BIG SPRING SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	Page Number
INDEPENDENT AUDITOR'S REPORT	IAR - 1 to IAR - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	MDA - 1 to MDA - 13
BASIC FINANCIAL STATEMENTS	
District-wide financial statements	
Statement of net assets	FS - 1
Statement of activities	FS - 2
Fund financial statements	
Balance sheet – governmental funds	FS - 3
Reconciliation of the governmental funds balance sheet to the statement of net assets	FS - 4
Statement of revenues, expenditures, and changes in fund balances – governmental funds	FS - 5
Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the statement of activities	FS - 6
Statement of net assets – proprietary funds	FS - 7
Statement of revenues, expenses, and changes in net assets – proprietary funds	FS - 8
Statement of cash flows – proprietary funds	FS - 9
Statement of net assets – fiduciary funds	FS - 10
NOTES TO FINANCIAL STATEMENTS	FS - 11 to FS - 31
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison information – general fund	ORSI - 1
Other post employment benefit plans	ORSI - 2

Greenawalt & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Since 1955

James E. Lyons
Howard R. Greenawalt
Deborah J. Kelly
Scott J. Christ
Ronald S. Morgan

Creedon R. Hoffman

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Big Spring School District
Newville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of Big Spring School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's June 30, 2010 financial statements and, in our report dated November 30, 2010 we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of Big Spring School District, as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2011, on our consideration of Big Spring School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

400 West Main Street • Mechanicsburg, PA 17055 • 717.766.4763 • Fax 717.766.2731
62 West Pomfret Street • Carlisle, PA 17013 • 717.243.4822 • Fax 717.258.9372
www.greenawalt.cc

Board of School Directors
Big Spring School District

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages MDA-1 through MDA-13 and other required supplementary information on pages ORSI-1 and ORSI-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

