Audited Financial Statements

June 30, 2021

Big Spring School District

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED	4 - 16
FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of net position	17
Statement of activities	18
Fund Financial Statements	
Balance sheet - governmental funds	19
Reconciliation of the governmental funds balance sheet to the statement of net position	20
Statement of revenues, expenditures and changes in fund balances - governmental funds	21
Reconciliation of the governmental funds statement of revenues, expenditures and changes in fund balances to the statement of activities	22
Statement of net position - proprietary fund	23
Statement of revenues, expenses, and changes in fund net position – proprietary fund	24
Statement of cash flows - proprietary fund	25
Statement of net position – fiduciary funds	26
Statement of change in net position – fiduciary funds	27
Notes to Financial Statements	28 - 61
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule – general fund	62
Schedule of School District's proportionate share of net pension liability – Public School Employees' Retirement System	63
Schedule of School District's contributions – Public School Employees' Retirement System	64
Schedule of changes in the School District's total OPEB liability and related ratios – School District Plan	65
Schedule of School District's proportionate share of net OPEB liability – Public School Employees' Retirement System	66
Schedule of School District's OPEB contributions – Public School Employees' Retirement System	67
OTHER SUPPLEMENTARY INFORMATION	
Schedule of expenditures of federal awards	68 - 69
Notes to schedule of expenditures of federal awards	70
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	71 - 72
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	73 – 74
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	75 - 76
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	77

SEK CPAs & ADVISORS | Guidance You Can Count On.

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Big Spring School District
Newville, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Big Spring School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Big Spring School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 1 to the financial statements, Big Spring School District adopted new accounting guidance, Government Accounting Standards Board ("GASB") statement No. 84, *Fiduciary Activities*, as of July 1, 2020. See footnote 14 for restatement for implementation of GASB 84. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, the budgetary comparison schedule on page 62, and pension and OPEB schedules on pages 63 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

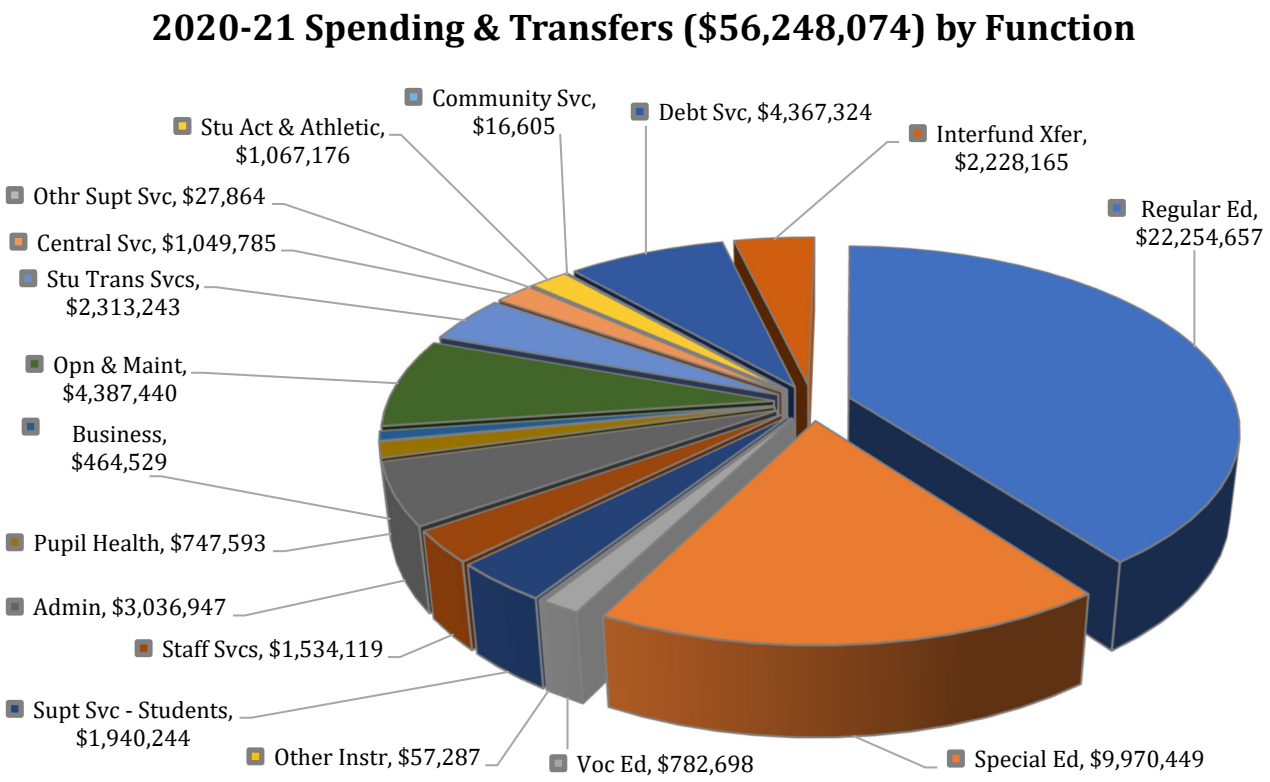
In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2022, on our consideration of Big Spring School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Spring School District's internal control over financial reporting and compliance.



Chambersburg, Pennsylvania
January 4, 2022

This discussion and analysis provides an overview of the School District's financial performance for the year ending June 2021. 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, 2021 and 2020. The MD&A also includes comparisons of current year financial activities to the previous year. The 2020 amounts come from our prior year MD&A and are otherwise not a part of the June 2021 financial statements. Please read our discussion and analysis in conjunction with the School District's financial statements, which begin on page 17. To preserve readability, dollar amounts in comparative tables derived from the financial statements are presented in millions. Some amounts may not add due to rounding.

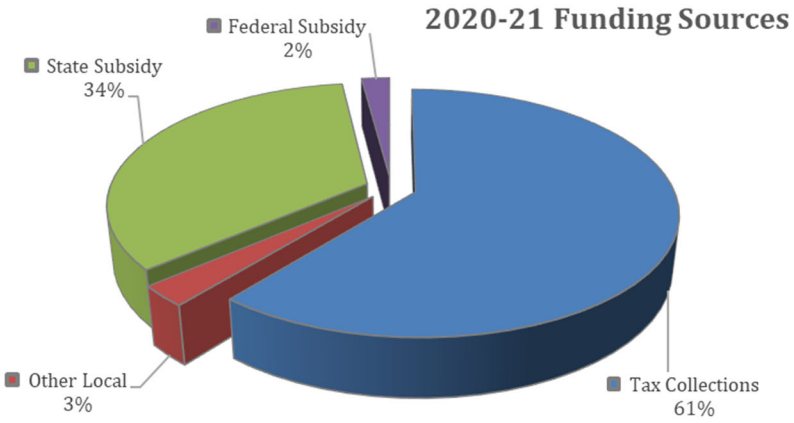
FINANCIAL HIGHLIGHTS



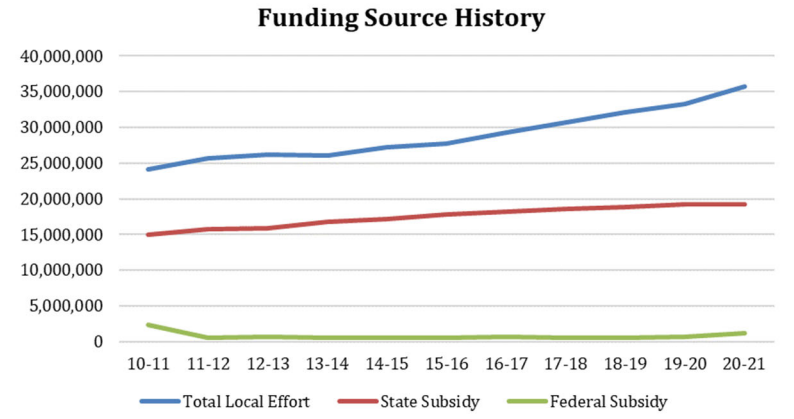
General Fund revenues increased 5.6% from $ 53,192,458 in 2019-20 to $ 56,171,223 in 2020-21; expenditures and other uses (sources) increased from $ 53,334,713 in 2019-20 to $ 56,248,074 in 2020-21, or 5.5% from the prior year. Included in that total, the School District transferred $ 2,200,000 from the General Fund to the Capital Project Reserve Fund and $ 28,165 from the Food Service Fund to the General Fund. At year end, the School District used $ 76,851 to balance. With the restatement from the prior year, uses, and transfers, the general fund balance at June 30, 2021 was $ 12,295,817. Of that total, $ 2,425,362 is prepaid employee health insurance, $ 554,000 is committed for PSERS expense and $ 5,250,000 is assigned for various uses, including PSERS, healthcare, special education, security, mental health and technology, leaving an unassigned balance of $ 4,066,455. The General Fund unassigned balance is 7.5% of the $ 54,156,086 contained in the 2021-22 Budget – under the 8% maximum required under state law.

The funding source graphs below show the trend of increasing dependence on local taxes and decreasing subsidy support from both the State and Federal Department 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 64% of revenues. In 2010-11 the Federal portion of total revenue was 6% due to American Recovery and Reinvestment Act (ARRA) funding. Ten years later, in 2020-21, Federal revenue continues at the pre-ARRA 2% of total revenues. Federal revenue, in 2020-21, saw a slight increase due to the Federal investment in Elementary and Secondary School Relief (ESSER) Fund. The Commonwealth's contribution was 34% in 2020-21, down from 36% in 2019-20.

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



The COVID economy effect has been mixed. Overall taxes levied increased from $ 30,705,307 in 2019-20 to $ 33,067,039 in 2020-21. A substantial amount of that was approximately $ 450,000 increase due to a new warehouse. EIT revenue increased from $ 5,506,710 in 2019-20 to $ 5,564,991 in 2020-21; however, EIT revenue for 2020-21 was lower compared to 2018-19 EIT of $ 5,599,527. Investment income in the General Fund decreased from $ 293,328 in 2019-20 to $ 28,838 in 2020-21, a 90% decrease. The outlook for next year is 50% of that due to falling interest rates on the School District's invested fund balance.



