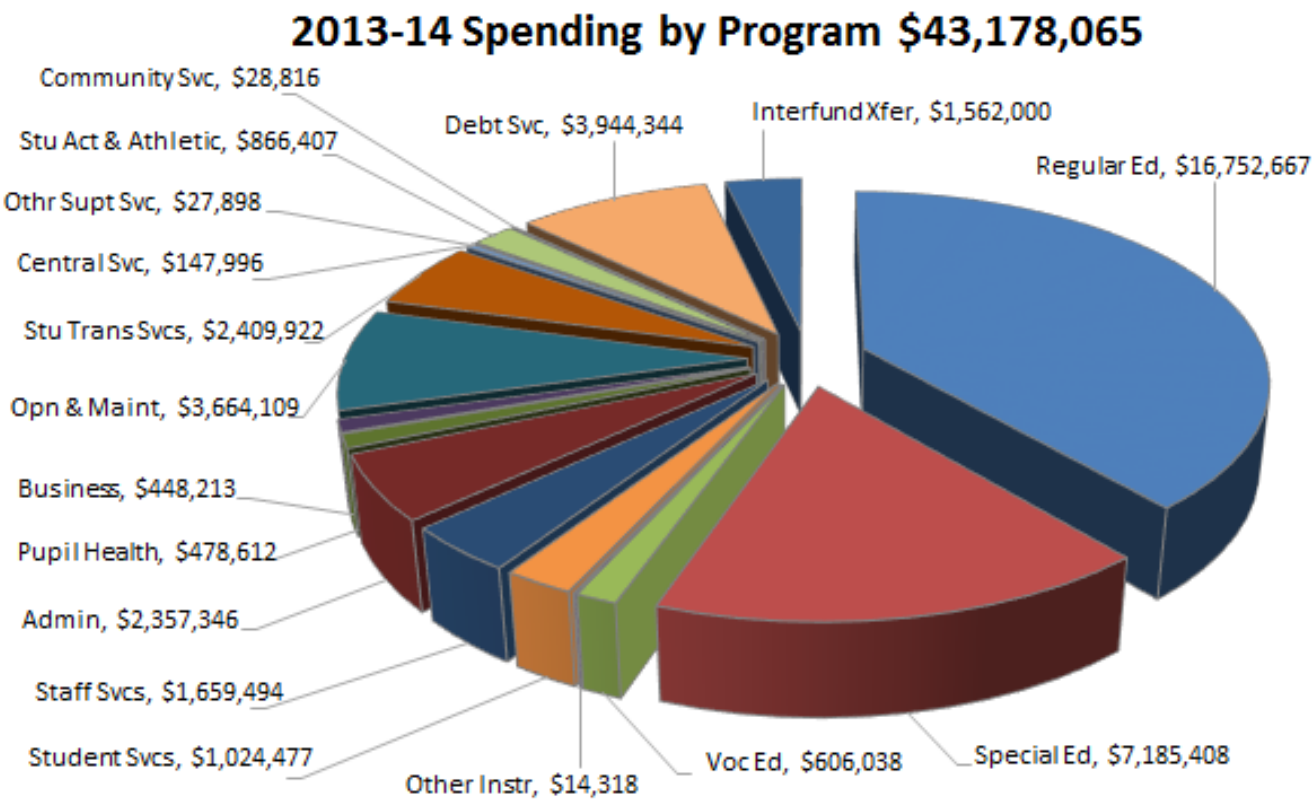
BIG SPRING SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

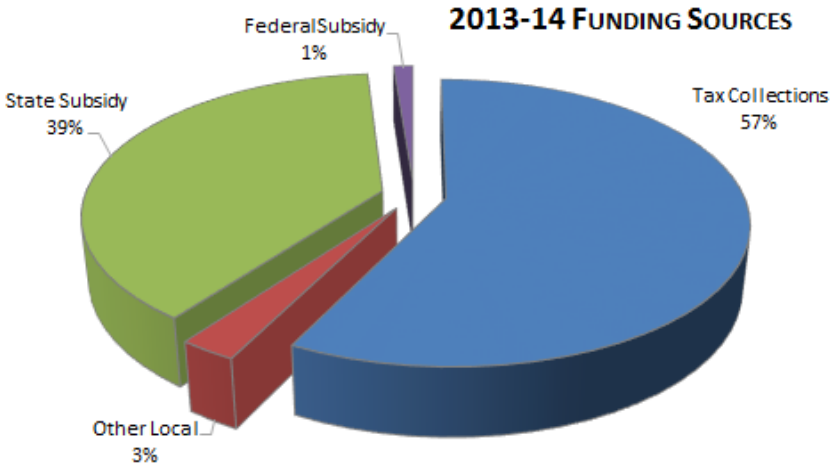
This discussion and analysis provides an overview of the District's financial performance for the year ending June 2014. The report format is in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Management's Discussion and Analysis (MD&A) includes comparisons of financial position at June 30 2014, 2013 and 2012. The MD&A also includes comparisons of current year financial activities to the previous year. The 2013 and 2012 amounts come from our prior year MD&A, and are otherwise not a part of the June 2014 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.

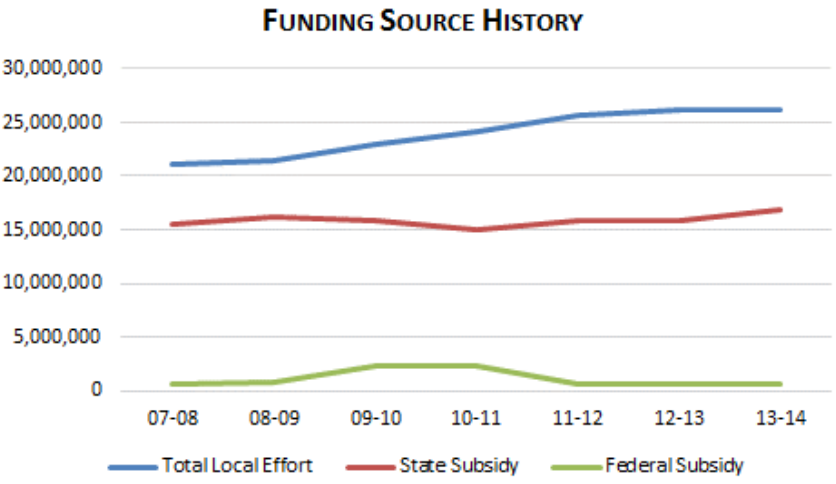
FINANCIAL HIGHLIGHTS



General Fund revenues for 2013-14 increased 1.6% from $42,770,642 in 2012-13 to $43,462,127 in 2013-14; expenditures and other uses (sources) increased from $42,157,895 in 2012-13 to $43,178,065 (net of sales proceeds) in 2013-14 or 3.3% from the prior year. The District added $284,062 to the fund balance for a total of $6,789,823 as of June 30, 2014. Of that total, $554,000 is committed for PSERS expense and $2,400,000 is assigned for various uses, including PSERS, healthcare, special education and technology, leaving an unassigned balance of $3,835,823. The Administration expects to assign $200,000 in support of technology device purchases leaving an *unassigned* balance of $3,635,823 or 8% of the $45,485,756 in the 2014-15 Budget – just 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 the 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 60 % of revenues. In 2010-11 the Federal portion of total revenue was 6% due to American Recovery and Reinvestment Act (ARRA) funding. In 2013-14, Federal revenue continued at 1% of total revenues. Reversing recent trends, the Commonwealth's share increased from 36% in 2010-11 to 39% in 2013-14 due to the Commonwealth's contributions to the rapidly increasing cost of PSERS retirement.





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 $4.28 million of EIT in 2011-12, $5.26 million in 2012-13 and $4.44 million in 2013-14. The uneven collection rate since Act 32 implementation remains a significant budget question going forward.

The Capital Reserve Fund ending balance was $4,460,975 for 2011-12, $6,193,028 for 2012-13 and at June 30, 2014 was at $6,790,732. The District added $1,695,123 to the capital reserve during 2013-14 but also spent $1,097,419. The District had funded several smaller projects from the Capital Projects fund including the remainder of the Middle School window project, a tunnel dehumidification project at the Middle School, replacement of hot water heaters at the High School and Oak Flat and addition of a UV light for the High School pool.

In October of 2013 the Board began discussing a permanent fix to the humidity problem at Oak Flat Elementary and in December reached agreement with Honeywell to use 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 two change orders to the project, one for $85,535 to replace a modular wall system and $174,805 for an integrated building security system that is part of Honeywell's enterprise building management system that controls HVAC, fire/safety and security.