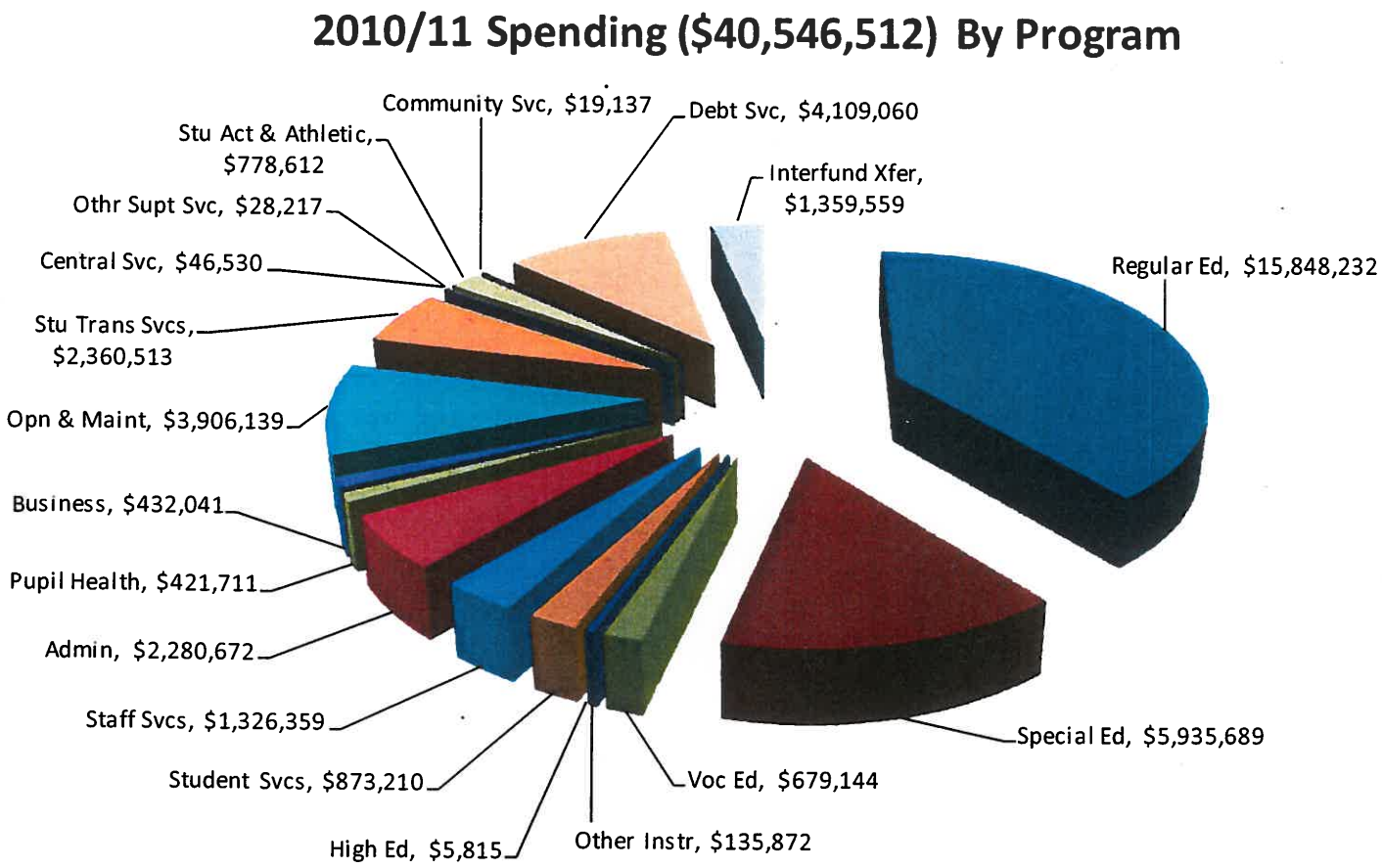
November 4, 2011

Mechanicsburg, Pennsylvania

BIG SPRING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

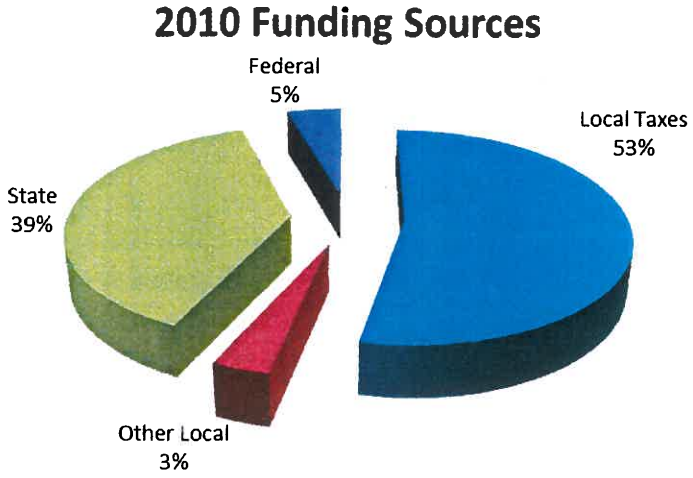
This discussion and analysis provides an overview of the District's financial performance for the year ended June 2011. The report format is in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Management's Discussion and Analysis (MD&A) includes comparisons of financial position at June 2011, 2010 and 2009. The MD&A also includes comparisons of current year financial activities to the previous year. The 2010 and 2009 amounts have come from our prior year MD&A, and are otherwise not a part of the June 2011 financial statements. Please read our discussion and analysis in conjunction with the District's financial statements, which begin on page FS-1. To preserve readability, dollar amounts in comparative tables derived from the financial statements are presented in millions.

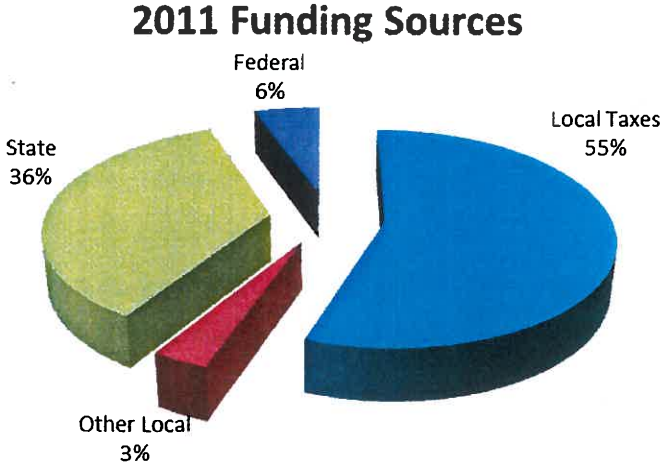
FINANCIAL HIGHLIGHTS



General Fund revenues for 2010-11 increased from $40,964,281 to $42,095,304 or 2.8% from 2009-10; expenditures and transfers-out increased from $40,130,114 in 2009-10 to $40,546,512 in 2010-11 or 1.0% from the prior year. The District added $1,548,792 to the fund balance for a total of $4,517,983 as of June 30, 2011. The Board expects to add an additional $1,400,000 to the $554,000 committed to PSERS. At that point the unassigned fund balance will be $2,313,983 or 5.7% of the 2011/12 Budget - within the 8% maximum required under state law.

The revenue graphs at right show the story of increasing dependence on local taxes and decreasing support from the Commonwealth. Over the last two years the difference was made up with ARRA funding. The local effort went from 53% to 55% of the revenue budget and the federal portion grew from 4% to 6% as the state's share went from 39% down to 36%. While ARRA displaced some of the state reduction, obviously the burden fell on the local tax payers. Going forward, this creates a challenge for the district as the state is indicating some additional reduction in the total subsidy support for next year.





The economy's impact on the District remains. Investment earnings continue to be almost non-existent compared to 2008 levels. The District collected $4.60 million of EIT taxes in 2007-08, $4.12 million in 2008-09, $4.26 million in 2009-10 and $4.61 million in 2010-11. Unfortunately, the District faces an uncertain future for EIT revenue due to the implementation of Act 32, the loss of estimated distributions and initial EIT revenue in 2011-12 is down.