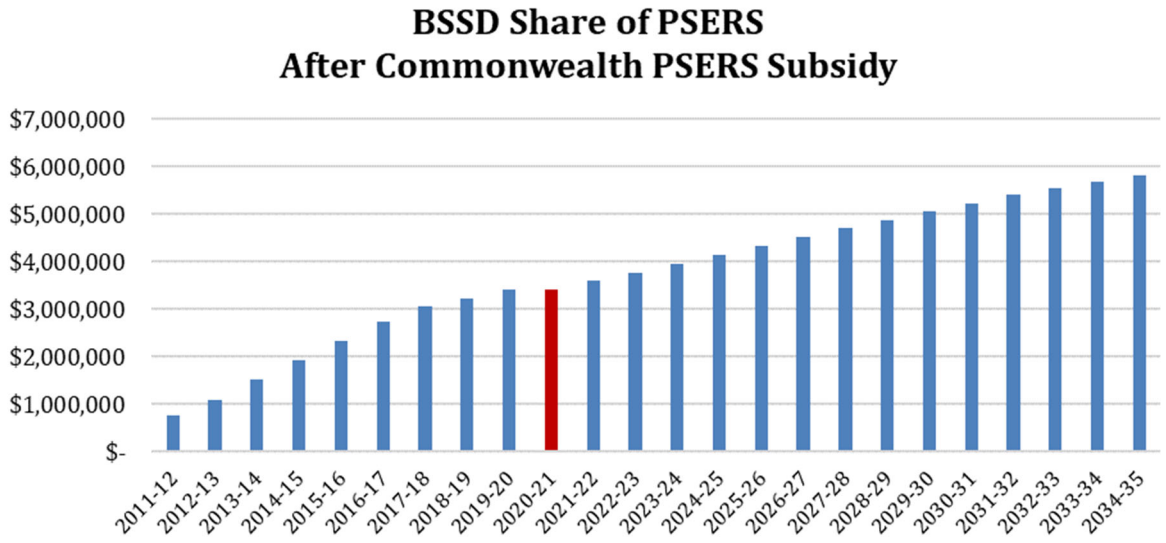
After transfers in and payables, the Capital Project Fund increased from $ 8,636,016 at June 30, 2020 to $ 10,660,503 at June 30, 2021. During 2020-21 the School District initiated one project with the Capital Projects Fund, the Oak Flat and Newville Fiber Project for a net expense of $ 182,393. Big Spring had limited Capital Projects due to the uncertainty of the financial and labor impact of COVID.

On September 10, 2018, the Board and the Big Spring Education Association signed a new collective bargaining agreement maintaining the high deductible health plan with its included Health Savings Account as of July 1, 2019 through June 30, 2022.

The School District self-funds its healthcare using the South Central Trust (SCT). Due to a high experience of claims during the year, the net balance in the trust decreased from $ 3,145,228 on June 30, 2020 to $ 2,424,724 on June 30, 2021.

Actual healthcare expense was $ 3,099,158 in 2017-18 and increased slightly to $ 3,155,866 in 2018-19; in 2019-20 the total operating expense increased significantly to $ 3,771,521. In 2020-21, healthcare expense decreased slightly to $ 3,769,113. While 2019/20 premiums decreased -- for the fourth year in a row – by 2.33%, that trend did not continue into 2020-21 as premiums increased 5.75% to meet the rising experience. For 2021-22, premiums significantly increased by 25.23%, due to continued rising experience.

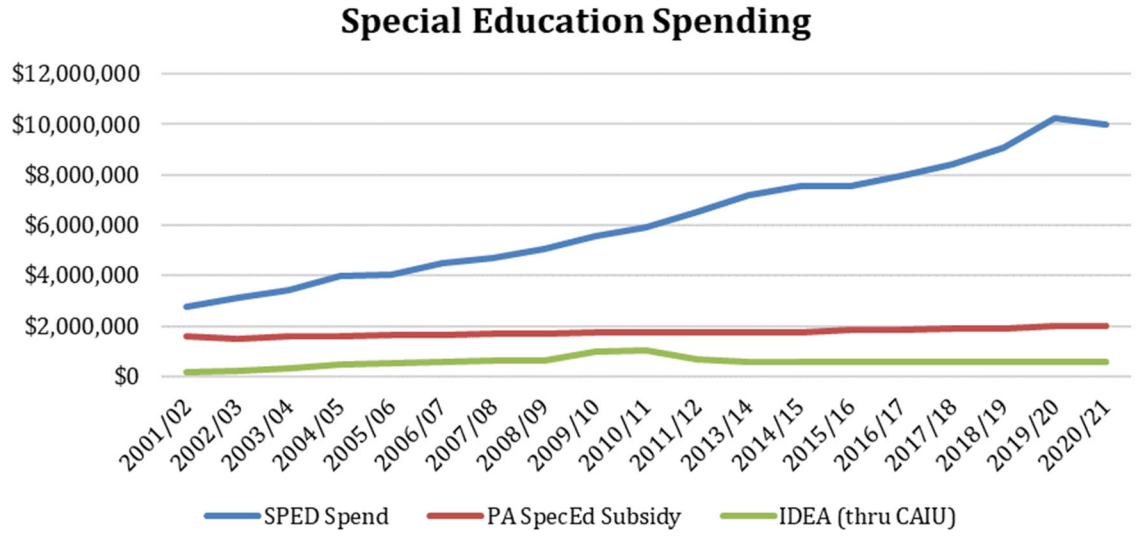
The School District continues under the restrictions of Act 1 which limits future increases in the School District's real estate taxes and displaces a selected amount of local real estate taxes with gaming funds. The School District was allotted gaming funds in the amount of $ 772,721 in 2020-21, an increase of $ 2,036 from the $ 770,685 allocated in 2019-20; these funds were distributed in equal amounts to each qualified taxpayer of $ 134.08 per homestead/farmstead.



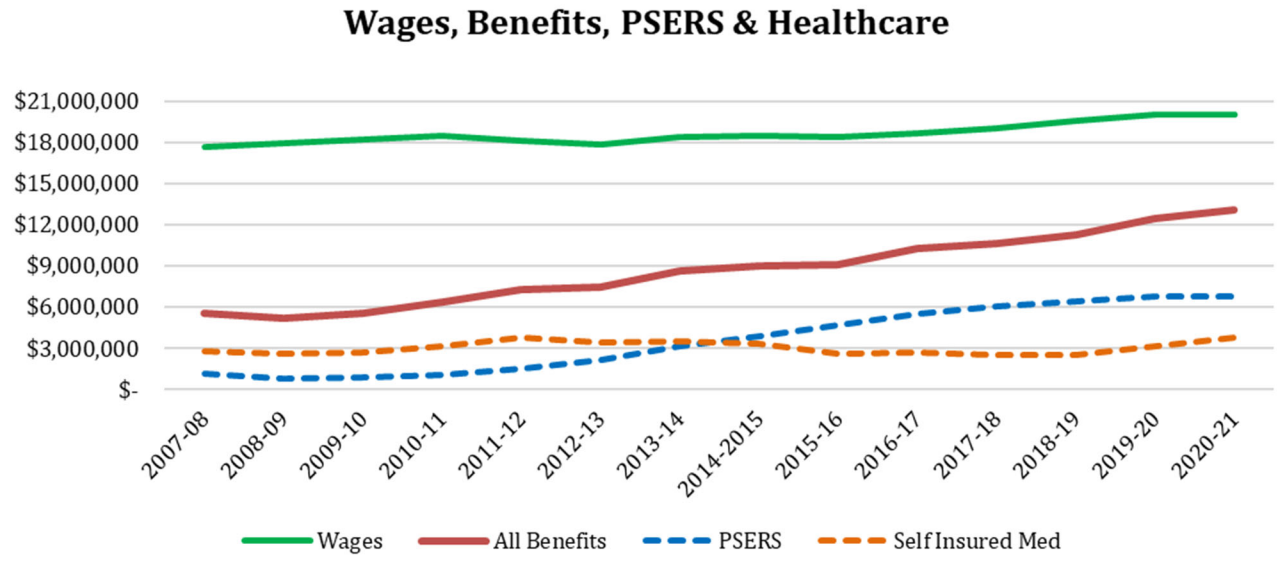
In November 2010 Act 120 reformed the PA State Employees Retirement System (PSERS) by implementing steep increases in employer contributions. As shown below, BSSD's total PSERS payment shot up from $ 1,543,501 in 2011-12 to $ 6,821,442 in 2020-21 with the Commonwealth returning approximately half that as a PSERS subsidy payment.

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

This School District is also squeezed by the continuously increasing cost of Special Education services. Over the last ten years, special education has increased at an average of 6% per year. The 2020-21 fiscal year did see a decrease at 4.7%. In contrast, the PDE/State subsidy did not increase, and federal IDEA support decreased by 0.2%. The School District continues to struggle with increasing demands from families, the courts, and widening mandates from both the state and federal level. The expanding mandates contrast dramatically with flat funding from the Commonwealth and the minimal Federal IDEA program (see red line in chart at below).



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



In order to meet the rising cost of wages and benefits, the Board raised millage by 3.1% in 2016-17 and 2.5% in 2017-18. In June 2018 the Board voted to increase millage by 2.0% for the 2018-19 tax year, well under the adjusted index of 3.0%. In June 2019 the Board raised the millage for the 2019-20 year by 2.25%, again under index of 2.9%. In June 2020 the Board raised the millage for the 2020-21 year by 2.5% again under the index of 3.2%

USING THESE FINANCIAL STATEMENTS –

This report contains a series of financial statements. The Statement of Net Position and the Statement of Activities are on pages 17 and 18. These statements provide information about the School District as a whole and present a longer-term view of School District finances than fund financial statements. Fund financial statements are on pages 19, 21, and 23 through 27. For governmental funds, the statements show how School District services have been financed in the short-term, as well as the amount remaining for future spending. Proprietary fund statements provide information about non-governmental operations, in this case food service. The fiduciary funds statement reports amounts held in trust by the School District for student activities.

Page 20 reconciles total governmental fund balances to total net position of governmental activities. Page 22 reconciles the total net change in governmental fund balances to the change in net position of governmental activities.

District–Wide Financial Statements

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

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

Fund Financial Statements

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

THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Position

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

The School District's total net position was a deficit of $ 12.9 million on June 30, 2021 and a deficit of $ 15.2 million at June 30, 2020. The June 2021 and 2020 deficits result from the requirement to include pension related debt of $69.4 million and a $ 7.1 million other postemployment benefits liability, as a result of the adoption of GASB 68 as of July 1, 2017. The following summarizes the Statement of Net Position (page 17).

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	$ 30.4	$ 27.4	$ 0.4	$ 0.4	$ 30.9	$ 27.8
Capital assets	69.8	72.5	0.8	0.8	70.6	73.3
Total assets	100.2	99.9	1.3	1.2	101.5	101.1
Deferred outflows for OPEB	1.0	0.5	0.0	0.0	1.0	0.5
Defered outflows for pension	11.2	8.8	0.0	0.0	11.2	8.8
Defered outflows for bond refunding	0.0	0.0	0.0	0.0	0.0	0.0
Total deferred outflows of resources	$ 12.2	$ 9.3	$ 0.0	$ 0.0	$ 12.2	$ 9.3
Current and other liabilities	$ 10.2	$ 9.3	$ 0.1	$ 0.0	$ 10.3	$ 9.3
Long-term liabilities	111.0	109.8	0.1	0.1	111.0	109.9
Total liabilities	121.2	119.1	0.1	0.1	121.3	119.2
Deferred inflows for OPEB	1.4	1.1	0.0	0.0	1.4	1.1
Deferred inflows for pension	2.7	4.1	0.0	0.0	2.7	4.1
Total deferred inflows of resources	4.1	5.2	0.0	0.0	4.1	5.2
Capital assets (net of related debt)	32.3	31.7	0.8	0.8	33.1	32.5
Restricted for capital projects	10.7	8.7	0.0	0.0	10.7	8.7
Unrestricted	(55.8)	(55.6)	0.3	0.3	(55.5)	(55.3)
Total net position	$ (12.9)	$ (15.2)	$ 1.1	$ 1.1	$ (11.7)	(14.1)

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

Statement of Activities

The following summarizes the Statement of Activities (page 18). It shows that total net position increased by $ 2,266,759 in 2021 and $ 382,722 in 2020.