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 the balance in the trust increased to $1.3 million which was enough to cover liabilities at June 30. The improved position at June 30 reduced the accrual against the District's fund balance to $300,000.

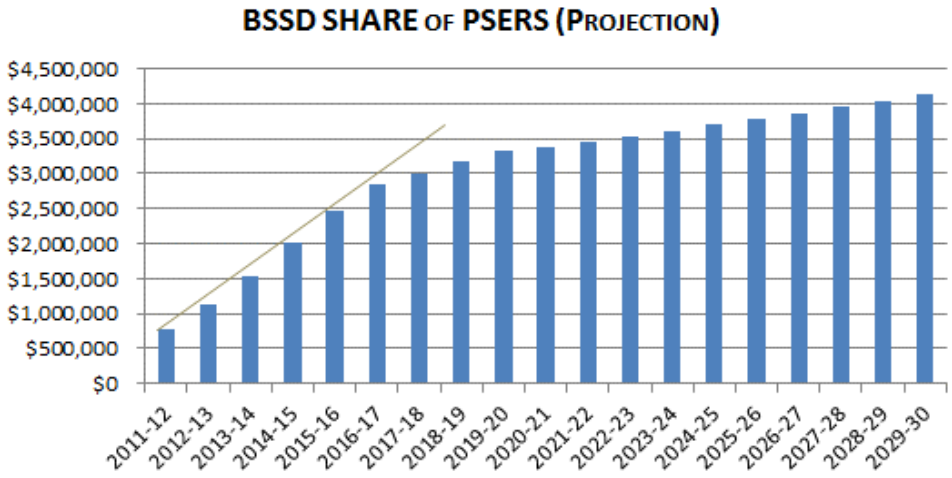
Due to declining enrollment in the District, in 2010 the Board directed the administration to develop an elementary school reconfiguration plan to support the closure of Plainfield. Plainfield closed in June 2011. In June 2012 the Board arranged for Yellow Breeches, an alternative education provider, to lease Plainfield for the 2012-13 year. On May 7, 2014 the District completed the sale of Plainfield and Frankford schools to Yellow Breeches in exchange for a combination of pre-paid student tuition and $195,123 in cash.

In February 2013 the Board 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. The District bonds are scheduled to be paid off in 2023 and the recent bank loan in 2025.

The District continues under the restrictions of Act 1 of the Special Session of 2006 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 $770,160 in gaming funds for 2013-14 compared with $770,036 in 2012-13; these funds were distributed in an equal amount to each qualified taxpayer of $130.78 per homestead/farmstead.

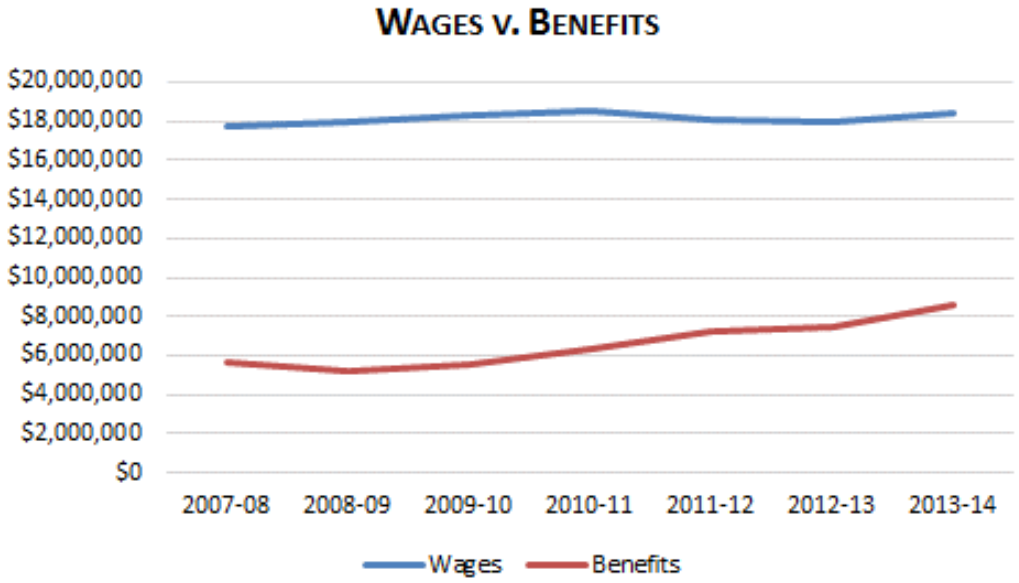
In November 2010 Act 120 reformed the PA State Employees Retirement System (PSERS) by implementing steep increases in employer contributions. As shown below, BSSD PSERS payment went from $1,610,064 in 2011-12 to $2,181,156 in 2012-13, $3,071,004 for 2013-14 and projected at $4,010,868 with the Commonwealth returning 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.

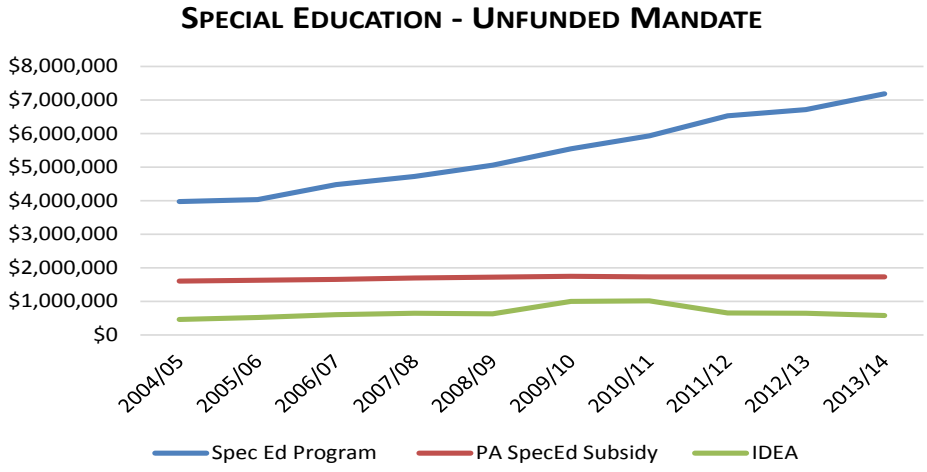




Healthcare premiums went from $3,304,205 in 2011-12 to $3,409,069 in 2012-13 and $4,147,034 in 2013-14. The chart below shows the competition between wages and benefits for the budget dollar. Due to the quickly rising cost of retirement contributions and healthcare, the District continues to restrain 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 both 2012-13 and 2013-14 and 2.7% in 2014-15 to balance the budget. The 2013-14 millage of 12.6360 was enacted in June 2013.



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 overall District enrollment helped keep the increase for 2013-14 just below the average at 7.1%. The District struggles with increasing demands from parents, 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.



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. 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

Total net position was $34,366,771 at June 30, 2014, $31,496,737 at June 30, 2013, and $28,651,629 at June 30, 2012. This is an increase of $2,870,034 from June 2013 and $5,715,142 from June 2012. The following summarizes the Statement of Net Position (page FS-1).

	Governmental Activities			Business-type Activities			Totals		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Current and other assets	$19.9	$18.1	$16.5	$ 0.6	$ 0.4	$ 0.3	$20.5	$18.5	$16.8
Capital assets	55.0	52.1	52.6	0.3	0.4	0.5	55.3	52.5	53.1
Total assets	74.9	70.2	69.1	0.9	0.8	0.8	75.8	71.0	69.9
Current and other liabilities	5.1	4.3	4.1	0.2	-	-	5.3	4.3	4.1
Long-term liabilities	36.1	35.1	37.1	-	-	-	36.1	35.1	37.1
Total liabilities	41.2	39.4	41.2	0.2	-	-	41.4	39.4	41.2
Capital assets (net of related debt)	20.6	18.3	16.7	0.3	0.4	0.5	20.9	18.8	17.2
Restricted for capital projects	-	-	0.5	-	-	-	-	-	0.5
Unrestricted	13.1	12.4	10.6	0.4	0.3	0.3	13.5	12.7	10.9
Total net position	$33.7	$30.7	$27.8	$ 0.7	$ 0.8	$ 0.8	$34.4	$31.5	$28.6

Net position is the difference between assets and deferred outflows less liabilities, and represents resources that can be used to pay for future operations and capital improvements. The majority of our total 2014 net position, $20,884,898 out of $34,366,771, are invested in capital assets (net of related debt).

Statement of Activities

The following summarizes the Statement of Activities (page FS-2). It shows that total net position increased by $2,870,034 during 2014 and $2,845,108 during 2013.