The Capital Reserve Fund ending balance was $2,325,263 for 2009-10. The District added $1,300,000 for 2010-11 but also spent $346,249 on building repairs and technology infrastructure upgrades. The ending balance for 2010-11 was $3,279,685.

The District self-funds its healthcare using the South Central Trust (SCT). This year was a relatively expensive year with three high dollar claims that hit the stop loss limit. Due to the high claims experience, the District reserves in SCT decreased by $100,000 to $250,000.

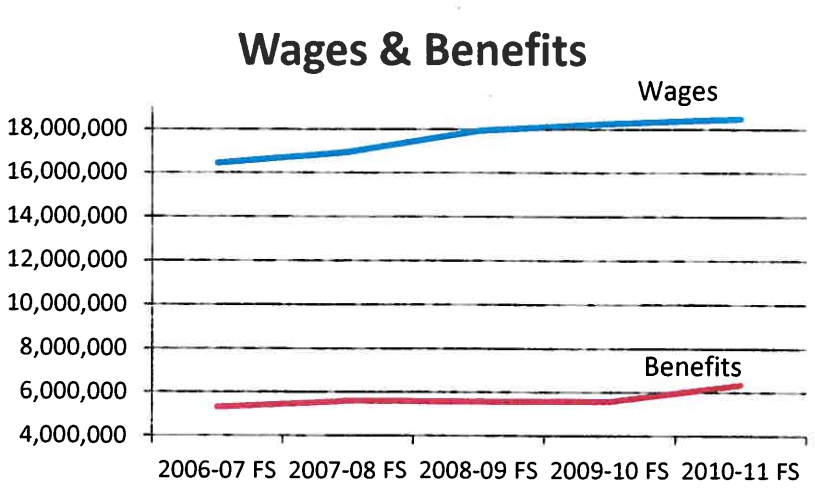
In December 2009 the Board approved bids for the expansion and renovation at Newville totaling $2,774,334 while it considered replacing Plainfield with a new building. Without bonds in place to support the Newville project, the District arranged a short term loan of up to $3.5 million with Orrstown Bank to support the project while deliberations continued on Plainfield. In June 2010 the Board decided to stop the Plainfield planning process and add two more classrooms to the Newville project. It then directed the administration to develop an elementary school reconfiguration plan to support the closure of Plainfield.

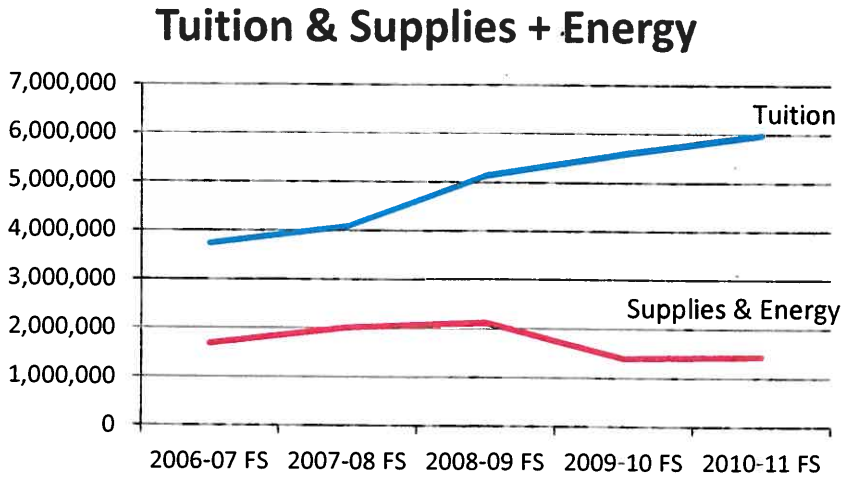
In October 2010 the District sold $9,240,000 in bonds that refinanced the existing 2005 bonds with a one-time savings of $80,000. The proceeds also paid off the Orrstown note used to temporarily fund the Newville project, provided funds needed to add the two additional classrooms to Newville, add bathrooms and furniture to Mount Rock, upgrade technology in both buildings to support higher utilization under possible reorganization and to purchase 63 acres adjacent to the existing campus for future use.

The District completed its fourth year under Act 1 of the Special Session of 2006. Act 1 places a limit on future increases in the District's real estate taxes and displaces a selected amount of local real estate taxes with gaming funds. As part of Act 1, the District received $770,380 in gaming monies in 2010-11 compared with $770,051 in 2009-10; these funds were distributed in an equal amount to each qualified taxpayer of $132 per homestead/farmstead.