	Governmental Activities		Business-type Activities		Totals	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Program revenues						
Charges for services	$ 0.8	$ 0.8	$ 0.1	$ 0.5	$ 0.9	$ 1.3
Operating grants and contributions	10.3	9.9	0.8	0.6	11.1	10.5
Capital grants and contributions	0.5	0.6	0.0	0.0	0.5	0.6
General revenues						
Taxes	34.3	30.9	0.0	0.0	34.3	30.9
Earnings on investments	0.0	0.4	0.0	0.0	0.0	0.4
Gain/loss on sale of capital assets	(0.1)	(0.1)	0.0	0.0	(0.1)	(0.1)
General subsidies	10.4	10.4	0.0	0.0	10.4	10.4
Miscellaneous income	0.1	0.0	0.0	0.0	0.1	-
Total revenues	**56.4**	**53.0**	**0.9**	**1.0**	**57.3**	**54.0**
Direct expenses	**54.0**	**52.4**	**1.0**	**1.2**	**55.0**	**53.6**
Excess revenues (expenses) before transfers	2.3	0.6	(0.1)	(0.2)	2.3	0.4
Transfers between activities	(0.0)	(0.0)	0.0	0.0	0.0	0.0
Change in net position	**$ 2.3**	**$ 0.5**	**$ (0.0)**	**$ (0.1)**	**$ 2.3**	**$ 0.4**

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

	Governmental Activities					
	Direct Expenses		Program Revenues		Net Expense	
	2021	2020	2021	2020	2021	2020
Instruction	$ 35.6	$ 33.9	$ 7.9	$ 7.3	$ 27.7	$ 26.6
Instructional student support	4.5	4.3	0.7	0.5	3.7	3.8
Administrative and financial support	4.9	4.9	0.4	0.4	4.4	4.5
Operation and maintenance of plant	4.7	4.5	0.4	0.7	4.3	3.7
Pupil transportation	2.5	2.6	1.5	1.6	1.0	1.0
Student activities	1.1	1.1	0.2	0.2	1.0	0.9
Community services	0.0	0.0	0.0	0.0	0.0	0.0
Interest on long-term debt	0.9	1.1	0.5	0.6	0.4	0.6
Total	$ 54.0	$ 52.4	$ 11.6	$ 11.3	42.4	41.1
Transfers to business-type activities					-	-
Total governmental activities					42.4	41.1
State general subsidies revenues					10.4	10.4
Total needs from taxes and other local sources					$ 32.0	$ 30.7

	Business-type Activities					
	Direct Expenses		Program Revenues		Net Expense	
	2021	2020	2021	2020	2021	2020
	$ 1.0	$ 1.2	$ 0.9	$ 1.0	$ (0.1)	$ (0.2)
Transfers from govt activities and investment earnings					0.0	0.0
					$ (0.0)	$ (0.2)

THE SCHOOL DISTRICT'S FUNDS

Governmental Funds – Fund Balances

Governmental Funds - Fund Balances

	2021	2020	Change
General fund - nonspendable	$ 2.4	$ 3.0	$ (0.6)
General fund - committed	0.6	0.6	-
General fund - assigned	5.3	6.0	(0.8)
General fund - unassigned	4.1	2.8	1.3
Capital reserve fund - restricted	10.7	8.6	2.0
Capital projects fund - restricted	-	0.1	(0.1)
Governmental fund balances	$ 23.0	$ 21.1	$ 1.9
Total nonspendable	$ 2.4	$ 3.0	$ (0.6)
Total restricted	10.7	8.7	1.9
Total committed	0.6	0.6	-
Total assigned	5.3	6.0	(0.7)
Total unassigned	4.1	2.8	1.3
Total governmental funds	$ 23.0	$ 21.1	$ 1.9

Changes from 2020 to 2021

The general fund balance saw a slight decrease from $ 12,372,668 in 2019-20 to $ 12,295,817 in 2020-21 in total fund balance. The 2020-21 activity included a $ 2,200,000 transfer to Capital Reserve for future capital improvements. Unassigned fund balanced increased due to restatement of FY21 Budget Deficit from Assigned fund balance. Nonspendable fund balance significantly decreased due to the increase in health insurance claims during the 2020-21 fiscal year.

General Fund Balance

	Unassigned	Nonspendable	Assigned	Committed	Total
Balance at June 30, 2020	**$ 2,762,532**	**$ 3,031,131**	**$ 6,025,005**	**$ 554,000**	**$ 12,372,668**
General Fund Balance	$ 4,066,455	$ -	$ -	$ -	$ 4,066,455
Employee Health Insurance	-	2,425,362	-	-	2,425,362
PSERS	-	-	650,000	554,000	1,204,000
Healthcare	-	-	750,000	-	750,000
Technology	-	-	2,300,000	-	2,300,000
Special Education	-	-	550,000	-	550,000
SIS/FIS Software	-	-	200,000	-	200,000
Safety/Security/SRO	-	-	400,000	-	400,000
Student Svcs & Mental Health	-	-	400,000	-	400,000
Balance at June 30, 2021	**$ 4,066,455**	**$ 2,425,362**	**$ 5,250,000**	**$ 554,000**	**$ 12,295,817**

Changes from 2019 to 2020

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

General Fund Budget

The following summarizes the budgetary comparison information presented on page 62, along with comparisons to the previous year.

General Fund Budget

	Final Budget		Actual Amount		Variance	
	2021	2020	2021	2020	2021	2020
Total revenues	$ 53.0	$ 51.9	$ 56.2	$ 53.2	$ 3.2	$ 1.3
Total expenditures	54.0	51.9	54.2	51.1	(0.2)	0.9
Excess revenues (expenditures)	(1.0)	(0.0)	2.0	2.1	3.0	2.2
Other financing sources (uses)	(0.2)	(0.4)	(2.1)	(2.3)	(1.9)	(1.8)
Net change in fund balance	$ (1.2)	$ (0.5)	$ (0.1)	$ (0.1)	$ 1.1	$ 0.3

In 2021 actual revenues exceeded expenditures by $ 2,011,001. At year end, actual expenditures were $ 82,136 over the final budgeted amount. Contrary to prediction at the start of COVID, actual revenues were $ 3,190,142 more than budgeted amount. In the prior year (2020) actual revenues exceeded the actual expenditures by $ 1,294,139.

Under the modified accrual basis of accounting, the School District considers taxes unavailable to be recognized as revenue unless they are received within 2 months after the fiscal year. The School District's unavailable tax revenue (deferred inflow) was $1.2 million at June 2021 – under the $ 1.1 million at June 2020.

CAPITAL ASSETS

During 2020-21 the School District purchased $.4 million in capital assets. The only project during the 2020-21 was the Oak Flat / Newville Fiber Project. The School District made the decision to keep the capital spend low due to the uncertainty of COVID.

	Capital Assets (Net of Depreciation)		
	2021	2020	Change
Governmental activities			
Land	$ 0.9	$ 0.9	$ -
Construction in progress	0.2	0.0	0.2
Buildings and improvements	64.0	66.5	(2.4)
Furniture and equipment	1.2	1.3	(0.1)
Technology Equipment	3.4	3.9	(0.4)
	$ 69.8	$ 72.5	$ (2.7)
Business-type activities			
Furniture and equipment	$ 0.8	$ 0.8	$ (0.0)

Capital assets in the governmental activities were $ 69.8 million at June 30, 2021, $ 72.5 million at June 30, 2020, $ 70.2 million at June 30,2019 and $ 61.7 million at June 2018. In 2021 the School District purchased more than $ .4 million in capital assets against $ 3.0 million in depreciation resulting in a decrease of $ 2.6 million in capital assets. In 2020 the School District purchased more than $ 18.3 million in assets against $ 3.4 million in depreciation resulting in an increase of $ 14.9 million in capital assets. In 2019 the School District purchased more than $ 11.8 million in assets against $ 3.2 million in depreciation resulting in an increase of $ 8.6 million in capital assets.

LONG-TERM LIABILITIES

The following summarizes the long-term liabilities note to financial statements (starting at page 43). Most of the debt is general obligation bonds and notes issued to pay for capital improvements. The School District's ability to raise future funds through the issuance of debt depends on how existing bonds are rated by the investment community.

	2021	2020	Change
Governmental activities			
General obligation bonds and notes	$ 36.8	$ 39.9	$ (3.1)
Bond premiums	0.7	0.9	(0.2)
Compensated absences	0.9	1.0	(0.1)
NET OPEB Liability	7.1	6.7	0.4
Net pension liability	69.4	65.0	4.4
Total liabilities	$ 114.8	$ 113.5	$ (7.0)

Each year the School District pays interest on the debt and a portion of the outstanding bonds and notes, referred to as redemption. In 2020-21 the School District paid $ 4,507,637 in regular debt payments. During 2019-20 the School District made regularly scheduled payments of $ 4,716,934 and $ 4,675,285 in 2018-19.

The School District did not take out any additional debt but did refinance in 2020-21. On February 9, 2021 the School District closed on a bond refinance of $ 16,785,000. The bond refinanced a 2012, 2015, and 2016 bond. On April 3, 2018 the School District closed on a bond of $ 9,505,000; resulting in $ 9,820,943 deposited into the Mt. Rock 2018 Projects Fund. The Standard & Poor's rating for the issue was again AA-/Stable.

Other post-employment benefits (OPEBs) has to do with purchasing discounted health insurance after retirement through the School District. The School District's July 2021 actuarial accrued liability of $ 7.1 million, including deferred inflows and outflows, is being amortized over a period of 30 years. Additional OPEB detail is available starting at page 45 of the notes.

GASB 68 requires the School District to report its pension related items. The net pension liability, including deferred outflows and inflows, was $ 65.0 million at June 2020 and grew to $ 69.4 million at June 30, 2021. Effective July 1, 2017 the School District is now required to report the entire other postemployment benefits (OPEB) liability, OPEB expense and deferred outflows and deferred inflows of resources related to other postemployment benefits. GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," had additional negative effect of the net position of the School's financial statements beginning in the year ended June 30, 2018.