	Governmental Activities			Business-type Activities			Totals		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Program revenues									
Charges for services	$ 0.5	$ 0.5	$ 0.5	$ 0.7	$ 0.7	$ 0.7	$ 1.2	$ 1.2	$ 1.2
Operating grants and contributions	7.3	6.9	6.6	0.5	0.5	0.5	7.8	7.3	7.1
Capital grants and contributions	0.9	0.8	0.9	-	-	-	0.9	0.8	0.9
General revenues							-		
Taxes	25.2	24.5	23.9	-	-	-	25.2	24.5	23.9
Earnings on investments	0.1	-	-	-	-	-	0.1	-	-
Gain on sale of capital assets	0.1	-	-	-	-	-	0.1	-	-
State general subsidies	9.7	9.5	9.6	-	-	-	9.7	9.5	9.6
Total revenues	43.8	42.2	41.4	1.2	1.1	1.2	45.0	43.3	42.7
Direct expenses	40.8	39.2	38.8	1.3	1.3	1.3	42.1	40.5	40.1
Excess revenues (expenses) before transfers	3.0	2.9	2.7	(0.1)	(0.1)	(0.1)	2.9	2.9	2.6
Transfers between activities	(0.1)	(0.1)	(0.1)	0.1	0.1	0.1	-	-	-
Change in net assets	$ 2.9	$ 2.9	$ 2.6	$ -	$ -	$ -	$ 2.9	$ 2.9	$ 2.6

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

The following summarizes expense information from the Statement of Activities (page 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		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Instruction	$ 26.3	$ 25.1	$ 24.8	$ 5.3	$ 5.1	$ 4.8	$ 21.0	$ 20.0	$ 20.1
Instructional student support	3.3	2.9	2.9	0.3	0.3	0.2	3.0	2.6	2.7
Administrative and financial support	3.2	3.2	2.9	0.2	0.2	0.1	3.0	3.0	2.7
Operation and maintenance of plant	3.9	3.8	3.6	0.2	0.1	0.1	3.7	3.7	3.5
Pupil transportation	2.4	2.4	2.4	1.7	1.6	1.7	0.7	0.7	0.7
Student activities	0.9	0.8	0.8	0.1	0.1	0.1	0.8	0.7	0.7
Community services	-	-	-	-	-	-	-	-	-
Interest on long-term debt	0.8	1.1	1.3	0.9	0.8	0.9	(0.1)	0.3	0.4
General Fund	$ 40.8	$ 39.2	$ 38.7	$ 8.7	$ 8.1	$ 7.9	32.1	31.1	30.8
Transfers to business-type activities							0.1	0.1	0.1
Total governmental activities							32.2	31.2	30.9
State general subsidies revenues							9.7	9.5	9.6
Total needs from taxes and other local sources							$ 22.5	$ 21.7	$ 21.3

	Business-type Activities								
	Direct Expenses			Program Revenues			Net Expense		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Food Service	$ 1.3	$ 1.3	$ 1.3	$ 1.2	$ 1.1	$ 1.2	$ 0.1	$ 0.1	$ 0.1
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

	2014	2013	2012	2013-14 Change	2012-13 Change
General fund - nonspendable	$ -	$ -	$ -	$ -	$ -
General fund - committed	0.6	0.6	2.0	0.0	(1.4)
General fund - assigned	2.4	1.9	-	0.5	1.9
General fund - unassigned	3.8	4.0	3.9	(0.2)	0.1
Capital reserve fund - committed	6.8	6.2	4.5	0.6	1.7
Capital projects fund - restricted	-	-	0.5	-	(0.5)
Governmental fund balances	$ 13.6	$ 12.7	$ 10.9	$ 0.9	$ 1.8
Total reserved + nonspendable	$ -	$ -	$ 0.5	$ -	$ (0.5)
Total committed	7.4	6.8	5.1	0.6	1.7
Total assigned	2.4	1.9	1.4	0.5	0.5
Total unassigned	3.8	4.0	3.9	(0.2)	0.1
Total governmental funds	$ 13.6	$ 12.7	$ 10.9	$ 0.9	$ 1.8

Changes from 2013 to 2014

At June 30, 2014 the District's general fund balance totaled $6,789,823, which is a small increase over $6,505,761 in 2013. 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; $950,000 for technology, $250,000 for special education and $200,000 for upgrade to SIS/Financial software. The capital project (reserve) fund was $ 6,790,732 on June 30, 2014, an increase of $597,704 over 2013. The Oak Flat capital projects fund (restricted) closed on June 30, 2014.

Changes from 2012 to 2013 (previous year)

As of June 30, 2013 the District's reserve accounts increased with the general fund balance going from $5,893,014 in 2012 to $6,505,761 in 2013. During the year, the District assigned an additional $500,000 to technology. The capital reserve fund had a net increase of $1,732,053 to end at $6,193,028. The capital projects fund – restricted was completed during 2013.

General Fund Budget

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

General Fund Budget

	Final Budget			Actual Amount			Variance		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Total revenues	$ 42.9	$ 41.2	$ 40.5	$ 43.5	$ 42.8	$ 42.0	$ 0.6	$ 1.5	$ 1.6
Total expenditures	41.7	39.6	39.7	41.6	39.6	39.1	(0.1)	-	(0.6)
Excess revenues (expenditures)	1.2	1.7	0.8	1.9	3.2	2.9	0.7	1.5	2.1
Other financing sources (uses)	(1.6)	(1.7)	(0.8)	(1.6)	(2.6)	(1.5)	-	(0.9)	(0.7)
Net change in fund balance	$ (0.4)	$ -	$ -	$ 0.3	$ 0.6	$ 1.4	$ 0.7	$ 0.6	$ 1.4

In 2014, actual revenues exceeded the actual expenditures by $1,846,062. Actual expenditures were $112,575 under the final budgeted amount, and other financing sources (uses) were $22,800 under the final budgeted amount.

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 $1.3 million at June 2013 and increased to $1.4 million at June 2014. This increase resulted in $0.1 million less revenue, primarily earned income taxes, being recognized in the General Fund during 2014.

CAPITAL ASSETS

During 2013-1414, the District spent $5.1 million on capital assets. The biggest project of the year was an extensive reconfiguration to the tunnel system under the Middle School along with the addition of ventilation fans and roof mounted dehumidification system. The District also replaced aging hot water heaters at the High School and Oak Flat and converted them to propane. The District continued to make improvements to security and expanded its Wi-Fi infrastructure that included an external "bubble" across the campus permitting students to use their Chromebooks when outside for athletics and other events.

The District also started a 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 will take place during the summer with a planned completion in late August 2014 just in time for school start.

	Capital assets (net of depreciation)				
	2014	2013	2012	2013-14 Change	2012-13 Change
Governmental activities					
Land	$ 0.9	$ 1.0	$ 1.0	$ (0.1)	$ -
Construction in progress	-	-	-	-	-
Buildings and improvements	52.3	49.2	49.9	3.1	(0.7)
Furniture and equipment	0.8	1.0	1.0	(0.2)	-
Library books	0.2	0.2	0.2	-	-
Computer equipment	0.8	0.7	0.5	0.1	0.2
	$ 55.0	$ 52.1	$ 52.6	$ 3.0	$ (0.5)
Business-type activities					
Furniture and equipment	$ 0.4	$ 0.4	$ 0.5	$ -	$ (0.1)

Capital assets in the governmental activities were $54,991,323 and $52,062,392 at June 2014 and 2013, respectively. The District purchased capital assets totaling $5,152,518 and $1,532,211 for the years ended June 2014 and 2013, respectively. The governmental activities had depreciation expense of $2,148,493 and $2,066,938 for the years ended June 2014 and 2013, respectively.

LONG-TERM LIABILITIES

The following summarizes the long-term liabilities note to financial statements (starting at page FS-24). 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. In April 2014 Moody's Investor Services upgraded the District's bond rating from A1 with stable outlook to Aa3 for the 2011 series of general obligation bonds.

	2014	2013	2012	2013-14 Change	2012-13 Change
Governmental activities					
General obligation bonds and notes	$ 34.1	$ 33.4	$ 35.7	$ 0.7	$ (2.3)
Compensated absences	1.1	0.8	0.7	0.3	0.1
Other post employment benefits	0.6	0.5	0.5	0.1	-
Unamortized bond premiums	0.4	0.4	0.2	-	0.2
Total liabilities	$ 36.2	$ 35.1	$ 37.1	$ 1.1	$ (2.0)

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 2012-13 the District made regularly scheduled payments of $2,785,000. 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. The District bonds are scheduled to be paid off in 2023 and the recent bank loan in 2025.