In November 2010 Act 120 reformed the PA State Employees Retirement System (PSERS) by implementing steep increases in employer contributions. With few reserves, the District decided to take a small .03 mill exception for 2010-11 to compensate for the increasing PSERS rate. Overall, taxes increased from 15.455 mills to 16.072 mills or 4%. In 2010 Cumberland County underwent reassessment increasing Big Spring's total assessed value from $1,171,821,730 to $1,617,543,400 and reducing the base millage to 11.655. In preparing the 2011-12 budget, the reassessment allowed the District to retain the same 3.8% index. With a 3.1% contract increase, a 10.47% increase in healthcare and a 3% PSERS increase, the District raised taxes to the index resulting in a 12.098 millage rate.

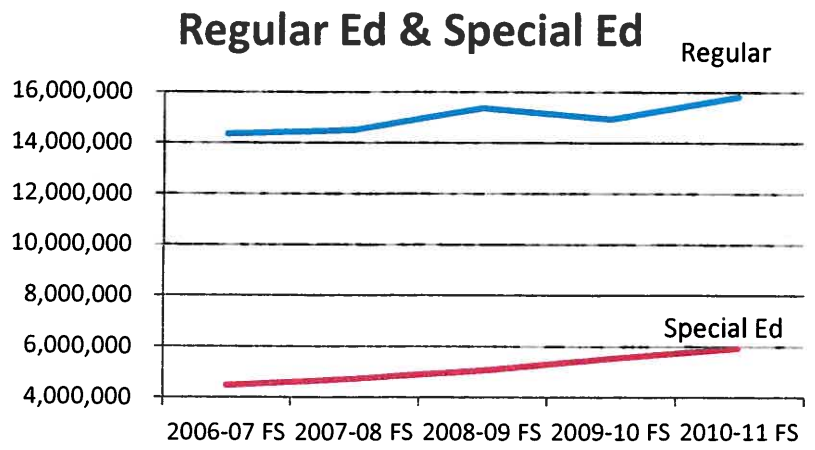
Looking at some historical data, it appears that wage increases (blue line at right) are moderating as we end 2010-11; however that is really due to attritional loss without replacement and several furloughs. The red line represents the cost of benefits; we are starting to see the effect of the PSERS and healthcares increases due to the PSERS restructuring and Patient Protection and Affordable Care Act (PPACA) implementation.





The table at left shows the steep increase in tuition to send students outside the District for cyber-charter, special education, vo-tech and behavioral issues. In contrast, the red line shows a stabilizing cost of supplies and energy.

At right, the cost of regular education (in blue) started another increase after a small decrease the previous year. The cost of special education (in red) continues its relentless path upward as the District struggles with declining state subsidy in contrast to the increasing needs of our students requiring special services.



USING THESE FINANCIAL STATEMENTS

This report contains a series of financial statements. The Statement of Net Assets and the Statement of Activities are on pages FS-1 and FS-2. These statements provide information about the District as a whole, and present a longer-term view of District finances than fund financial statements. Fund financial statements are on pages FS-3, FS-5 and FS-7 through FS-10. For governmental funds, the statements show how District services have been financed in the short term, as well as the amount remaining for future spending. Proprietary funds statements provide information about non-governmental operations, in this case food service. The fiduciary funds statement reports amounts held in trust by the District for student activities.

Page FS-4 reconciles total governmental fund balances to total net assets of governmental activities. Page FS-6 reconciles the total net change in governmental fund balances to the change in net assets of governmental activities.

District–wide Financial Statements

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

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

Fund Financial Statements

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

THE DISTRICT AS A WHOLE

Statement of Net Assets

Total net assets were $26,607,131 at June 30, 2011, $23,616,384 at June 30, 2010 and $20,285,811 at June 30, 2009. This is an increase of $2,990,747 from June 2010 and $6,321,320 from June 2009. The following summarizes the Statement of Net Assets (page FS-1).

	Governmental Activities			Business-type Activities			Totals		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Current and other assets	$14.8	$10.0	$ 7.9	$ 0.3	$ 0.3	$ 0.1	$15.1	$10.3	$ 8.0
Capital assets	53.8	52.5	52.6	0.5	0.6	0.7	54.3	53.1	53.3
Total assets	$68.6	$62.5	$60.5	$ 0.8	$ 0.9	$ 0.8	$69.4	$63.4	$61.3
Current and other liabilities	$ 6.7	$ 7.2	$ 3.3	$ -	$ 0.1	$ -	$ 6.7	$ 7.3	$ 3.3
Long-term liabilities	36.0	32.5	37.7	-	-	-	36.0	32.5	37.7
Total liabilities	42.8	39.7	41.0	-	0.1	-	42.8	39.8	41.0
Capital assets (net of related debt)	16.0	17.6	15.9	0.5	0.6	0.7	16.5	18.2	16.6
Restricted for capital projects	1.1	-	-	-	-	-	1.1	-	-
Unrestricted	8.7	5.2	3.6	0.3	0.2	0.1	9.0	5.4	3.7
Total net assets	25.8	22.8	19.5	0.8	0.8	0.8	26.6	23.6	20.3
Total liabilities and net assets	$68.6	$62.5	$60.5	$ 0.8	$ 0.9	$ 0.8	$69.4	$63.4	$61.3

Net assets are the difference between assets and liabilities, and represent resources that can be used to pay for future operations and capital improvements. The majority of our total 2011 net assets, $16,521,339 out of $26,607,131, are invested in capital assets (net of related debt).