NEXT YEAR'S BUDGET AND OTHER FACTORS

	Original Budget		
	2022	**2021**	**Change**
Total revenue	$ 56.2	$ 53.0	$ 3.2
Total expenditures and other uses	56.2	54.2	2.1
Excess revenues (expenditures)	$ -	$ (1.2)	$ 1.2

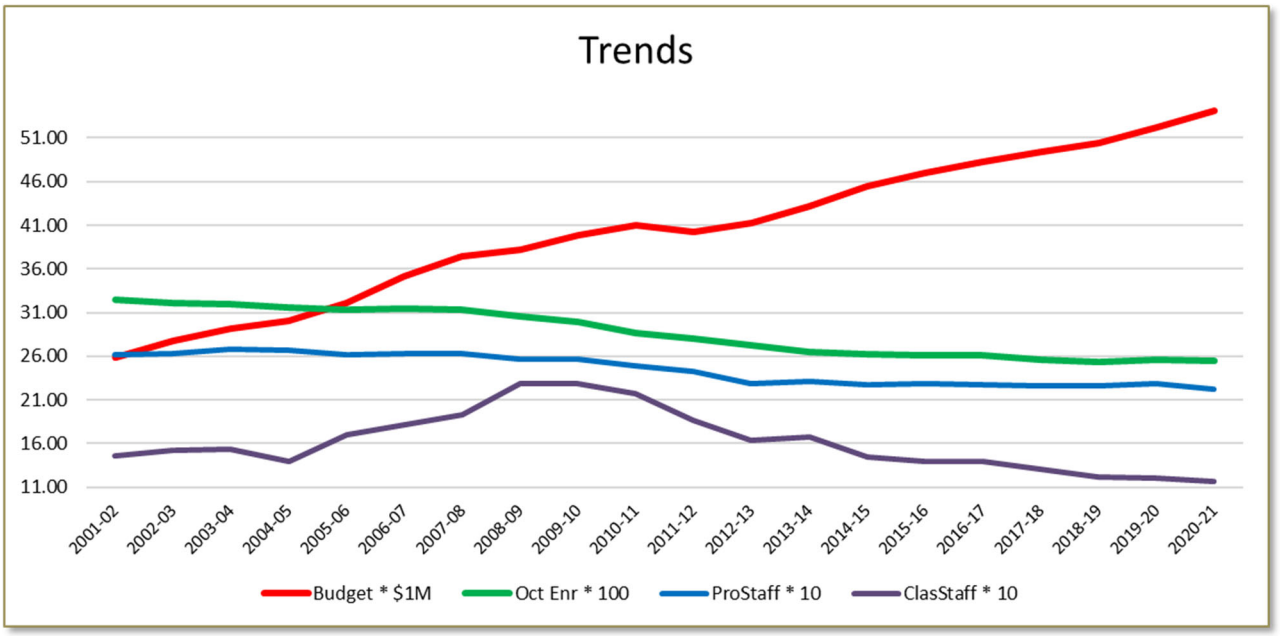
The Big Spring School District maintained its commitment to its educational programs for students in the midst of the COVID epidemic. In June 2021 the Board approved a budget of $ 56,225,238 to cover the increasing costs of salary, PSERS and medical benefits along with spikes in charter tuition and special education programs and expected COVID expenses. These expenditures do match the total budgeted revenue.

The 2021-22 budget is a $ 2,069,152 or 3.68% increase in expenditures over the 2020-21 budget of $ 54,156,086. The major drivers of the 2021-22 budget are the 3.05% wage increase for CBA salaries, 3% for administrative and support staffs and the PSERS contribution rate increased from 34.51% in 2020-21 to 34.94% in 2021-22 – 0.43% year over year increase in rate. The PSERS rate for 2022-23 is 35.26%. Always a challenge, the School District significantly raised medical premiums by 25.23%.

The 2021-22 revenue budget was $ 56,225,238 versus the 2020-21 amount of $ 52,981,082 or an increase of $ 3,244,157. The Board was able to have revenues match expenditures with a tax increase at 3.25%, below the adjusted index of 3.7%.

The Commonwealth continues to struggle with any meaningful increase in basic education funding due to the increasing cost of retirement contributions (they pay half). In addition, the School District continues to expand services for special needs students with minimal additional state funding. In 2020-21 the special education actual spend was $ 9,970,449 or 4.5% above budget. The 2021-22 special education budget is set at $ 9,836,214 -- $ 134,235 below the actual previous year end. That creates considerable risk for year end 2020-21.

Looking ahead, the near-term challenge for the School District continues to be reliable Commonwealth funding given the weight of pension debt. While the overall expenditure budget grew by 5.5%, the basic education funding amount decreased by $ 7 forcing more effort onto the local level. The new funding formula will be a continuing challenge for the School District as its budgets depended on the old hold harmless funding process. The School District hasn't raised taxes to the index in the last 5 years and it appears that will be the case for the 2022-23 budget also given the pandemic. As the 2021-22 budget process completed, the enrollment for the 2021-22 year shows an increase of 39 students. The longer-term challenge for the School District is captured in the graph below. To help balance the budget for 2021-22 the School District offered a voluntary separation incentive with the hope of cutting 7 staff positions. Any increased enrollment will put pressure on the School District to increase staffing along with the PSERS penalty that goes with any increase – just as the state funding formula reduces the School District's share of state subsidy. The Board and administration remain vigilant on holding down costs; however, the budget continues to grow largely as a result of the increasing cost of salaries, pension payments and tuition payments related to special education and cyber-charter tuition.



Despite the many challenges of an enrollment increase coupled with the mandated increases in PSERS, special education and cyber-charters, the School District stands committed to ensuring the best opportunities for students. The 2021-22 budget balances the requirement to protect essential programs versus tax increases in the time of the pandemic.

CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT

The School District's financial report is intended to provide the readers with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the School 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, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 19,962,314	$ 368,318	$ 20,330,632
Investments	3,221,000	-	3,221,000
Receivables			
Taxes	2,102,282	-	2,102,282
Intergovernmental	2,607,295	50,516	2,657,811
Other	95,381	29,335	124,716
Internal balances	31,863	(31,863)	-
Prepaid expenses	2,425,362	-	2,425,362
Inventories	-	16,190	16,190
Total current assets	30,445,497	432,496	30,877,993
Noncurrent Assets			
Capital assets not being depreciated			
Land	899,408	-	899,408
Construction in progress	236,792	-	236,792
Capital assets net of accumulated depreciation			
Buildings and building improvements	64,047,601	-	64,047,601
Furniture and equipment	1,173,922	826,413	2,000,335
Technology equipment	3,436,069	-	3,436,069
Total noncurrent assets	69,793,792	826,413	70,620,205
TOTAL ASSETS	100,239,289	1,258,909	101,498,198
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	11,172,177	12,906	11,185,083
Deferred outflows related to OPEB liability	1,001,613	500	1,002,113
Deferred charge on bond refunding	58,000	-	58,000
Total deferred outflows of resources	12,231,790	13,406	12,245,196
Total assets and deferred outflow of resources	$ 112,471,079	$ 1,272,315	$ 113,743,394
LIABILITIES			
Current liabilities			
Accounts payable	$ 1,755,163	$ 48,237	$ 1,803,400
Accrued salaries and benefits/withholdings	4,325,824	-	4,325,824
Accrued interest	304,233	-	304,233
Unearned revenues	-	25,680	25,680
Portion due or payable within one year			
General obligation bonds payable	3,759,998	-	3,759,998
Compensated absences	78,755	-	78,755
Total current liabilities	10,223,973	73,917	10,297,890
Noncurrent liabilities			
Portion due or payable after one year			
General obligation bonds payable	33,714,096	-	33,714,096
Compensated absences	798,229	-	798,229
Net pension liability	69,355,761	71,252	69,427,013
OPEB liability	7,085,092	3,124	7,088,216
Total noncurrent liabilities	110,953,178	74,376	111,027,554
TOTAL LIABILITIES	121,177,151	148,293	121,325,444
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	2,682,240	2,913	2,685,153
Deferred inflows related to OPEB liability	1,462,766	154	1,462,920
Total deferred inflows of resources	4,145,006	3,067	4,148,073
NET POSITION			
Net investment in capital assets	32,319,698	826,413	33,146,111
Restricted	10,660,503	-	10,660,503
Unrestricted	(55,831,279)	294,542	(55,536,737)
TOTAL NET POSITION	(12,851,078)	1,120,955	(11,730,123)
TOTAL LIABILITIES AND NET POSITION	$ 112,471,079	$ 1,272,315	$ 113,743,394

BIG SPRING SCHOOL DISTRICT
Statement of Activities
June 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
Instruction	$ 35,556,391	$ 760,142	$ 7,102,484	$ -	$ (27,693,765)	$ -	$ (27,693,765)
Instructional student support	4,461,995	-	737,317	-	(3,724,678)	-	(3,724,678)
Administrative and financial support services	4,858,406	-	449,444	-	(4,408,962)	-	(4,408,962)
Operation and maintenance of plant services	4,680,018	12,941	395,094	-	(4,271,983)	-	(4,271,983)
Pupil transportation	2,452,703	-	1,498,298	-	(954,405)	-	(954,405)
Student activities	1,148,330	29,189	134,083	-	(985,058)	-	(985,058)
Community services	17,607	-	2,319		(15,288)		(15,288)
Interest expense	858,197	-	-	502,320	(355,877)	-	(355,877)
Total governmental activities	54,033,647	802,272	10,319,039	502,320	(42,410,016)	-	(42,410,016)
Business-type activities:							
Food services	951,240	125,527	759,279	-	-	(66,434)	(66,434)
Total primary government	$ 54,984,887	$ 927,799	$ 11,078,318	$ 502,320	(42,410,016)	(66,434)	(42,476,450)
General revenues:							
Property taxes, levied for general purposes, public utility realty tax, earned income tax					34,329,593	-	34,329,593
Grants, subsidies and contributions not restricted					10,426,371	-	10,426,371
Investment earnings					35,724	20	35,744
Miscellaneous income					98,477	-	98,477
Gain/(loss) on sale of capital assets					(139,891)	884	(139,007)
Transfers					(28,165)	20,196	(7,969)
Total general revenues					44,722,109	21,100	44,743,209
Change in net position					2,312,093	(45,334)	2,266,759
Net position - beginning					(15,163,171)	1,166,289	(13,996,882)
Net position - ending					$ (12,851,078)	$ 1,120,955	$ (11,730,123)

BIG SPRING SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 13,539,135	$ 6,423,179	$ -	$ 19,962,314
Investments	1,733,000	1,488,000	-	3,221,000
Taxes receivable	2,102,282	-	-	2,102,282
Intergovernmental receivables	2,607,295	-	-	2,607,295
Other receivables	95,381	-	-	95,381
Due from other funds	60,811	2,750,065	-	2,810,876
Prepaid expenditures	2,425,362	-	-	2,425,362
Total assets	$ 22,563,266	$ 10,661,244	$ -	$ 33,224,510
LIABILITIES				
Accounts payable	$ 1,754,422	$ 741	$ -	$ 1,755,163
Accrued salaries and benefits/withholdings	4,325,824	-	-	4,325,824
Due to other funds	2,779,013	-	-	2,779,013
Total liabilities	8,859,259	741	-	8,860,000
DEFERRED INFLOWS OF RESOURCES				
Unavailable grant revenue	241,355	-	-	241,355
Unavailable tax revenue	1,166,835	-	-	1,166,835
Total deferred inflows of resources	1,408,190	-	-	1,408,190
FUND BALANCES				
Nonspendable Fund Balance				
Prepaid expenditures	2,425,362	-	-	2,425,362
Restricted Fund Balance				
Future capital improvements	-	10,660,503	-	10,660,503
Committed Fund Balance				
Future retirement increases	554,000	-	-	554,000
Assigned Fund Balance				
Future retirement increases	650,000	-	-	650,000
Future healthcare increases	750,000	-	-	750,000
Future technology purchases	2,300,000	-	-	2,300,000
Future special education purchases	550,000	-	-	550,000
Future information system purchases	200,000	-	-	200,000
Future safety and security purchases	400,000	-	-	400,000
Future student services purchases	400,000	-	-	400,000
Unassigned Fund Balance	4,066,455	-	-	4,066,455
Total fund balances	12,295,817	10,660,503	-	22,956,320
Total liabilities, deferred inflows of resources, and fund balances	$ 22,563,266	$ 10,661,244	$ -	$ 33,224,510