Beginning in 2009 is the inclusion of other post-employment benefits (OPEB) in our reporting process. This primarily has to do with purchasing discounted health insurance after retirement through the District. The District's July 2008 actuarial accrued liability of $3,995,512 is being amortized over a period of 30 years. Additional OPEB detail is available starting at page FS-26 of the notes.

NEXT YEAR'S BUDGET AND OTHER FACTORS

	Original Budget		
	2014-15	2013-14	Change
Total revenue	$ 45.0	$ 43.2	$ 1.8
Total expenditures and other uses	45.5	43.6	$ 1.9
Excess revenues (expenditures)	$ (0.5)	$ (0.4)	$ (0.1)

The Big Spring School District is committed to maintaining a strong educational program for students while minimizing the burden on taxpayers. In June 2014 the District approved a $45.5 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 2014-15 the District absorbed a 10% increase in healthcare premiums. Looking forward to the 2015-16 and the delayed implantation of PPACA, the District forecasts at least a 10% increase in healthcare.

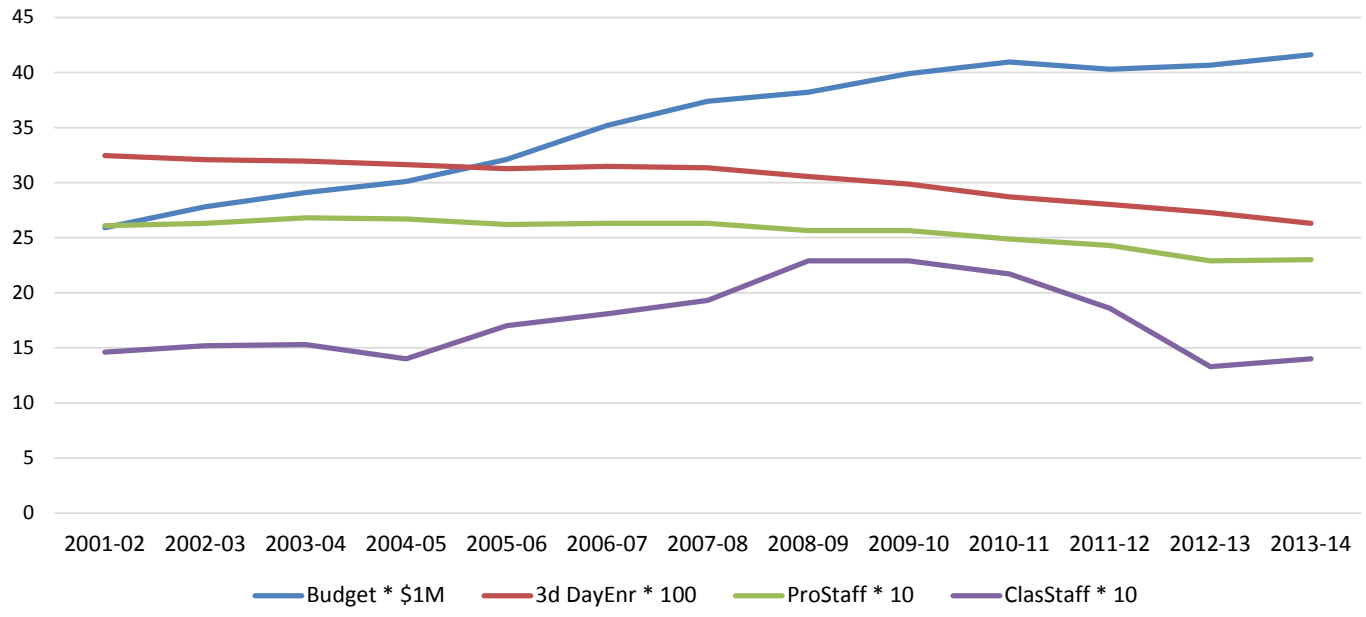
The 2014-15 budget shows $44,968,837 in revenues, which is a 4.2% increase over the revenue in the 2013-14 budget of $43,154,724. The real estate millage increased from 12.636 to 12.977 or 2.7% as limited by the Act 1 index. The earned income tax rate remains at 1.65%.

The 2014-15 expenditure budget is $45,485,756 or a 4.4% increase over 2013-14 budget of $43,563,440. This exceeds revenues by $516,919. The major drivers of the 2013-14 budget are the 3% wage increase for CBA salaries, 2.2% for administrative and support staffs and the PSERS contribution rate increased from 16.93% to 21.4% of payroll -- a 26% year over year increase. The projected rate for 2014-15 is 25.8% or a 21% annual increase.

The budget included $516,919 for the purchase of 1400 Chromebook for grades 6 through 12. Grade 10 received their Chromebook last year as ninth graders. Going forward, every Ninth grader will get a new Chromebook that remains with student until graduation. The Middle School Chromebooks are assigned to a grade and not students. This $516,919 is equal to the amount expenditures exceed revenues and the Board did this expecting to use part of the assigned fund balance for technology.

The challenge for the District is captured in the graph below. The District continues to see a slow, but steady, 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 and pension payments.

TRENDS



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 2014-15 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, 2014

(With Summarized Financial Information for June 30, 2013)

	Governmental Activities	Business-type Activities	Totals 2014	Totals 2013
Assets				
Cash and cash equivalents	$ 12,511,922	$ 458,467	$ 12,970,389	$ 4,920,369
Investments	3,675,000	-	3,675,000	9,695,000
Taxes receivable (net of allowance for uncollectibles)	1,675,000	-	1,675,000	1,505,000
Internal balances	11,541	(11,541)	-	-
Due from other governments	1,978,031	67,118	2,045,149	2,272,728
Other receivables	38,054	1,889	39,943	42,619
Inventories	-	12,963	12,963	28,627
Capital assets not being depreciated	911,730	-	911,730	986,824
Capital assets being depreciated, net	54,079,593	351,809	54,431,402	51,503,579
Total assets	74,880,871	880,705	75,761,576	70,954,746
Deferred outflows of resources				
Deferred charges on refundings	52,700	-	52,700	68,200
Liabilities				
Accounts payable	1,230,821	157,631	1,388,452	724,229
Contracts payable	114,328	-	114,328	198,952
Payroll and benefits payable	3,537,505	-	3,537,505	3,243,352
Unearned revenues	11,339	13,837	25,176	20,524
Accrued interest on bonds and notes payable	204,100	-	204,100	199,600
Long-term liabilities				
Due within one year	3,700,000	-	3,700,000	3,505,000
Due in more than one year	32,134,710	-	32,134,710	31,186,619
Unamortized bond premiums (discounts)	343,234	-	343,234	447,933
Total liabilities	41,276,037	171,468	41,447,505	39,526,209
Net position				
Invested in capital assets (net of related debt)	20,533,089	351,809	20,884,898	18,755,670
Unrestricted	13,124,445	357,428	13,481,873	12,741,067
Total net position	$ 33,657,534	$ 709,237	$ 34,366,771	$ 31,496,737

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(With Summarized Financial Information for the Year Ended June 30, 2013)

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	Totals: 2014	Totals: 2013
Governmental activities								
Instruction	$ 26,256,092	$ 405,581	$ 4,844,615	$ -	$ (21,005,896)	$ -	$ (21,005,896)	$ (20,008,920)
Instructional student support	3,310,389	-	298,240	-	(3,012,149)	-	(3,012,149)	(2,591,295)
Administrative and financial support	3,176,764	-	203,336	-	(2,973,428)	-	(2,973,428)	(3,028,992)
Operation and maintenance of plant	3,902,419	32,160	145,115	-	(3,725,144)	-	(3,725,144)	(3,697,818)
Student transportation	2,409,922	-	1,787,963	-	(621,959)	-	(621,959)	(733,183)
Student activities	930,401	76,872	57,156	-	(796,373)	-	(796,373)	(727,285)
Community services	28,816	-	1,371	-	(27,445)	-	(27,445)	(23,883)
Interest on long-term debt	762,499	-	-	870,057	107,558	-	107,558	(292,856)
Total governmental activities	40,777,302	514,613	7,337,796	870,057	(32,054,836)	-	(32,054,836)	(31,104,232)
Business-type activities								
Food service	1,315,147	690,907	519,845	-	-	(104,395)	(104,395)	(111,580)
Total school district	$ 42,092,449	$ 1,205,520	$ 7,857,641	$ 870,057	(32,054,836)	(104,395)	(32,159,231)	(31,215,812)
General revenues								
Taxes								
Real estate taxes					19,933,034	-	19,933,034	19,418,561
Earned income taxes					4,722,515	-	4,722,515	4,556,366
Personal taxes					164,932	-	164,932	186,094
Other taxes					322,940	-	322,940	306,588
Earnings on investments					53,242	124	53,366	43,822
Gain on sales of capital assets					120,029	-	120,029	-
State general subsidies					9,712,449	-	9,712,449	9,549,489
Transfers					(62,000)	62,000	-	-
Total general revenues and transfers					34,967,141	62,124	35,029,265	34,060,920
Change in net position					2,912,305	(42,271)	2,870,034	2,845,108
Net position - beginning					30,745,229	751,508	31,496,737	28,651,629
Net position - ending					$ 33,657,534	$ 709,237	$ 34,366,771	$ 31,496,737