Statement of Activities

The following summarizes the Statement of Activities (page FS-2). It shows that total net assets increased by $2,990,747 during 2011, and $3,330,573 during 2010.

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Program revenues						
Charges for services	$ 0.4	$ 0.4	$ 0.8	$ 0.8	$ 1.2	$ 1.2
Operating grants and contributions	8.8	8.3	0.5	0.5	9.4	8.8
Capital grants and contributions	0.8	1.5	-	-	0.8	1.5
General revenues						
Taxes	23.1	22.1	-	-	23.1	22.1
Earnings on investments	-	-	-	-	-	-
State general subsidies	8.7	8.9	-	-	8.7	8.9
Total revenues	41.8	41.2	1.3	1.3	43.2	42.5
Direct expenses	38.8	37.9	1.4	1.4	40.2	39.3
Excess revenues (expenses) before transfers	3.0	3.3	(0.1)	(0.1)	3.0	3.3
Transfers between activities	-	-	-	-	-	-
Change in net assets	$ 3.0	$ 3.3	$ (0.1)	$ (0.1)	$ 3.0	$ 3.3

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

The following summarizes expense information from the Statement of Activities (page FS-2). Direct expenses represents the actual cost of providing the services while the net expense represents the amount of cost that is not recovered through program revenues, meaning user charges, grants and contributions. The net expense must be recovered through general revenues, primarily taxes and state general subsidies. Amounts not recovered reduce funds available for future years.

	Governmental Activities					
	Direct Expenses		Program Revenues		Net Expense	
	2011	2010	2011	2010	2011	2010
Instruction	$ 24.4	$ 23.2	$ 7.1	$ 6.6	$ 17.2	$ 16.6
Instructional student support	2.8	2.9	0.2	0.2	2.6	2.7
Administrative and financial support	2.9	3.1	0.1	0.1	2.8	3.0
Operation and maintenance of plant	4.0	4.1	0.1	0.1	3.9	4.0
Pupil transportation	2.4	2.3	1.5	1.6	0.8	0.7
Student activities	0.8	0.8	0.1	0.1	0.7	0.7
Community services	-	-	-	-	-	-
Interest on long-term debt	1.5	1.5	0.8	1.5	0.7	-
General Fund	$ 38.8	$ 37.9	$ 10.0	$ 10.2	28.8	27.7
Transfers to business-type activities					-	-
Total governmental activities					28.8	27.7
State general subsidies revenues					8.7	8.9
Total needs from taxes and other local sources					$ 20.1	$ 18.8

	Business-type Activities					
	Direct Expenses		Program Revenues		Net Expense	
	2011	2010	2011	2010	2011	2010
Food Service	$ 1.4	$ 1.4	$ 1.4	$ 1.4	$ -	$ -
Transfers from governmental activities and investment earnings					-	-
					$ -	$ -

THE DISTRICT'S FUNDS

Governmental Funds – fund balances

	Governmental fund balances				
	2011	2010	2009	2010-11 Change	2009-10 Change
General fund - nonspendable	$ 0.3	$ 0.3	$ 0.1	$ -	$ 0.2
General fund - committed	0.6	0.6	-	-	0.6
General fund - unassigned	3.7	2.1	2.0	1.6	0.1
Capital reserve fund - committed	3.2	2.3	-	0.9	2.3
Capital projects fund - restricted	1.1	(1.4)	-	2.5	(1.4)
Governmental fund balances	$ 8.9	$ 3.9	$ 2.1	$ 5.0	$ 1.8
Total restricted + nonspendable	$ 1.4	$ (1.1)	$ 2.1	$ 2.5	$ (3.2)
Total committed	3.8	2.9	-	0.9	2.9
Total unassigned	3.7	2.1	-	1.6	2.1
Total governmental funds	$ 8.9	$ 3.9	$ 2.1	$ 5.0	$ 1.8

Changes from 2010 to 2011

As of June 30, 2011 the District's reserve accounts increased with the general fund balance going from $2,969,191 to $4,517,983 with $1,954,000 (including $1,400,000 which the Board expects to add) to be used for future PSERS spending (see page MDA-13). The capital project fund increased from $2,325,263 on June 30, 2010 to $3,279,685 as of June 30, 2011.

The District self-funds its health insurance plans through the South Central Trust and ended the year with $1,422,912 in the trust prior to audit. In addition to providing summer insurance coverage for the professional staff, this amount funds approximately 2 months of claims and fees, with any excess held in reserve for future claims. Due to some high experience claims, the nonspendable amount decreased to $250,000.