BIG SPRING SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total fund balances - governmental funds		$ 22,956,320
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
Cost of assets	117,220,743	
Accumulated depreciation	(47,426,951)	
		69,793,792
Certain receivables are not available to pay current period expenditures and therefore are not reported in the fund financial statement, but are reported in governmental activities in the Statement of Net Position.		1,408,190
Long-term liabilities and related accrued interest are not due and payable in the current period and thus are not included in the balance sheet of governmental funds, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and associated deferred inflows and deferred outflows of resources consist of:		
General obligation bonds and note payable	(37,474,094)	
Deferred charge on bond refunding	58,000	
Accrued interest expense	(304,233)	
Compensated absences	(876,984)	
Net pension liability	(69,355,761)	
Deferred outflows related to pension liability	11,172,177	
Deferred inflows related to pension liability	(2,682,240)	
OPEB liability	(7,085,092)	
Deferred outflows related to OPEB liability	1,001,613	
Deferred inflows related to OPEB liability	(1,462,766)	
		(107,009,380)
Net position of governmental activities in the Statement of Net Position		$ (12,851,078)

BIG SPRING SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local revenues				
Taxes	$ 34,229,320	$ -	$ -	$ 34,229,320
Investment earnings	28,838	6,880	6	35,724
Revenue from intermediate sources	602,370	-	-	602,370
Other	900,749	-	-	900,749
State sources	19,245,096	-	-	19,245,096
Federal sources	1,164,850	-	-	1,164,850
Total revenues	56,171,223	6,880	6	56,178,109
EXPENDITURES				
Instruction	33,067,039	-	-	33,067,039
Support services	15,501,766	182,393	-	15,684,159
Operation of non-instructional services	1,083,780	-	-	1,083,780
Facilities acquisition, construction and improvements	-	-	-	-
Debt service				
Principal	3,400,000	-	-	3,400,000
Interest and bond costs	1,107,637	-	91,108	1,198,745
Total expenditures	54,160,222	182,393	91,108	54,433,723
Excess (deficiency) of revenues over expenditures	2,011,001	(175,513)	(91,102)	1,744,386
OTHER FINANCING SOURCES (USES)				
Proceeds from long term financing	16,785,000	-	-	16,785,000
Payment to refund long term debt	(16,644,687)	-	-	(16,644,687)
Interfund transfers	(2,228,165)	2,200,000	-	(28,165)
Total other financing sources and (uses)	(2,087,852)	2,200,000	-	112,148
Net change in fund balances	(76,851)	2,024,487	(91,102)	1,856,534
Fund balances - beginning	12,372,668	8,636,016	91,102	21,099,786
Fund balances - ending	$ 12,295,817	$ 10,660,503	$ -	$ 22,956,320

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, 2021

Net change in fund balances - total governmental funds:		$ 1,856,534
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays differed from depreciation expense in the current period. In addition, in the statement of activities, only the loss on the disposition of capital assets is reported, whereas in the governmental funds, the sale proceeds increase other financing sources. Thus, the change in net position differs from the changes in the fund balance by the undepreciated cost of the capital assets disposed of.		
Gain/loss on disposition of assets	(139,891)	
Depreciation expense	(2,967,936)	
Capital outlays	392,525	(2,715,302)
Because certain taxes will not be collected for several months after the School District's fiscal year end, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues changed by this amount this year.		335,774
The issuance of long-term obligations (bonds, leases, loans) provides current financial resources to governmental funds, while repayment of principal of long-term obligations consumes the current financial resourncs of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond insurance, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities:		
Repayment of general obligations - principal		19,890,000
Issuance of general obligation bonds		(16,785,000)
Issuance premium/discount, and interest expense, net of related amortization of bond related costs		247,675
Some expenses reported in the statement of activities do not require the use of current financial resources and thus are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:		
Net pension liability and related deferred outflows and inflows	(564,957)	
OPEB liability and related deferred outflows and inflows	(189,549)	
Compensated absences	122,240	
Accrued interest	114,678	(517,588)
Change in net position of governmental activities		$ 2,312,093

BIG SPRING SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
June 30, 2021

	Food Service
ASSETS	
Current Assets	
Cash and cash equivalents	$ 368,318
Due from other governments	50,516
Due from other funds	28,948
Other receivables	29,335
Inventory	16,190
Total current assets	493,307
Noncurrent Assets	
Furniture and equipment	2,085,162
Accumulated depreciation	(1,258,749)
Total noncurrent assets	826,413
Total assets	1,319,720
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension liability	12,906
Deferred outflows related to OPEB liability	500
Total deferred outflows of resources	13,406
Total assets and deferred outflows of resources	$ 1,333,126
LIABILITIES	
Current Liabilities	
Accounts payable	$ 48,237
Due to other funds	60,811
Unearned revenue	25,680
Total current liabilities	134,728
Noncurrent Liabilities	
Net pension liability	71,252
OPEB liability	3,124
Total noncurrent liabilities	74,376
Total liabilities	209,104
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension liability	2,913
Deferred inflows related to OPEB liability	154
Total deferred inflows of resources	3,067
NET POSITION	
Net investment in capital assets	826,413
Unrestricted	294,542
Total net position	1,120,955
Total liabilities, deferred inflows of resources and net position	$ 1,333,126

BIG SPRING SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2021

	Food Service
OPERATING REVENUE	
Food service revenues	$ 125,625
Total operating revenues	125,625
OPERATING EXPENSES	
Food and milk purchases	828,297
Salaries	20,816
Employee benefits	9,921
Supplies and other expenses	15,337
Repairs and maintenance	12,353
Utilities	22,152
Depreciation	42,364
Total operating expenses	951,240
Operating (loss)	(825,615)
NONOPERATING REVENUES (EXPENSES)	
Interest income	20
Federal subsidies	734,275
State subsidies	25,790
Total nonoperating revenue	760,085
Income (loss) before transfers	(65,530)
TRANSFERS	
Interfund transfers	20,196
Change in net position	(45,334)
Net position - beginning	1,166,289
Net position - ending	$ 1,120,955

BIG SPRING SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	Food Service
Cash flows from operating activities	
Cash received from food sales	$ 86,559
Cash payments for goods and services	(833,630)
Cash payments to and on behalf of employees	(29,750)
Net cash (used) by operating activities	(776,821)
Cash flows from capital and related financing activities	
Purchase of equipment	(32,260)
Cash flows from noncapital financing activities	
Federal subsidies	662,880
State subsidies	25,790
Interfund transfers	20,196
Net cash provided by noncapital financing activities	708,866
Cash flows from investing activities	
Earnings on investments	20
Net (decrease) in cash and cash equivalents	(100,195)
Cash and cash equivalents - beginning	468,513
Cash and cash equivalents - ending	$ 368,318
Reconciliation of income (loss) from operations to net cash provided by operating activities	
Operating (loss)	$ (825,615)
Adjustments to reconcile operating income (loss) to net cash provides (used) by operating activities:	
Depreciation	42,364
Donated food used	71,848
(Increase) decrease in:	
Inventory	7,996
Accounts receivable	(25,107)
Increase (decrease) in:	
Interfund payables	(85,897)
Compensated absences	(11,437)
Net pension liability and related items	978
Other post-employment benefit liability and related items	9
Accounts payable	48,040
Total adjustments	48,794
Net cash (used) by operating activities	$ (776,821)

BIG SPRING SCHOOL DISTRICT
Statement of Net Position – Fiduciary Funds
June 30, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	$ 59,154
Investments	184,530
Total assets	$ 243,684
NET POSITION	
Restricted for individuals and organizations	$ 243,684
Total net position	$ 243,684

BIG SPRING SCHOOL DISTRICT
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2021

	Custodial Funds
ADDITIONS	
Sales	$ 61,555
Contributions	14,776
Fundraiser income	133,887
Interest income	2,590
Total additions	212,808
DEDUCTIONS	
Apparel	56,798
Supplies	44,344
Fundraising	31,258
Food	24,688
Equipment/technology	10,413
Dues/fees	19,671
Donations	8,219
Banquets	8,306
Transportation	7,060
Miscellaneous expense	10,845
Total deductions	221,602
TRANSFERS	
Interfund transfers	7,969
Change in net position	(825)
Net position - beginning, as restated	244,509
Net position - ending	$ 243,684

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

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

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

Reporting Entity

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

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

Joint Ventures

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

Capital Area Intermediate Unit provides special education services and programs. During the year ended June 30, 2021 the School District paid $ 667,400 to Capital Area Intermediate Unit for these services.

Cumberland Perry Area Vocational Technical School provides vocational and technical education services and programs. During the year ended June 30, 2021 the School District paid $ 879,709 to Cumberland Perry Area Vocational Technical School for these services.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

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

1. Governmental Funds

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

The School District reports the following major governmental funds:

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

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

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

2. Proprietary Funds

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

Food Service Fund

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

3. Fiduciary Funds

Fiduciary funds are used to account for the School District's custodial funds. These funds account for assets held by the School District as a trustee or agent for individuals, private organizations and/or governmental units and are therefore not available to support the School District's own programs. The Student Activities Fund accounts for programs operated and sponsored by various clubs and organizations within the schools. With the adoption of the new accounting standard described in Note 14, Student Activities that were previously presented as Agency Funds were evaluated. Based on the evaluation of the School District's lack of administrative involvement in student activities, these are now presented as Custodial Funds.

Basis of Presentation

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred and the revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as liabilities until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorize the School District to make expenditures.
4. Appropriations lapse at the end of the fiscal period.
5. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency. These programs frequently result in supplementary budget appropriations.

Capital budgets are not implemented for capital improvements in the Capital Reserve Fund or Capital Projects Fund. All transactions of these funds are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

During 2020/2021, the School District overspent the budgeted expenditures of the General Fund, which is a violation of the Pennsylvania School Code, but is not expected to result in any negative implications of the School District.

Cash and Cash Equivalents and Investments

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

Taxes and Taxes Receivable

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

Interfund Activity/Internal Balances

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Balances between funds are short term items pending periodic repayments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity/Internal Balances (Continued)

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Liabilities

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources at June 30, 2021 consist of various amounts related to pension, OPEB liabilities, and charges on refundings on the statement of net position and unavailable tax revenue on the governmental fund balance sheet.

Unearned Revenues

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans

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

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

Compensated Absences

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

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

Other Postemployment Benefits Other Than Pensions

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits Other Than Pensions (Continued)

PSERS

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

Net Position

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

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

Restricted - This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation. Restricted net position as of June 30, 2021 is for future capital expenses.

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

Net Position Flow Assumption

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance - Governmental Fund Financial Statements

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

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

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

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

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

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

Policy Regarding Order of Spending

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

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

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government and Federal agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company restricted under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. However, the School District requires all deposits in excess of federal deposit insurance coverage to be collateralized by the depository institution with approved collateral as provided by the law. As of June 30, 2021, $ 2,705,571 of the School District's bank balance of $ 4,776,223 was exposed to custodial credit risk.