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

BIG SPRING SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

(With Summarized Financial Information for June 30, 2013)

	General	Capital Reserve	Totals 2014	Totals 2013
Assets				
Cash and cash equivalents	$ 7,301,985	$ 5,209,937	$ 12,511,922	$ 4,649,926
Investments	3,675,000	-	3,675,000	9,695,000
Taxes receivable (net of allowance for uncollectibles)	1,675,000	-	1,675,000	1,505,000
Due from other funds	11,541	1,695,123	1,706,664	2,100,689
Due from other governments	1,978,031	-	1,978,031	2,208,524
Other receivables	38,054	-	38,054	42,488
Total assets	$ 14,679,611	$ 6,905,060	$ 21,584,671	$ 20,201,627
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts payable	$ 1,230,821	$ -	$ 1,230,821	$ 703,407
Contracts payable	-	114,328	114,328	198,952
Payroll and benefits payable	3,537,505	-	3,537,505	3,243,352
Due to other funds	1,695,123	-	1,695,123	2,100,000
Unearned revenues	11,339	-	11,339	2,127
Total liabilities	6,474,788	114,328	6,589,116	6,247,838
Deferred inflows of resources				
Unavailable tax revenue	1,415,000	-	1,415,000	1,255,000
Fund balances				
Committed				
Capital outlays	-	6,790,732	6,790,732	6,193,028
Pension plan rate increases	554,000	-	554,000	554,000
Assigned - various items	2,400,000	-	2,400,000	1,900,000
Unassigned	3,835,823	-	3,835,823	4,051,761
Total fund balances	6,789,823	6,790,732	13,580,555	12,698,789
Total liabilities, deferred inflows of resources and fund balances	$ 14,679,611	$ 6,905,060	$ 21,584,671	$ 20,201,627

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, 2014

Total fund balances - Governmental funds		$ 13,580,555
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. At year end, the cost of capital assets is $ 90,508,408 and the accumulated depreciation is $ 35,517,085.		54,991,323
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	$ (34,115,000)	
Compensated absences	(1,095,000)	
Other post employment benefits	(624,710)	
Long-term liabilities	(35,834,710)	
Accrued interest on bonds and notes payable	(204,100)	(36,038,810)
Bond discounts (premiums) and charges on refundings are presented as expenditures in the governmental funds. At year end, the remaining unamortized bond related costs consist of:		
Bond discounts (premiums)	(343,234)	
Charges on refundings	52,700	(290,534)
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	568,000	
Earned income taxes	835,000	
Personal taxes	12,000	1,415,000
Net position - Governmental activities		$ 33,657,534

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, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)

	General	Capital Projects	Capital Reserve	Totals 2014	Totals 2013
Revenues					
Local sources - taxes	$ 24,983,421	$ -	$ -	$ 24,983,421	$ 25,047,609
Local sources - other	1,143,513	-	9,552	1,153,065	1,189,189
State sources	16,802,470	-	-	16,802,470	15,898,152
Federal sources	532,723	-	-	532,723	650,591
Total revenues	43,462,127	-	9,552	43,471,679	42,785,541
Expenditures					
Instruction	24,558,431	-	-	24,558,431	23,495,939
Support services	12,218,067	73,007	1,106,971	13,398,045	13,210,126
Noninstructional services	895,223	-	-	895,223	818,304
Capital outlay	-	3,784,038	-	3,784,038	-
Debt service (principal and interest)	3,944,243	7,955	-	3,952,198	3,670,723
Refund of prior years revenues	101	-	-	101	357
Total expenditures	41,616,065	3,865,000	1,106,971	46,588,036	41,195,449
Excess (deficiency) of revenues over expenditures	1,846,062	(3,865,000)	(1,097,419)	(3,116,357)	1,590,092
Other financing sources (uses)					
Proceeds from bonds and notes	-	3,865,000	-	3,865,000	16,165,194
Debt service (refunded bonds and notes)	-	-	-	-	(15,890,228)
Proceeds from sales of properties	195,123	-	-	195,123	-
Transfers from other funds	-	-	1,695,123	1,695,123	2,540,000
Transfers to other funds	(1,757,123)	-	-	(1,757,123)	(2,602,000)
Net change in fund balances	284,062	-	597,704	881,766	1,803,058
Fund balances - beginning	6,505,761	-	6,193,028	12,698,789	10,895,731
Fund balances - ending	$ 6,789,823	$ -	$ 6,790,732	$ 13,580,555	$ 12,698,789

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, 2014

Total net change in fund balances - Governmental funds		$ 881,766
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	$ 5,152,518	
Remaining basis of properties sold	(75,094)	
Depreciation expense	(2,148,493)	2,928,931
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:		
Proceeds from the 2014 series of notes	(3,865,000)	
Principal repayments	3,105,000	(760,000)
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 increased during the year.		(313,000)
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.		(70,091)
Payments of interest are presented as expenditures in the governmental funds when the payment is due. In the statement of activities, the expense is measured by the amount accrued during the year. The liability for accrued interest on bonds and notes payable increased during the year.		(4,500)
Bond discounts (premiums) and charges on refundings (any difference between the carrying amount of refunded debt and its payoff amount) are presented as expenditures in the governmental funds. In the statement of activities, these amounts are allocated over the life of the debt as amortization expense. During the year, costs incurred and amortization expense are as follows:		
Bond discounts (premiums) and charges on refundings on new notes	-	
Amortization of bond premiums (discounts)	104,699	
Amortization of charges on refundings	(15,500)	89,199
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	(125,000)	
Earned income taxes	285,000	
Personal taxes	-	160,000
Change in net position - Governmental activities		$ 2,912,305

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2014

(With Summarized Financial Information for June 30, 2013)

	Food Service	
	2014	2013
Assets		
Cash and cash equivalents	$ 458,467	$ 270,443
Due from other governments	67,118	64,204
Other receivables	1,889	131
Inventories	12,963	28,627
Total current assets	540,437	363,405
Capital assets being depreciated, net	351,809	428,011
Total assets	892,246	791,416
Liabilities		
Accounts payable	157,631	20,822
Due to other funds	11,541	689
Unearned revenues	13,837	18,397
Total current liabilities	183,009	39,908
Net position		
Invested in capital assets (net of related debt)	351,809	428,011
Unrestricted	357,428	323,497
Total net position	$ 709,237	$ 751,508

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, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)

	Food Service	
	2014	2013
Operating revenues - Food service revenue	$ 690,907	$ 666,120
Operating expenses		
Salaries	8,050	5,223
Employee benefits	14,444	31,665
Food service management - non-food costs	636,829	620,860
Food and milk	478,462	439,395
Other expenses	39,160	20,720
Purchased property services - utilities	62,000	62,000
Depreciation	76,202	74,567
Total operating expenses	1,315,147	1,254,430
Operating income (loss)	(624,240)	(588,310)
Nonoperating revenues		
Earnings on investments	124	31
State sources - meal subsidies	31,779	30,739
Federal sources - meal subsidies	423,173	396,087
Federal sources - donated commodities	64,893	49,904
Total nonoperating revenues	519,969	476,761
Income (loss) before transfers	(104,271)	(111,549)
Transfers from other funds	62,000	62,000
Change in net position	(42,271)	(49,549)
Net position - beginning	751,508	801,057
Net position - ending	$ 709,237	$ 751,508

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, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)