Changes from 2009 to 2010 (Previous Year)

The negative fund balance in the Capital Projects Fund as of June 30, 2010 was due to not borrowing funds until construction payments were due. The $3,500,000 draw-down non-revolving line-of-credit was accessed as needed until permanent financing was obtained in October 2010.

General Fund Budget

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

	Final Budget		Actual Amount		Variance	
	2011	2010	2011	2010	2011	2010
Total revenues	$ 41.0	$ 40.0	$ 42.1	$ 40.9	$ 1.1	$ 0.9
Total expenditures	39.6	37.5	39.2	37.3	(0.4)	(0.2)
Excess revenues (expenditures)	1.4	2.5	2.9	3.6	1.5	1.1
Other financing sources (uses)	(1.4)	(2.5)	(1.4)	(2.8)	-	(0.3)
Net change in fund balance	$ -	$ -	$ 1.5	$ 0.8	$ 1.5	$ 0.8

In 2011, actual revenues exceeded the budgeted amount by $1,149,013. Actual expenditures were $399,769 under the budgeted amount, and transfers to other funds were $10 under the budgeted amount.

CAPITAL ASSETS

When construction projects are completed, the construction in progress balances are moved into the respective categories, and depreciated over their estimated useful lives.

In December 2009 the Board approved a project adding a 2-story 6-classroom addition to Newville to relieve the overcrowding. It accepted bids in January and awarded those bids in February 2010 with an expected completion of November 2010. Because of the economy and falling enrollment, the Plainfield project was first reduced in scope and finally cancelled in June 2010. At that time, the Board decided to add two classrooms to the Newville project bringing the total cost to $3.8 million. The project was substantially complete by the end of November 2010 and was fully occupied at that time.

	Capital assets (net of depreciation)				
	2011	2010	2009	2010-11 Change	2009-10 Change
Governmental activities					
Land	$ 1.0	$ 0.5	$ 0.5	$ 0.5	$ -
Construction in progress	-	1.3	0.5	(1.3)	0.8
Buildings and improvements	51.1	49.0	49.8	2.1	(0.8)
Furniture and equipment	1.0	1.2	1.2	(0.2)	-
Library books	0.2	0.2	0.2	-	-
Technology equipment	0.5	0.3	0.4	0.2	(0.1)
	$ 53.8	$ 52.5	$ 52.6	$ 1.3	$ (0.1)
Business-type activities					
Furniture and equipment	$ 0.5	$ 0.6	$ 0.7	$ (0.1)	$ (0.1)

Capital assets in the governmental activities were $53,822,917 and $52,516,867 at June 2011 and 2010, respectively. The District purchased capital assets totaling $3,276,624 and $1,931,648 for the years ended June 2011 and 2010, respectively. The District had depreciation expense of $1,970,574 and $2,022,597 for the years ended June 2011 and 2010, respectively.

LONG-TERM LIABILITIES

The following summarizes the long-term liabilities note to financial statements (starting at page FS-22). Most of the debt is general obligation bonds issued to pay for capital improvements. The District's ability to raise future funds through the issuance of debt depends on how existing bonds are rated by the investment community. In August 2010 S&P assigned an A+ with stable outlook to the 2010 series of general obligation bonds.

	2011	2010	2009	2010-11 Change	2009-10 Change
Governmental activities					
General obligation bonds and notes	$ 38.3	$ 35.3	$ 37.3	$ 3.0	$ (2.0)
Compensated absences	0.7	0.7	0.4	-	0.3
Other post employment benefits	0.4	0.3	0.1	0.1	0.2
Unamortized bond costs	(0.5)	(0.4)	(0.1)	(0.1)	(0.3)
Total liabilities	$ 38.9	$ 35.9	$ 37.7	$ 3.0	$ (1.8)

During 2009-10 the District borrowed $689,811 on its 2010 short-term note. During 2010-11 the District borrowed $2,150,000 on its 2010 short-term note, and issued its 2010 bonds for $9,240,000 as described on page MDA-3.

Each year, the District pays interest on the debt and a portion of the outstanding bonds and notes, referred to as redemption. During 2009-10 the District made regularly scheduled redemptions of $2,656,846. During 2010-11 the District made regularly scheduled redemptions of $2,712,720 and also repaid the 2010 short-term note of $2,839,811.

Beginning in 2009 is the inclusion of other post employment benefits (OPEB) in our reporting process. This primarily has to do with purchasing discounted health insurance after retirement through the District. The District's initial actuarial accrued liability of $3,995,512 is being amortized over a period of 30 years. Additional OPEB detail is available starting at page FS-25 of the notes.