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, the various banks utilized by the School District have pledged collateral on a pooled basis on behalf of the School District and all other governmental depositors in the respective financial institutions.

In addition to the balances above, as of June 30, 2021, $ 280,798 that was exposed to custodial credit risk was held at a credit union and $ 250,000 was covered by NCUA insurance, with the remaining $ 30,798 uncollateralized.

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Included in cash and cash equivalents on the statement of net position are certificates of deposits (CD's) invested by the Pennsylvania School District Liquid Asset Fund (PSDLAF) in various financial institutions of $ 3,221,000 (included in bank balance of "custodial credit risk – deposits" disclosure above). CD's invested in other various financial institutions were $ 184,530 (included in bank balance held by credit union disclosed above). In addition, the School District has invested $ 11,000,748 in PSDLAF's full flex pool. Investments in PSDLAF's full flex pool have maturities less than 3 months and are classified as cash and cash equivalents. The CD's in various financial institutions have maturities greater than 3 months and are classified as investments in the financial statements and for purposes of this disclosure.

The amounts of CDs held by various financial institutions are covered by FDIC/NCUA insurance. The full flex pool balances held by PSDLAF are collateralized at 102% by the underlying securities.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Included in cash and cash equivalents on the statement of net position are pooled investments in the PA Local Government Investment Trust (PLGIT) of $ 9,035 and PSDLAF MAX of $ 6,785,898. PLGIT deposits are invested by PLGIT directly in a portfolio of securities which are held by a third-party custodian. These are PLGIT-Class Shares, which operate like a money market fund. PSDLAF deposits are invested by PSDLAF directly in portfolios of securities held by a third-party custodial and are collateralized with securities held by the PSDLAF agent in a collateral pool. The PSDLAF-MAX and PLGIT investments are basically mutual funds that consists of short-term money market instruments and seeks to maintain a constant net asset value of $ 1 per share.

The School District does not have a formal investment policy for credit risk. The School District's investments in PSDLAF and PLGIT were rated "AAAm" by Standard & Poor's.

Policies Followed at PSDLAF and PLGIT

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

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

Interest Rate Risk - Investments

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

The School District does not have a formal investment policy for interest rate risk. Investments in PSDLAF and PLGIT are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

NOTE 3 TAXES RECEIVABLE

Taxes receivable and deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2021:

Real estate	$ 429,986
Earned income tax	1,640,947
Real estate transfer tax	28,585
Other taxes	2,764
	2,102,282
Taxes collected within sixty days, recorded as revenues in governmental funds	(935,447)
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	$ 1,166,835

NOTE 4 DUE FROM/TO OTHER FUNDS AND INTERFUND TRANSFERS

Net interfund receivables/payables consist of the following at June 30, 2021:

Funds	Due From	Due To
General	$ 60,811	$ 2,779,013
Capital Reserve	2,750,065	-
Food Service	28,948	60,811
	$ 2,839,824	$ 2,839,824

The Food Service Fund owes the General Fund for operational expenditures that were paid on behalf of this fund. The General Fund owes the Food Service Fund for student account balances at June 30, 2021. The General Fund owes the Capital Reserve Fund for a transfer to fund various future improvements.

Net interfund transfers consist of the following for the year ended June 30, 2021:

Funds	Transfers In	Transfers Out
General	$ -	$ 2,228,165
Capital Reserve	2,200,000	-
Activities	7,969	-
Food Service	22,152	1,956
	$ 2,230,121	$ 2,230,121

Transfers are substantially for purposes of subsidizing operating functions and funding capital projects and asset acquisitions. For the year ended June 30, 2021, amounts were transferred from the General Fund to the Capital Reserve Fund to fund various future improvements and acquisitions. The transfer from the General Fund to the Fiduciary Fund was to cover prior year invoices due to other funds. There was also a transfer to the Food Service Fund as a result of operational expenses funded by the General Fund.

NOTE 5 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2021 consist of the following:

		Governmental Funds	Business-Type Activities
Local:	Other schools	$ 676,754	$ -
	Miscellaneous	148,791	-
State:	Social security	251,515	-
	Retirement	1,188,409	-
	Grants/subsidies	-	1,886
Federal:	Grants/subsidies	341,826	48,630
		$ 2,607,295	$ 50,516

NOTE 6 CAPITAL ASSETS

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2021:

	Balances June 30, 2020	Additions	Retirements	Balances June 30, 2021
Governmental Activities:				
Cost				
Assets not being depreciated:				
Land	$ 899,408	$ -	$ -	$ 899,408
Construction in progress	-	236,792	-	236,792
Assets being depreciated:				
Buildings and improvements	106,700,699	-	(62,639)	106,638,060
Furniture and equipment	3,522,121	47,864	(33,763)	3,536,222
Technology equipment	7,135,806	107,869	(1,333,414)	5,910,261
Total cost	118,258,034	392,525	(1,429,816)	117,220,743
Less accumulated depreciation				
Buildings and improvements	(40,227,864)	(2,425,234)	62,639	(42,590,459)
Furniture and equipment	(2,266,335)	(126,786)	30,821	(2,362,300)
Technology equipment	(3,254,741)	(415,916)	1,196,465	(2,474,192)
Total accumulated depreciation	(45,748,940)	(2,967,936)	1,289,925	(47,426,951)
Capital assets, net	$ 72,509,094	$ (2,575,411)	$ (139,891)	$ 69,793,792
Business-Type Activities				
Cost				
Furniture and equipment	$ 2,080,910	$ 32,260	$ (28,008)	$ 2,085,162
Less accumulated depreciation	(1,244,393)	(42,364)	28,008	(1,258,749)
Capital assets, net	$ 836,517	$ (10,104)	$ -	$ 826,413

NOTE 6 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
Instruction	$ 1,985,540
Instructional student support	248,999
Administrative and financial support services	271,308
Operation and maintenance of plant services	261,342
Transportation	135,639
Student activities	64,125
Community services	983
	$ 2,967,936

NOTE 7 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS

Accrued salaries, benefits, and withholdings consist of the following as of June 30, 2021:

General Fund	
Accrued salaries	$ 1,648,214
Retirement	2,388,023
Social security	121,029
Other withholdings	168,558
	$ 4,325,824

NOTE 8 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended June 30, 2021 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities						
General obligation bonds						
(A) Series 2012	$ 6,340,000	$ -	$ (6,340,000)	$ -	$ -	$ -
(B) Series 2015	6,255,000	-	(6,255,000)	-	-	-
(C) Series 2016	1,245,000	-	(1,245,000)	-	-	-
(D) Series 2016 A	3,895,000	-	(3,895,000)	-	-	-
(E) Series 2017	12,620,000	-	(5,000)	12,615,000	5,000	12,610,000
(F) Series 2018	9,500,000	-	(5,000)	9,495,000	5,000	9,490,000
General obligation note - dierect borrowing:						
(G) Series 2021	-	16,785,000	(2,145,000)	14,640,000	3,655,000	10,985,000
Unamortized bond premium (discount)	909,444	-	(185,350)	724,094	94,998	629,096
Subtotal - bonds	40,764,444	16,785,000	(20,075,350)	37,474,094	3,759,998	33,714,096
Compensated absences	999,224	132,470	(254,710)	876,984	78,755	798,229
Total long-term liabilities	$ 41,763,668	$ 16,917,470	$ (20,330,060)	$ 38,351,078	$ 3,838,753	$ 34,512,325

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Bonds

(A) On August 20, 2012, the School District issued general obligation bonds Series of 2012 in the amount of $ 18,455,000. The proceeds were used to advance refund a portion of the outstanding General Obligation Bonds, Series of 2003, finance various energy projects of the School District, and pay the costs of issuing the Bonds. The bonds were fully refunded through issuance of the Series of 2021 General Obligation Note.

(B) On December 1, 2015, the School District issued $ 9,850,000 of General Obligation Bonds, Series 2015. The purpose of the issuance was to refund a portion of the outstanding General Obligation Bonds, Series of 2010A, finance various capital projects, and pay the costs of issuing the Bonds. The bonds were fully refunded through issuance of the Series of 2021 General Obligation Note.

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

(D) On June 23, 2016, the School District issued $ 3,915,000 of General Obligation Bonds, Series 2016A. The purpose of the issuance was to refund the outstanding General Obligation Note, Series of 2014 and pay the costs of the issuance of the bonds. The bonds were fully refunded through issuance of the Series of 2021 General Obligation Note.

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

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

Direct Borrowing

(G) On February 9, 2021, the School District issued $ 16,785,000 of General Obligation Note, Series of 2021. The purpose of the issuances was to currently refund the outstanding General Obligation Bonds Series 2012, Series 2015, and Series 2016A and pay the costs of the issuance of the bonds. The note is due in varying amounts semi-annually on March 1 and September 1 with principal maturing on March 1, 2025. The bonds bear interest at a fixed rate of 0.64%.

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

As a result of the refunding, the School District will have the following benefits:

(1) Cash flow gain	$ 226,457
(2) Economic gain	$ 230,324

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

The annual debt requirements for future general obligation bonds as of June 30, 2021 are as follows:

	GO Bonds - 2017		GO Bonds - 2018		GO Note - 2021		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 5,000	$ 481,163	$ 5,000	$ 379,539	$ 3,655,000	$ 93,696	$ 3,665,000	$ 954,398
2023	5,000	481,063	5,000	379,434	3,680,000	70,304	3,690,000	930,801
2024	5,000	480,950	5,000	379,319	3,600,000	46,752	3,610,000	907,021
2025	80,000	480,825	5,000	379,200	3,705,000	23,712	3,790,000	883,737
2026	3,405,000	478,425	5,000	379,000	-	-	3,410,000	857,425
2027-2031	9,115,000	550,025	6,350,000	1,690,400	-	-	15,465,000	2,240,425
2032-2033	-	-	3,120,000	142,600	-	-	3,120,000	142,600
	$ 12,615,000	$ 2,952,451	$ 9,495,000	$ 3,729,492	$ 14,640,000	$ 234,464	$ 36,750,000	$ 6,916,407

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions and Benefits Provided

School District Plan

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

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

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

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Descriptions and Benefits Provided (Continued)

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

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

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

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

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

PSERS

In addition to other postemployment benefits detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit plan. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employers or the PSERS' health options program. Healthcare cost trends were applied to retirees receiving less than $ 1,200 in annual premium assistance. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Descriptions and Benefits Provided (Continued)

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

Plan Membership

School District Plan

Membership in the School District's plan consisted of the following at July 1, 2020, the date of the latest actuarial valuation:

Active participants	296
Vested former participants	0
Retired participants	15
Total	311

Contributions

PSERS

The School District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability. Contributions to the OPEB plan from the employer were $ 198,125 for the year ended June 30, 2021.

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

School District Plan

The School District's total OPEB liability was measured as of July 1, 2020, and the total OPEB liability was determined by rolling forward the total liability from July 1, 2020 to July 1, 2021 based on actuarial valuation as of July 1, 2020, which was based on census information as of July 2020. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2021, the School District reported a total OPEB liability of $ 4,043,794.