	Food Service	
	2014	2013
Operating activities		
Cash received from users	$ 684,589	$ 673,430
Cash payments to employees for services	(22,494)	(39,237)
Cash payments to suppliers for goods and services	(999,085)	(1,086,552)
Net cash provided by (used for) operating activities	(336,990)	(452,359)
Non-capital financing activities		
State sources	31,764	26,693
Federal sources	420,274	343,055
General Fund advances (due to other funds)	10,852	(94,809)
General Fund contributed services - utilities	62,000	62,000
Net cash provided by (used for) non-capital financing activities	524,890	336,939
Capital and related financing activities		
Cash payments for equipment	-	(3,477)
Net cash provided by (used for) capital and related financing activities	-	(3,477)
Investing activities		
Earnings on investments	124	31
Net cash provided by (used for) investing activities	124	31
Net change in cash and cash equivalents	188,024	(118,866)
Cash and cash equivalents - beginning	270,443	389,309
Cash and cash equivalents - ending	$ 458,467	$ 270,443
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities		
Operating income (loss)	$ (624,240)	$ (588,310)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation	76,202	74,567
Donated commodities	64,893	49,904
Net change in other assets and other liabilities		
Other receivables	(1,758)	6,177
Inventories	15,664	(14,046)
Accounts payable	136,809	20,565
Payroll and benefits payable	-	(2,349)
Unearned revenues	(4,560)	1,133
Total adjustments	287,250	135,951
Net cash provided by (used for) operating activities	$ (336,990)	$ (452,359)

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2014

(With Summarized Financial Information for June 30, 2013)

	Student Activities	
	2014	2013
Assets		
Cash and cash equivalents	$ 44,560	$ 130,316
Investments	167,122	60,305
Total assets	211,682	190,621
Liabilities		
Due to student groups	211,682	190,621
Total liabilities	211,682	190,621
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 less total liabilities) 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) and bonds and notes payable (net of unamortized premiums or discounts) are presented in the statement of net position.

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

Basis of presentation - Fund financial statements

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

Governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are received within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if received within 2 months of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recognized as unearned revenues until earned. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

Proprietary funds generally follow standards for accounting and financial presentation for private business enterprises to the extent that those standards do not conflict with or contradict guidance of the GASB. 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, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

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

The District has the following types of funds:

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

Fund accounting (Cont'd.)

The District presents the following major governmental funds:

The General Fund is the primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

An operating budget is adopted prior to the beginning of each year on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

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

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

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

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

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 Debt Service Fund, when applicable, accounts for the refinancing of existing debt.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

Fund accounting (Cont'd.)

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Deferred inflows/outflows of resources

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.

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.

Net position

Net position represents the difference between assets and liabilities. 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 of the District, which are not restricted for any project or other purpose. However, these funds may be committed or assigned for specific projects or purposes in the fund financial statements.

Governmental fund balances

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Governmental fund balances (Cont'd.)

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

There are several GASB pronouncements that will become effective for future reporting periods. Other than the impact of GASB 68, the District does not currently anticipate any significant impact on the District's financial statements.

GASB Statement No. 68, effective for the year ending June 2015, is to improve accounting and financial reporting for pensions. This pronouncement will impact 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. The District currently expects GASB 68 will have a very large negative impact to the district-wide financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Comparative information

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with current year's presentation. However, presentations of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Subsequent events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 9, 2014, the date the financial statements were available to be issued and there are no items requiring disclosure.

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, 2014, the District's deposits totaled $ 13,994,914 and the depository institution balances totaled $ 14,443,613. Of the depository institution balances, $ 14,396,769 was covered by federal deposit insurance and $ 46,844 was collateralized. The pledged collateral is held by the Federal Reserve Bank, but is not titled in the District's name.

The District also has cash equivalents and investments with organizations that operate as common law trusts established pursuant to the Intergovernmental Cooperation Act and related statues for the purpose of pooling investments. Each organization's fundamental policy is to maintain a net asset value of $ 1 per share, but there can be no assurance that the net asset value will not vary from $ 1 per share. They may only purchase securities which are permitted under PA law. As of June 30, 2014, District deposits in these organizations are as follows:

Pennsylvania School District Liquid Asset Fund (PSDLAF)	$ 2,857,622
Pennsylvania Local Government Investment Trust (PLGIT)	4,535

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

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	$ 12,511,922	$ 3,675,000
Business-type activities	458,467	-
Fiduciary funds	44,560	167,122
	$ 13,014,949	$ 3,842,122

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	$ 828,713	$ 713	$ 828,000	$ 568,000
Earned income taxes	835,000	-	835,000	835,000
Personal taxes	19,789	7,789	12,000	12,000
General Fund	1,683,502	8,502	1,675,000	1,415,000
Full accrual adjustment	-	-	-	(1,415,000)
Governmental activities	$ 1,683,502	$ 8,502	$ 1,675,000	$ -

DUE FROM/TO OTHER FUNDS AND INTERFUND TRANSFERS

Interfund balances are as follows:

Assets		Liabilities	
Capital Reserve Fund	$ 1,695,123	$ 1,695,123	General Fund
General Fund	11,541	11,541	Food Service Fund

Interfund transfers were as follows:

Other financing sources		Other financing uses	
Capital Reserve Fund	$ 1,695,123	$ 1,695,123	General Fund
Food Service Fund	62,000	62,000	General Fund

DUE FROM OTHER GOVERNMENTS

Due from other governments are as follows:

	Governmental Activities	Business-type Activities
Local sources – earned income taxes	$ 722,042	$ -
Local sources – other districts	272,321	-
Local sources – other items	60,386	-
State sources	763,749	4,604
Federal sources	159,533	62,514
	$ 1,978,031	$ 67,118

CAPITAL ASSETS

Changes in capital assets were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 986,824	$ -	$ (75,094)	$ 911,730
Capital assets being depreciated				
Buildings and improvements	74,731,418	4,888,250	(854,112)	78,765,556
Furniture and equipment	3,332,364	37,639	(168,463)	3,201,540
Library books	2,308,721	-	-	2,308,721
Technology equipment	5,292,341	226,629	(198,109)	5,320,861
	85,664,844	5,152,518	(1,220,684)	89,596,678
Accumulated depreciation				
Buildings and improvements	(25,525,894)	(1,830,098)	854,112	(26,501,880)
Furniture and equipment	(2,350,228)	(190,073)	168,463	(2,371,838)
Library books	(2,077,848)	-	-	(2,077,848)
Technology equipment	(4,635,306)	(128,322)	198,109	(4,565,519)
	(34,589,276)	(2,148,493)	1,220,684	(35,517,085)
Capital assets being depreciated, net	51,075,568	3,004,025	-	54,079,593
Governmental activities capital assets, net	$ 52,062,392	$ 3,004,025	$ (75,094)	$ 54,991,323
Business-type activities				
Capital assets being depreciated				
Furniture and equipment	$ 1,640,554	$ -	$ (35,051)	$ 1,605,503
Accumulated depreciation				
Furniture and equipment	(1,212,543)	(76,202)	35,051	(1,253,694)
Capital assets being depreciated, net	428,011	(76,202)	-	351,809
Business-type activities capital assets, net	$ 428,011	$ (76,202)	$ -	$ 351,809

CAPITAL ASSETS (Cont'd.)

In May 2014 the District sold the properties of the former Plainfield and Frankford elementary schools to an alternative educational provider. Those sales are summarized as follows:

	Plainfield	Frankford	Total
Selling price	$ 600,000	$ 220,404	$ 820,404
Selling expenses	(3,788)	(1,089)	(4,877)
Possible future services	(468,012)	(152,392)	(620,404)
Net proceeds	$ 128,200	$ 66,923	$ 195,123

The District's General Fund received the net proceeds, which were then transferred to the Capital Reserve Fund. The 'possible future services', which may or may not be used by the District, are in the form of 'tuition slots' and are limited to a maximum number in each of the next several years.

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Instruction	$ 1,668,079
Instructional student support	125,106
Administrative and financial support	83,404
Operation and maintenance of plant	208,510
Student activities	63,394
	$ 2,148,493
Business-type activities - Food service	$ 76,202

LONG-TERM LIABILITIES

Changes in all long-term liabilities were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds and notes payable	$ 33,355,000	$ 3,865,000	$ (3,105,000)	$ 34,115,000	$ 3,200,000
Compensated absences	782,000	464,000	(151,000)	1,095,000	200,000
Other post employment benefits	554,619	353,126	(283,035)	624,710	300,000
	$ 34,691,619	$ 4,682,126	$ (3,539,035)	$ 35,834,710	$ 3,700,000

Bonds and notes payable

Changes in bonds and notes payable were as follows:

	Beginning Balance	New Issue	Scheduled Redemptions	Ending Balance
1999 Series	$ 1,785,000	$ -	$ (330,000)	$ 1,455,000
2010 Series	7,900,000	-	(505,000)	7,395,000
2011 Series	8,800,000	-	(985,000)	7,815,000
2012 Series	9,995,000	-	(5,000)	9,990,000
2013 Series	4,875,000	-	(1,280,000)	3,595,000
2014 Notes	-	3,865,000	-	3,865,000
	$ 33,355,000	$ 3,865,000	$ (3,105,000)	$ 34,115,000

The 2014 notes were issued to finance the Oak Flat HVAC (geothermal) project.