NEXT YEAR'S BUDGET AND OTHER FACTORS

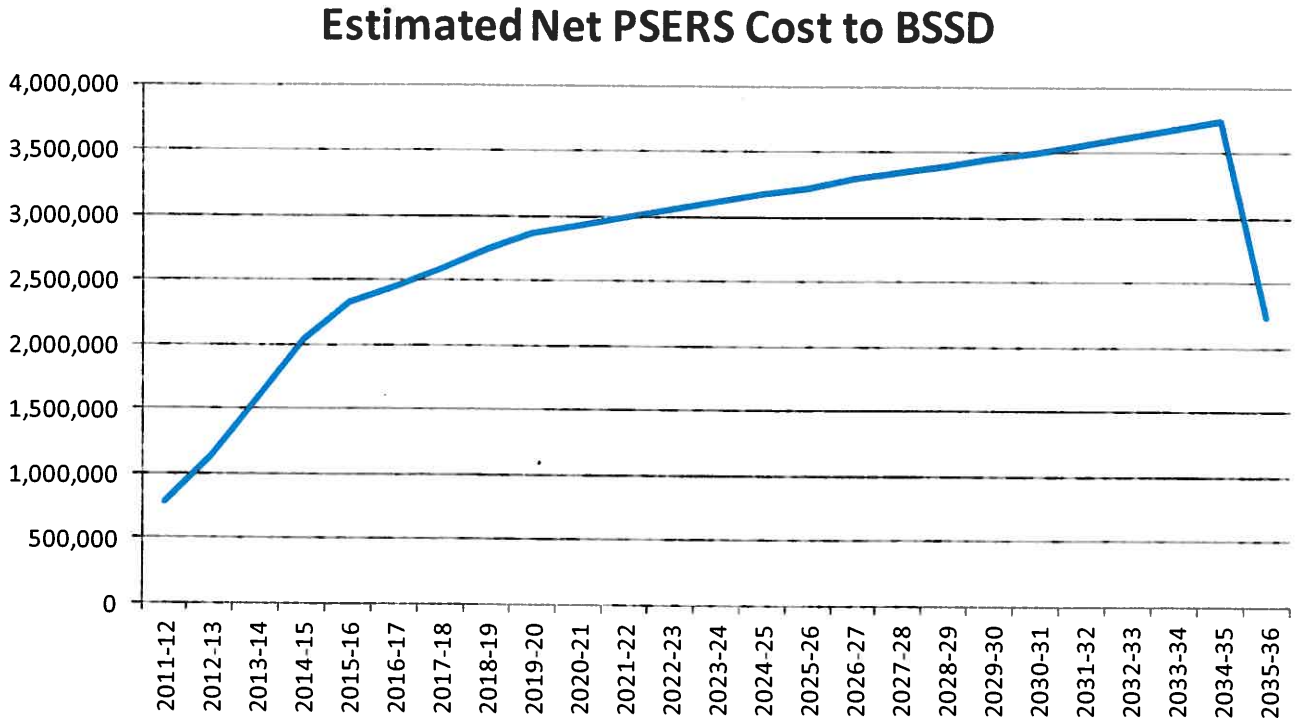
	Original Budget		
	2011-12	2010-11	Change
Total revenue	$ 40.3	$ 40.9	$ (0.6)
Total expenditures and other uses	40.3	40.9	(0.6)
Excess revenues (expenditures)	$ -	$ -	$ -

The revenue budget for 2011-12 of $40,288,703 represents a 1.6% decrease from the 2010-11 budget of $40,946,291. This reflects the loss of ARRA funding, uncertain state subsidy support, the loss of assessed value due to reassessment appeals and uncertain cash flow under Act 32 tax collection. The real estate millage rate decreased by 3.974 mills, from 16.072 down to 12.098, due to the county reassessment. The earned income tax rate remains at 1.65%.

The 2011-12 expenditure budget of $40,288,703 also decreased from the 2010-11 budget by 1.6%. This included a 3.01% increase in the CBA, 2% increase for classified and administrative staff and an 8.65% contribution rate to PSERS. It also included a 10.5% increase in healthcare. Eight teaching and seven classified positions were not filled or furloughed.

The District faces several challenges going forward including a Commonwealth administration that has proposed increased funding for voucher programs which will likely reduce the total subsidies available to public school districts. This adverse environment is complicated by two years of double digit healthcare increases and an even bigger unknown as PPACA is fully implemented in 2014.

However, the biggest threat to the District is the effect of Act 120 of 2010 that steadily increases the PSERS contribution rate from a max of 27.05% of payroll and remains over 26% through 2035.



CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

The District's financial report is intended to provide the readers with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the district office of Big Spring School District, 45 Mount Rock Road, Newville, PA 17241, (717) 776-2000.