For the year ended June 30, 2021, the School District recognized OPEB expense of $ 191,611.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

PSERS

At June 30, 2021, the School District reported a liability of $ 3,044,422 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The School District's proportionate of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the School District's proportionate was 0.1409 percent, which was an increase of 0.0018 percent from its proportionate measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized OPEB expense of $ 160,201.

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

	Total OPEB/ Net OPEB Liability	OPEB Expense
School District Plan	$ 4,043,794	$ 191,611
PSERS	3,044,422	160,201
Total	$ 7,088,216	$ 351,812

Changes in the Total OPEB Liability

School District Plan

	Total OPEB Liability
Beginning Balance	$ 3,771,012
Changes for the year	
Service cost	237,279
Interest	132,938
Differences between expected and actual experience	(491,630)
Changes in assumptions	489,827
Benefit payments	(95,632)
Net changes	272,782
Ending Balance	$ 4,043,794

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability (Continued)

School District Plan (Continued)

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	School District Plan		PSERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 903,522	$ 28,000	$ -	$ 28,000	$ 903,522
Changes in assumptions	485,580	420,276	124,000	67,000	609,580	487,276
Net difference between projected and actual investment earnings	-	-	5,000	-	5,000	-
Changes in proportions - plan	-	-	92,000	72,000	92,000	72,000
Changes in proportions - fund	-	-	86	86	86	86
Difference between employer contributions and proportionate share of total contributions	-	-	3,210	36	3,210	36
Benefit payments/contributions subsequent to the measurement date	101,983	-	162,254	-	264,237	-
	$ 587,563	$ 1,323,798	$ 414,550	$ 139,122	$ 1,002,113	$ 1,462,920

The amount of $ 264,237 is reported as a deferred outflow of resources related to OPEB resulting from School District benefit payments/contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended June 30, 2022 related to the School District and PSERS plans. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ended June 30:	School District Plan	PSERS	Total
2021	$ (74,338)	$ 14,713	$ (59,625)
2022	(74,338)	13,713	(60,625)
2023	(74,338)	13,713	(60,625)
2024	(74,338)	41,713	(32,625)
2025	(74,338)	15,157	(59,181)
Thereafter	(466,528)	14,165	(452,363)
Total	$ (838,218)	$ 113,174	$ (725,044)

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

School District Plan

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

PSERS

The total OPEB liability as of June 30, 2020, was determined by rolling forward the System's Total OPEB liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement.

	School District Plan	PSERS
Actuarial Cost Method	Entry age normal	Entry age normal – level % of pay.
Investment Rate of Return	1.86% - S&P 20 year high grade municipal bond rate as of July 1, 2020.	2.66% - S&P 20 year municipal bond rate.
Salary	An assumption for salary increase is used for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.	Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
Mortality	Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.	Based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
Percentage of Eligible Employees Electing Coverage in Plan	100% of Teachers, Administrators, and Support Staff eligible are assumed to elect coverage, and if the subsidy exhausts prior to the member reaching Medicare age, 75% are assumed to elect coverage thereafter. 75% of Teachers and Administrators not eligible to receive a subsidy are assumed to elect coverage. 40% of Support Staff not eligible to receive a subsidy are assumed to elect coverage.	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

	School District Plan	PSERS
Health Care Cost Trend Rate	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.	Applied to retirees with less than $ 1,200 in premium assistance per year. Benefit is capped at $ 1,200 per year.
Per Capital Claims Cost	The per capital claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. The resulting costs are as follows: age 45-49, $5,780 for males and $8,347 for females; 50-54, $7,654 for males and $9,434 for females; 55-59, $9,323 for males and $9,871 for females; 60-64, $12,166 for males and $11,340 for females; and 65+, $15,578 for males and $14,516 for females.	N/A

PSERS

Investment Rate

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

The OPEB plan's policy in regard to the allocation of investment plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year.

OPEB – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.3%	(1.0)%
US Core Fixed Income	46.5%	(0.1)%
Non-US Developed Fixed	3.2%	(0.1)%
	100.0%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 1.86% and 2.66% for the School District's Plan and PSERS, respectively. The School District Plan is not funded, therefore, the S&P 20 year high grade municipal bond rate of 1.86% as of July 1, 2020 is applicable discount rate. Under the PSERS plan's funding policy, contributions are structured for short term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB's plan fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.66% which represents the S&P 20 year municipal bond rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

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

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

School District Plan

	1% Decrease 0.86%	Current Discount Rate 1.86%	1% Increase 2.86%
School District Plan - Total OPEB liability	$ 4,376,392	$ 4,043,794	$ 3,725,930

PSERS

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
PSERS - School District's proportionate share of the net OPEB liability	$ 3,471,000	$ 3,044,422	$ 2,691,000

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

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

School District Plan

	1% Decrease (4.5% decreasing to 3.0%)	Healthcare Cost Trend Rate (5.5% decreasing to 4.0%)	1% Increase (6.5% decreasing to 5.0%)
School District Plan - Total OPEB Liability	$ 3,582,376	$ 4,043,794	$ 4,598,405

PSERS

	1% Decrease (Between 4% to 6.5%)	Healthcare Cost Trend Rate (Between 5% to 7.5%)	1% Increase (Between 6% to 8.5%)
PSERS - School District's proportionate share of the net OPEB liability	$ 3,044,000	$ 3,044,422	$ 3,045,000

OPEB Plan Fiduciary Net Position

PSERS

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

Payables to the OPEB Plan

School District Plan

As of June 30, 2021, the School District had no amounts payable to the School District OPEB Plan.

PSERS

As of June 30, 2021, the School District had $ 56,742 included in accrued salaries and benefits liability, of which $ 43,285 is for the contractually required contribution for the second quarter of 2021 and $ 13,457 is related to the accrued payroll liability for wages incurred as of June 30, 2021.

NOTE 10 PENSION PLAN

General Information About the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (C) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011.

Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined by the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the rights to benefits is vested after ten years of service.

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

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

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

NOTE 10 PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

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

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

Contributions

Member contributions:

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

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

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

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

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

NOTE 10 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Contributions (Continued)

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2021 was 33.69% of covered payroll. This is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions recognized as revenue by the defined benefit pension plan from the School were $ 6,620,279 for the year ended June 30, 2021. In addition, the School's contribution to the defined contribution plan was $ 18,875 for the year ended June 30, 2021.

State Funding:

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2021, the School District recognized revenue of $ 3,416,191 as reimbursement for its current year pension payments.

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

At June 30, 2021, the School District reported a liability of $ 69,427,013 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the School District's proportion was 0.1410 percent, which was an increase of 0.0019 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of $ 7,211,806.

NOTE 10 PENSION PLAN (CONTINUED)

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

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 182,000	$ 1,664,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	3,051,000	-
Changes in proportionate share - plan	1,253,000	1,017,000
Changes in proportionate share - governmental activities/business-type activities	1,588	1,588
Difference between employer contributions and proportionate share of total contributions	51,624	2,565
Contributions subsequent to the measurement date	6,645,871	-
	$ 11,185,083	$ 2,685,153

The $ 6,645,871 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	$ (151,995)
2023	(43,431)
2024	1,142,485
2025	907,000
Total	$ 1,854,059

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward the System's total pension liability as of the June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level percent of pay.
- Investment rate of return – 7.25%, includes inflation at 2.75%.
- Salary growth – effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

NOTE 10 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	15%	5.2%
Private equity	15%	7.2%
Fixed income	36%	1.1%
Commodities	8%	1.8%
Absolute return	10%	2.5%
Infrastructure/MLPs	6%	5.7%
Real estate	10%	5.5%
Risk parity	8%	3.3%
Cash	6%	(1.0%)
Financing (LIBOR)	(14%)	(0.7%)
	100%	

The above was the PSERS's Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

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

NOTE 10 PENSION PLAN (CONTINUED)

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

Discount Rate (Continued)

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	$ 85,896,000	$ 69,427,013	$ 55,476,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of June 30, 2021, the School District had $ 2,331,281 included in accrued salaries and benefits liability, of which $ 1,778,394 is for the contractually required contribution for the second quarter of 2021 and $ 552,887 is related to the accrued payroll liability for wages incurred as of June 30, 2021.

NOTE 11 RISK MANAGEMENT

Health Insurance

The School District participates in the South Central Region School Employees Benefit and Welfare Trust (the Trust), a public entity risk pool that provides its employees medical and dental insurance. The member school districts of the Trust elect trustees to manage it, but the risk is not shared among all members. At June 30, 2021, there were nine member school districts in the Trust. The School District uses a "claim-based" funding plan for medical insurance. Under this plan, the School District pays the Trust based on actual claims paid, or in essence, self-insures. Revenues and expenses of the program are accounted for in the general fund.

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

NOTE 11 RISK MANAGEMENT (CONTINUED)

Health Insurance (Continued)

Changes in health insurance claims liability amounts (including stop loss premiums and administrative charges) for the year ended June 30, 2021 were as follows:

Year Ended June 30	Liability Beginning	Current Year Expense (including Changes in Estimate)	Payments	Cash Balance in the Trust	Liability Ending	Net Prepaid
2021	$ 649,749	$ 4,683,789	$ 4,816,294	$ 2,516,134	$ 517,244	$ 245,162

The ending liability consists of incurred but not reported (IBNR) claims as of June 30, 2021. The IBNR was estimated based on actual claims incurred prior to June 30, 2021 but paid after year-end. The ending liability above is netted with the cash balance in the Trust resulting in the net prepaid expenses reported within the General Fund.

Other Insurance

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

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

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

NOTE 12 OPERATING LEASES

The School District was obligated under various technology equipment lease agreements for the year ended June 30, 2021. Payments on these operating leases included in General Fund expenditures were $ 171,726. Future minimum payments under this operating lease agreement are as follows:

2021-2022	$ 118,684
2022-2023	19,781
	$ 138,465

NOTE 13 COMMITMENTS AND CONTINGENCIES

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

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

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 14 RESTATEMENT

The District implemented a new standard requiring a restatement of previously reported liabilities as net position. A restatement was made to restate the beginning balances as follows:

	Custodial Fund
Net position as of June 30, 2020, as originally stated	$ -
Implementation of GASB 84	243,684
Net position as of June 30, 2020, as restated	$ 243,684