	Interest Rates	Maturity Date	Callable Date	Due Within One Year
1999 Series	(1)	December 2017	45 days notice	$ 340,000
2010 Series	2.15% to 3.00%	June 2022	December 2015	530,000
2011 Series	2.00% to 4.00%	February 2021	August 2016	1,020,000
2012 Series	.65% to 2.00%	April 2023	April 2018	5,000
2013 Series	1.50% to 3.00%	April 2018	Not Callable	1,300,000
2014 Notes	(2)	April 2025	Anytime, w/o penalty	5,000
				$ 3,200,000

(1) 1.45% above the "weekly rate" (.35% at June 2014), not to exceed 25.00%.
(2) 2.49% until April 2019, then floating rate between 1.98% and 3.80% until maturity.

LONG-TERM LIABILITIES (Cont'd.)

Bonds and notes payable (Cont'd.)

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

Year Ending June	Principal	Interest	Total
2015	$ 3,200,000	$ 848,295	$ 4,048,295
2016	3,160,000	780,634	3,940,634
2017	3,255,000	696,929	3,951,929
2018	3,355,000	606,670	3,961,670
2019	3,255,000	528,334	3,783,334
2020-2024	17,065,000	1,331,272	18,396,272
2025	825,000	20,542	845,542
	$ 34,115,000	$ 4,812,676	$ 38,927,676

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 $ 18,000 for administrators, $ 15,862 for teaching staff and $ 9,884 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.

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	300
Vested former members	6
Retired participants	66
	372

LONG-TERM LIABILITIES (Cont'd.)

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

Funding policy

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

Annual OPEB cost and net OPEB obligation

The annual OPEB cost (expense) is calculated based on the actuarially determined annual required contribution (ARC) of the District. The ARC represents a funding level that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL) over 30 years (24 years remaining).

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	$ 162,616
Amortization of unfunded actuarial accrued liability	199,601
Annual required contribution	362,217
Interest on the net OPEB obligation	24,958
Adjustment to the ARC	(34,049)
Annual OPEB cost	353,126
Contributions made to the plan	(283,035)
Increase in net OPEB obligation	70,091
Net OPEB obligation - beginning	554,619
Net OPEB obligation - ending	$ 624,710

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 2014	$ 353,126	80.15%	$ 624,710

LONG-TERM LIABILITIES (Cont'd.)

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

Funding status and funding progress

The actuarial accrued liability (AAL) for OPEBs as of July 2012 was $ 3,251,275. 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 2012	$ -	$ 3,251,275	$ 3,251,275	0.00%	$15,274,804	21.29%

Actuarial assumptions and methods

Actuarial assumptions and methods used in the July 2012 actuarial valuation include the following:

Interest rate	4.50%
General inflation rate	3.00%
Health care cost trend rate	7.5% in 2012 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
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 (24 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.

LONG-TERM LIABILITIES (Cont'd.)

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

Actuarial assumptions and methods (Cont'd.)

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

PENSION PLAN

Substantially all full-time and part-time employees of the District participate in the plan. The District recognizes expenditures or expenses equal to its contractually-required contributions, subject to the modified accrual basis of accounting in governmental funds.

The District contributes to Public School Employees' Retirement System (the System), a governmental cost sharing multiple-employer 401(a) defined benefit plan. The plan is under the authority of The Public School Employees' Retirement Code (the Code), as amended. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to the System at 5 N 5th Street, Harrisburg, PA 17101-1905, or on the System's website.

The contribution policy is established in the Code and requires contributions by active members, employers and the Commonwealth. Contribution rates for active members are set by law and are dependent upon members' class. In most cases, the member contribution rates based on qualifying compensation are as follows:

Membership Class T-C	Active members hired before July 22, 1983	5.25%
Membership Class T-C	Members hired on or after July 22, 1983 and who were active or inactive as of July 1, 2001	6.25%
Membership Class T-D	Active members hired before July 22, 1983	6.50%
Membership Class T-D	Members hired on or after July 22, 1983 and who were active or inactive as of July 1, 2001	7.50%
Membership Class T-D	Members hired from July 1, 2001 thru June 30, 2011	7.50%

Members hired after June 30, 2011 are automatically Membership Class T-E and have a member contribution rate of 7.50% (base rate). Members hired after June 30, 2011 who elect Membership Class T-F have a member contribution rate of 10.30% (base rate). Membership Class T-E and 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 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

PENSION PLAN (Cont'd.)

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 2014 the employer contribution rate was 16.93 percent of covered payroll, composed of 16.00 percent for pension benefits and 0.93 percent for healthcare insurance premium assistance. District contributions to the System for years ended June 2014, 2013 and 2012 were $ 3,071,004, $ 2,181,156, and $ 1,610,064, respectively. Those amounts are equal to the required contributions for each year.

RISK MANAGEMENT

Health insurance

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

Cash balance in the trust - beginning		$ 758,670
Payments from the District and its retirees		4,612,026
Benefit claims paid by the trust	$ (3,802,684)	
Administrative and other fees, net of interest earned	(193,853)	
Stop loss premiums	(73,520)	
		(4,070,057)
Cash balance in the trust - ending		1,300,639
District accrual for health insurance benefits		300,000
Amount available for benefit claims		$ 1,600,639

The amount available for benefit claims was as follows:

Accrual for benefit claims	$ 960,580
Accrual for administrative and other fees	67,248
Accrual for health insurance coverage on payroll payable	572,811
Amount available for benefit claims	$ 1,600,639

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.

COMMITTED AND ASSIGNED FUND BALANCE

Committed and assigned amounts of fund balance of the General Fund are as follows:

	Committed	Assigned
Pension plan rate increases	$ 554,000	$ 650,000
Health care	-	350,000
Special education	-	250,000
Technology	-	950,000
Software	-	200,000
	$ 554,000	$ 2,400,000

COMMITMENTS AND CONTINGENCIES

The District's contract with its teaching staff expired in June 2014.

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.

BIG SPRING SCHOOL DISTRICT

BUDGETARY COMPARISON INFORMATION - GENERAL FUND

YEAR ENDED JUNE 30, 2014

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Local sources - taxes	$ 24,816,968	$ 24,816,968	$ 24,983,421	$ 166,453
Local sources - other	1,121,535	1,121,535	1,143,513	21,978
State sources	16,442,070	16,442,070	16,802,470	360,400
Federal sources	524,151	524,151	532,723	8,572
Total revenues	42,904,724	42,904,724	43,462,127	557,403
Expenditures				
Regular programs	17,422,936	16,758,431	16,752,667	5,764
Special programs	7,081,622	7,186,889	7,185,408	1,481
Vocational programs	674,160	609,160	606,038	3,122
Other instructional programs	73,016	16,716	14,318	2,398
Higher education programs	3,000	3,000	-	3,000
Pupil personnel	1,018,963	1,024,663	1,024,477	186
Instructional staff	1,827,413	1,663,005	1,659,494	3,511
Administration	2,401,989	2,361,935	2,357,346	4,589
Pupil health	504,175	484,175	478,612	5,563
Business	464,381	452,381	448,213	4,168
Operation and maintenance of plant	4,097,685	3,695,685	3,664,109	31,576
Student transportation	2,274,441	2,411,441	2,409,922	1,519
Central services	189,902	171,402	147,996	23,406
Other support services	27,000	29,000	27,898	1,102
Student activities	883,850	873,850	866,407	7,443
Community services	37,033	37,033	28,816	8,217
Debt service (principal and interest)	3,981,874	3,949,749	3,944,243	5,506
Refund of prior years revenues	-	125	101	24
Total expenditures	42,963,440	41,728,640	41,616,065	112,575
Excess (deficiency) of revenues over expenditures	(58,716)	1,176,084	1,846,062	669,978
Other financing sources (uses)				
Proceeds from sales of properties	250,000	250,000	195,123	(54,877)
Transfers to other funds	(500,000)	(1,759,800)	(1,757,123)	2,677
Budgetary reserve	(100,000)	(75,000)	-	75,000
Net change in fund balance	(408,716)	(408,716)	284,062	692,778
Fund balance - beginning	5,453,014	5,453,014	6,505,761	1,052,747
Fund balance - ending	$ 5,044,298	$ 5,044,298	$ 6,789,823	$ 1,745,525

BIG SPRING SCHOOL DISTRICT

OTHER POST EMPLOYMENT BENEFIT PLANS

JUNE 30, 2014

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 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%
July 2008	-	3,995,512	3,995,512	0.00%	15,104,065	26.45%

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

SUPPLEMENTARY AUDIT REPORT
ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS
Since 1955

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Deborah J. Kelly
Scott J. Christ
Ronald S. Morgan
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Creedon R. Hoffman

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of School Directors
Big Spring School District
Newville, Pennsylvania

Reference to Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of Big Spring School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Big Spring School District's basic financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Spring School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Spring School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Spring School District's internal control.

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

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

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Cont'd.)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Spring School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the school district's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the school district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

December 9, 2014

Mechanicsburg, Pennsylvania

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Board of School Directors
Big Spring School District
Newville, Pennsylvania

Report on Compliance For Each Major Federal Program

We have audited Big Spring School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Big Spring School District's major federal programs for the year ended June 30, 2014. Big Spring School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Big Spring School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Big Spring School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Cont'd.)

Opinion on Each Major Federal Program

In our opinion, Big Spring School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Big Spring School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Big Spring School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Big Spring School District's internal control over compliance.

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Cont'd.)

Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of Big Spring School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Big Spring School District's basic financial statements. We issued our report thereon dated December 9, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

December 9, 2014

Mechanicsburg, Pennsylvania

BIG SPRING SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass Through Grantor Program Title	Source Code	Federal CFDA #	Pass Through Grantor #	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received For Year	Accrued (Unearned) Revenue 7/1/2013	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 6/30/2014
U.S. Department of Agriculture										
Passed through PA Dept. of Education										
Child Nutrition Cluster										
School Breakfast Program - Cash Assistance	I(F)	10.553	N/A	7/1/13-6/30/14	N/A	$ 45,740	$ -	$ 54,440	$ 54,440	$ 8,700
School Breakfast Program - Cash Assistance	I(F)	10.553	N/A	7/1/12-6/30/13	N/A	7,532	7,532	-	-	-
						53,272	7,532	54,440	54,440	8,700
National School Lunch Program - Cash Assistance	I(F)	10.555	N/A	7/1/13-6/30/14	N/A	314,918	-	368,732	368,732	53,814
National School Lunch Program - Cash Assistance	I(F)	10.555	N/A	7/1/12-6/30/13	N/A	52,053	52,053 (B)	-	-	-
Passed through PA Dept. of Agriculture										
Commodities - Non-Cash Assistance	I(F)	10.555	N/A	7/1/13-6/30/14	N/A	64,893	-	64,893	64,893	-
Total National School Lunch Program						431,864	52,053	433,625	433,625	53,814
Total Child Nutrition Cluster						485,136	59,585	488,065	488,065	62,514
National School Lunch Program - Cash Assistance	I(S)	N/A	N/A	7/1/13-6/30/14	N/A	23,861	-	27,829	27,829	3,968
National School Lunch Program - Cash Assistance	I(S)	N/A	N/A	7/1/12-6/30/13	N/A	4,035	4,035	-	-	-
School Breakfast Program - Cash Assistance	I(S)	N/A	N/A	7/1/13-6/30/14	N/A	3,313	-	3,949	3,949	636
School Breakfast Program - Cash Assistance	I(S)	N/A	N/A	7/1/12-6/30/13	N/A	552	552 (A)	-	-	-
Total U.S. Department of Agriculture						$ 516,897	$ 64,172	$ 519,843	$ 519,843	$ 67,118
U.S. Department of Education										
Passed through PA Department of Education										
Title I, Part A Cluster										
Title I - Grants to Local Educational Agencies	I(F)	84.010	013-140037	7/29/13-9/30/14	$ 419,313	$ 309,576	$ -	$ 419,313	$ 419,313	109,737
Title I - Grants to Local Educational Agencies	I(F)	84.010	013-130037	7/9/12-9/30/13	461,874	147,773	147,773	-	-	-
Total Title I, Part A Cluster						457,349	147,773	419,313	419,313	109,737
Title II - Improving Teacher Quality - State Grants	I(F)	84.367	020-140037	7/29/13-9/30/14	124,749	74,953	-	113,410	113,410	38,457
Title II - Improving Teacher Quality - State Grants	I(F)	84.367	020-130037	7/9/12-9/30/13	130,717	17,261	17,261	-	-	-
Total Title II - Improving Teacher Quality - State Grants						92,214	17,261	113,410	113,410	38,457
Passed through Capital Area Intermediate Unit #15										
Special Education Cluster (IDEA)										
Special Education - Grants to States (IDEA, Part B)	I(F)	84.027A(M)	H027A130162	7/1/13-6/30/14	579,353	579,353	-	579,353	579,353	-
Special Education - Preschool Grants (IDEA, Preschool)	I(F)	84.173(M)	131-130015	7/1/13-6/30/14	2,790	2,790	-	2,790	2,790	-
Special Education - Preschool Grants (IDEA, Preschool)	I(F)	84.173(M)	131-120015	7/1/12-6/30/13	3,293	3,293	3,293	-		-
						585,436	3,293	582,143	582,143	-
Passed through Lancaster-Lebanon Intermediate Unit #13										
Special Education - Grants to States (IDEA, Part B)	I(F)	84.027A(M)	C1344189	7/1/13-6/30/14	6,000	-	-	3,067	3,067	3,067
Total Special Education Cluster (IDEA)						585,436	3,293	585,210	585,210	3,067
Total U.S. Department of Education						$ 1,134,999	$ 168,327	$ 1,117,933	$ 1,117,933	$ 151,261
Total Federal and State Awards						$ 1,651,896	$ 232,499	$ 1,637,776	$ 1,637,776	$ 218,379
Less: State Awards						$ 31,761	$ 4,587	$ 31,778	$ 31,778	$ 4,604
Total Federal Awards						$ 1,620,135	$ 227,912	$ 1,605,998	$ 1,605,998	$ 213,775

BIG SPRING SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Cont'd.)

YEAR ENDED JUNE 30, 2014

Note A - Significant accounting policies

This schedule is a summary of the School District's federal awards programs presented on the accrual basis of accounting; that is revenues are recognized when the expenditures are incurred.

Note B - Donated commodities

Nonmonetary assistance is reported in the schedule at market value (provided by USDA) of the commodities received.

Calculation of 25% Rule

Total federal expenditures per schedule		$ 1,605,998

Major program

Grant Program Title	Federal CFDA#	Total Expenditures
U.S. Department of Education		
Special Education Cluster (IDEA)		
Special Education - Grants to States (IDEA, Part B)	84.027A	$ 582,420
Special Education - Preschool Grants (IDEA, Preschool)	84.173	2,790
Total (36.44% of total federal expenditures)		$ 585,210

Source codes:

I - Indirect funding
F - Federal share
S - State share

Legends:

(M) Major program

(A) The June 30, 2013 ending receivable balance of $ 554 was adjusted by ($ 2.20) by the state; therefore, the beginning balance was restated to $ 552.

(B) The federal portion of the June 30, 2013 receivable for the lunch program was adjusted in the prior year by ($ 30.28) for a state adjustment. This should have been adjusted for the federal breakfast program by ($ 30.28). The beginning balance at July 1, 2013 reflects this adjustment.

Federal lunch receivable at June 30, 2013 as reported, CFDA #10.555	$ 52,083
Adjustment	(30)
Federal lunch receivable at July 1, 2013 as restated, CFDA #10.555	$ 52,053

BIG SPRING SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

A. Summary of auditor's results

1. The opinion expressed in the independent auditor's report was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent auditor's report on internal control over financial reporting described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent auditor's report on internal control over compliance with requirements applicable to major federal awards programs described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance with requirements applicable to major federal awards was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? ☐ Yes ☒ No

BIG SPRING SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd.)

YEAR ENDED JUNE 30, 2014

A. Summary of auditor's results (Cont'd.)

7. The District's major program are:

Grant Program Title	Federal CFDA#
U.S. Department of Education	
Special Education Cluster (IDEA)	
Special Education - Grants to States (IDEA, Part B)	84.027A
Special Education - Preschool Grants (IDEA, Preschool)	84.173

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was $ 300,000.

7. The District qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ☒ Yes ☐ No

B. Findings - financial statement audit

None

C. Findings and questioned costs – major federal award program audits

None

BIG SPRING SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2014

NONE