REQUIRED SUPPLEMENTARY INFORMATION

BIG SPRING SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2021

	Budget		Actual (Budgetary/ GAAP Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
Local Sources				
Taxes	$ 31,354,963	$ 31,354,963	$ 34,229,320	$ 2,874,357
Investment earnings	25,000	25,000	28,838	3,838
Revenue from intermediate sources	571,900	571,900	602,370	30,470
Other	505,191	505,191	900,749	395,558
State sources	19,548,075	19,548,075	19,245,096	(302,979)
Federal sources	975,952	975,952	1,164,850	188,898
Total revenues	52,981,081	52,981,081	56,171,223	3,190,142
EXPENDITURES				
Instruction				
Regular programs	21,294,387	21,294,387	22,255,803	(961,416)
Special programs	9,545,554	9,545,554	9,969,301	(423,747)
Vocational education programs	898,000	898,000	782,698	115,302
Other instructional programs	113,100	113,100	59,237	53,863
Total instruction	31,851,041	31,851,041	33,067,039	(1,215,998)
Support Services				
Pupil personnel	1,889,228	1,889,228	1,940,246	(51,018)
Instructional staff	1,579,202	1,579,202	1,534,117	45,085
Administration	2,961,952	2,961,952	3,040,068	(78,116)
Pupil health	720,696	720,696	747,594	(26,898)
Business	448,074	448,074	461,408	(13,334)
Operation and maintenance of plant	4,779,608	4,779,608	4,387,442	392,166
Student transportation	2,612,617	2,612,617	2,313,242	299,375
Central	1,102,337	1,102,337	1,049,785	52,552
Other support services	28,000	28,000	27,864	136
Total support services	16,121,714	16,121,714	15,501,766	619,948
Operation of Noninstruction Services				
Student activities and community services	1,140,271	1,140,271	1,083,780	56,491
Total operation of noninstructional services	1,140,271	1,140,271	1,083,780	56,491
Debt Service				
Principal	3,485,000	3,485,000	3,400,000	85,000
Interest and bond costs	1,380,560	1,380,560	1,107,637	272,923
Total debt service	4,865,560	4,865,560	4,507,637	357,923
Total expenditures	53,978,586	53,978,586	54,160,222	(181,636)
OTHER FINANCING SOURCES (USES)				
Proceeds from long term financing	-	-	16,785,000	16,785,000
Payment to refund long term debt	-	-	(16,644,687)	(16,644,687)
Interfund transfers	(78,000)	(78,000)	(2,228,165)	(2,150,165)
Budgetary reserve	(99,500)	(99,500)	-	99,500
Total other financing sources and (uses)	(177,500)	(177,500)	(2,087,852)	(1,910,352)
Net change in fund balances	$ (1,175,005)	$ (1,175,005)	$ (76,851)	$ 1,098,154

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

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - Measurement Period	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.1410%	$ 69,427,013	$ 19,870,868	349.39%	54.32%
2020	0.1391%	65,074,608	19,189,534	339.12%	55.66%
2019	0.1426%	68,455,000	19,534,713	350.43%	54.00%
2018	0.1377%	68,008,000	18,543,050	366.76%	51.84%
2017	0.1398%	69,280,000	19,035,700	363.95%	50.14%
2016	0.1413%	61,205,486	18,049,673	339.09%	54.36%
2015	0.1410%	55,808,811	17,995,841	310.12%	57.24%

NOTES

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

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

Changes in Actuarial Assumptions

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

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

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

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2021	$ 6,707,834	$ 6,707,834	$ -	$ 19,910,461	33.7%
2020	6,637,023	6,637,023	-	19,870,868	33.4%
2019	6,257,561	6,257,561	-	19,189,534	32.6%
2018	6,200,318	6,200,318	-	19,534,713	31.7%
2017	5,414,570	5,414,570	-	18,543,050	29.2%
2016	4,758,923	4,758,923	-	19,035,700	25.0%
2015	3,700,183	3,700,183	-	18,049,673	20.5%

NOTES

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

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

	2021	2020	2019	2018
Total OPEB liability				
Service cost	$ 237,279	$ 241,912	$ 290,074	$ 292,483
Interest	132,938	114,194	143,670	106,568
Change in benefit terms	-	-	(42,532)	-
Differences between actual and expected experience	(491,630)	-	(568,920)	-
Changes in assumptions	489,827	(121,935)	(401,877)	46,111
Benefit payments	(95,632)	(116,240)	(146,972)	(115,421)
Net change in total OPEB liability	272,782	117,931	(726,557)	329,741
Total OPEB liability - beginning	3,771,012	3,653,081	4,379,638	4,049,897
Total OEPB liability - ending	$ 4,043,794	$ 3,771,012	$ 3,653,081	$ 4,379,638
Covered employee payroll	$ 17,614,203	N/A	$ 17,785,580	$ 15,054,068
Total OPEB liability as a percentage of covered employee payroll	22.96%	N/A	20.54%	29.09%

NOTES

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

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

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

For the Fiscal Year Ended June 30	School District's Proportion of the Net OPEB Liability (Asset)	School District's Proportionate Share of the Net OPEB Liability (Asset)	School District's Covered Payroll - measurement period	School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.1409%	$ 3,044,422	$ 19,870,868	15.32%	5.69%
2020	0.1391%	$ 2,958,437	$ 19,189,534	15.42%	5.56%
2019	0.1426%	$ 2,973,000	$ 19,534,713	15.22%	5.56%
2018	0.1377%	$ 2,805,649	$ 18,543,050	15.13%	5.73%

NOTES

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

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

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

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2021	$ 163,266	$ 163,266	$ -	$ 19,910,461	0.82%
2020	167,019	167,019	-	19,870,868	0.84%
2019	159,318	159,318	-	19,189,534	0.83%
2018	158,006	158,006	-	19,534,713	0.81%

NOTES

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

OTHER SUPPLEMENTARY INFORMATION

BIG SPRING SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Grantor Program Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Receivable (Unearned) at July 1, 2020	Revenue Recognized	Expenditures Recognized	Receivable (Unearned) at June 30, 2021	Total Passed-Through to Subrecipients
Passed through the Pennsylvania Department of Education											
Title I Improving Basic Programs	I	84.010	013-210037	July 9, 2020 - September 30, 2021	467,461	377,474	-	467,461	467,461	89,987	-
Title I Improving Basic Programs	I	84.010	013-200037	July 2, 2019 - September 30, 2020	472,240	31,474	31,474	-	-	-	-
Title I						408,948	31,474	467,461	467,461	89,987	-
Title II Improving Teacher Quality	I	84.367	020-210037	July 9, 2020 - September 30, 2021	92,791	68,908	-	92,791	92,791	23,883	-
Title II Improving Teacher Quality	I	84.367	020-200037	July 2, 2019 - September 30, 2020	96,789	511	511	-	-	-	-
Title II						69,419	511	92,791	92,791	23,883	-
Title IV Student Support & Academic Enrichment	I	84.424	144-210037	July 9, 2020 - September 30, 2021	35,730	14,292	-	35,730	35,730	21,438	-
Title IV Student Support & Academic Enrichment	I	84.424	144-200037	July 2, 2019 - September 30, 2020	35,709	7,142	7,142	-	-	-	-
Title IV						21,434	7,142	35,730	35,730	21,438	-
COVID - 19 Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425D	200-20-0037	March 13, 2020 - September 30, 2021	386,952	386,952	16,226	321,797	321,797	(48,929)	-
COVID - 19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-21-0037	March 13, 2020 - September 30, 2023	1,722,053	-	-	158,154	158,154	158,154	-
COVID - 19 Elementary and Secondary School Emergency Relief Fund - American Rescue Plan (ARP-ESSER)	I	84.425U	223-21-0037	March 13, 2020 - September 30, 2024	3,483,214	-	-	34,219	34,219	34,219	-
Total CARES Act - ESSER Fund						386,952	16,226	514,170	514,170	143,444	-
Total - Pennsylvania Department of Education						886,753	55,353	1,110,152	1,110,152	278,752	-
Passed through Capital Area Intermediate Unit											
I.D.E.A. Grants to States	I	84.027A	062-190015	July 1, 2020 - June 30, 2021	598,562	598,562	-	598,562	598,562	-	
I.D.E.A. Preschool Grants	I	84.173	010-190615	July 1, 2020 - June 30, 2021	3,808	3,808	-	3,808	3,808	-	-
COVID - 19 SECIM	I	84.027	252-200037	July 1, 2020 - September 30, 2021	26,524	12,378	-	26,524	26,524	14,146	-
Total Special Education Cluster						614,748	-	628,894	628,894	14,146	-
Total - Capital Area Intermediate Unit						614,748	-	628,894	628,894	14,146	-
Total U.S. Department of Education						1,501,501	55,353	1,739,046	1,739,046	292,898	-
Department of Treasury											
Passed through Pennsylvania Commission on Crime and Delinquency											
COVID - 19 PCCD Health and Safety Grant	I	21.019	2020-CS-01-33838	July 15, 2020 - October 30, 2020	220,662	220,662	5,941	214,721	214,721	-	-
Total Department of Treasury						220,662	5,941	214,721	214,721	-	-

BIG SPRING SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2021

Grantor Program Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Receivable (Unearned) at July 1, 2020	Revenue Recognized	Expenditures Recognized	Receivable (Unearned) at June 30, 2021	Total Passed-Through to Subrecipients
U.S. Department of Agriculture											
Child Nutrition Cluster											
Passed through Pennsylvania Department of Education											
COVID-19 School Breakfast Program	I	10.553	N/A	July 1, 2020 - June 30, 2021	N/A	172,658	-	186,942	186,942	14,284	
COVID-19 School Breakfast Program	I	10.553	N/A	July 1, 2019 - June 30, 2020	N/A	17,399	17,399	-	-	-	-
Total School Breakfast Program						190,057	17,399	186,942	186,942	14,284	-
COVID-19 National School Lunch Program (cash)	I	10.555	N/A	July 1, 2020 - June 30, 2021	N/A	441,139	-	475,486	475,486	34,347	-
COVID-19 National School Lunch Program (cash)	I	10.555	N/A	July 1, 2019 - June 30, 2020	N/A	27,524	27,524	-	-	-	-
Total National Lunch School Program						468,663	27,524	475,486	475,486	34,347	-
Passed through the Pennsylvania Department of Agriculture											
National School Lunch Program (commodities)	I(B)	10.555	N/A	July 1, 2020 - June 30, 2021	N/A	71,848	-	71,848	71,848	-	-
Total National School Lunch Program						540,511	27,524	547,334	547,334	34,347	-
Total Child Nutrition Cluster						730,568	44,923	734,276	734,276	48,631	-
Total U.S. Department of Agriculture						730,568	44,923	734,276	734,276	48,631	-
Total Expenditures of Federal Awards						$ 2,452,731	$ 106,217	$ 2,688,043	$ 2,688,043	$ 341,529	$ -

NOTE 1 REFERENCES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(I) Indirect funding

(B) Based on USDA valuation

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Indirect Cost Rate

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

SEK CPAs & ADVISORS | Guidance You Can Count On.

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

Board of Directors
Big Spring School District
Newville, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Big Spring School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Big Spring School District's basic financial statements, and have issued our report thereon dated January 4, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
January 4, 2022

SEK CPAs & ADVISORS | Guidance You Can Count On.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Big Spring School District
Newville, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Big Spring School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Big Spring School District's major federal programs for the year ended June 30, 2021. Big Spring School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Big Spring School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
January 4, 2022

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of the major programs:

CFDA Number(s)	Name of Federal Program
	Special Education Cluster:
84.173	I.D.E.A. Part B
84.027	I.D.E.A. Part B
84.425	Education Stabilization Fund

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

Section II - Financial Statement Findings

A. Significant Deficiencies or Material Weaknesses in Internal Control

None noted

B. Compliance Findings

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

Section III - Federal Award Findings and Questioned Costs

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

None noted

B. Compliance Findings

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

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

BIG SPRING SCHOOL DISTRICT
Summary of Prior Audit Findings
Year Ended June 30, 2021

Findings related to financial statements:

None.

Findings related to federal awards:

None.