BIG SPRING SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

(With Summarized Financial Information for June 30, 2010)

	Governmental Activities	Business-type Activities	Totals 2011	Totals 2010
Assets				
Cash and cash equivalents	$ 7,719,788	$ 304,776	$ 8,024,564	$ 1,606,967
Investments	-	-	-	2,500,000
Taxes receivable (net of allowance for uncollectibles)	2,575,000	-	2,575,000	2,860,000
Internal balances	4,750	(4,750)	-	-
Due from other governments	2,442,136	3,392	2,445,528	2,433,628
Other receivables	44,072	279	44,351	127,353
Inventories	-	29,886	29,886	45,882
Prepaid health insurance	250,000	-	250,000	350,000
Restricted cash and cash equivalents for capital projects	1,201,610	-	1,201,610	-
Unamortized bond issuance costs	511,674	-	511,674	393,767
Capital assets not being depreciated	986,824	-	986,824	1,883,106
Capital assets being depreciated (net of accumulated depreciation)	52,836,093	502,093	53,338,186	51,207,351
Total assets	$ 68,571,947	$ 835,676	$ 69,407,623	$ 63,408,054
Liabilities				
Accounts payable	$ 665,982	$ 2,890	$ 668,872	$ 449,713
Contracts payable	78,685	-	78,685	557,366
Payroll and benefits payable	2,163,319	2,204	2,165,523	2,086,199
Deferred revenues	14,227	16,192	30,419	17,340
Accrued interest on bonds payable	390,000	-	390,000	406,600
Long-term liabilities				
Due within one year	3,325,640	7,000	3,332,640	3,769,531
Due in more than one year	36,045,492	21,425	36,066,917	32,542,319
Unamortized bond discounts and refunding costs	67,436	-	67,436	(37,398)
Total liabilities	42,750,781	49,711	42,800,492	39,791,670
Net assets				
Invested in capital assets (net of related debt)	16,019,246	502,093	16,521,339	18,211,182
Restricted for capital projects	1,127,475	-	1,127,475	-
Unrestricted	8,674,445	283,872	8,958,317	5,405,202
Total net assets	25,821,166	785,965	26,607,131	23,616,384
Total liabilities and net assets	$ 68,571,947	$ 835,676	$ 69,407,623	$ 63,408,054

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

(With Summarized Financial Information for the Year Ended June 30, 2010)

Functions/Programs	Direct Expenses	Program Revenues: Charges for Services	Program Revenues: Grants and Contributions: Operating	Program Revenues: Grants and Contributions: Capital	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Totals: 2011	Totals: 2010
Governmental activities								
Instruction	$ 24,324,815	$ 305,201	$ 6,814,469	$ -	$ (17,205,145)	$ -	$ (17,205,145)	$ (16,586,446)
Instructional student support	2,833,073	-	222,072	-	(2,611,001)	-	(2,611,001)	(2,694,618)
Administrative and financial support	2,938,355	-	126,094	-	(2,812,261)	-	(2,812,261)	(2,934,437)
Operation and maintenance of plant	3,986,157	19,318	90,688	-	(3,876,151)	-	(3,876,151)	(4,023,304)
Pupil transportation	2,360,513	-	1,533,877	-	(826,636)	-	(826,636)	(709,023)
Student activities	818,337	60,753	28,670	-	(728,914)	-	(728,914)	(705,247)
Community services	19,137	-	3,919	-	(15,218)	-	(15,218)	(15,216)
Interest on long-term debt	1,513,403	-	-	829,049	(684,354)	-	(684,354)	35,833
Total governmental activities	38,793,790	385,272	8,819,789	829,049	(28,759,680)	-	(28,759,680)	(27,632,458)
Business-type activities								
Food service	1,405,009	806,467	537,317	-	-	(61,225)	(61,225)	(59,051)
Total school district	$ 40,198,799	$ 1,191,739	$ 9,357,106	$ 829,049	(28,759,680)	(61,225)	(28,820,905)	(27,691,509)
General revenues								
Taxes								
Real estate taxes					17,980,362	-	17,980,362	17,216,685
Earned income taxes					4,396,457	-	4,396,457	4,391,916
Personal taxes					180,159	-	180,159	183,150
Other taxes					511,550	-	511,550	277,866
Earnings on investments					31,233	142	31,375	38,647
State general subsidies					8,711,749	-	8,711,749	8,913,818
Total general revenues					31,811,510	142	31,811,652	31,022,082
Transfers between governmental and business-type activities					(47,775)	47,775	-	-
Total general revenues and transfers					31,763,735	47,917	31,811,652	31,022,082
Change in net assets					3,004,055	(13,308)	2,990,747	3,330,573
Net assets - beginning					22,817,111	799,273	23,616,384	20,285,811
Net assets - ending					$ 25,821,166	$ 785,965	$ 26,607,131	$ 23,616,384

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

BIG SPRING SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

(With Summarized Financial Information for June 30, 2010)

	General	Capital Projects	Capital Reserve	Totals 2011	Totals 2010
Assets					
Cash and cash equivalents	$ 5,740,103	$ 1,201,610	$ 1,979,685	$ 8,921,398	$ 1,376,690
Investments	-	-	-	-	2,500,000
Taxes receivable (net of allowance for uncollectibles)	2,575,000	-	-	2,575,000	2,860,000
Due from (to) other funds	(1,299,800)	4,550	1,300,000	4,750	230
Due from other governments	2,442,136	-	-	2,442,136	2,428,180
Other receivables	44,072	-	-	44,072	126,999
Prepaid health insurance	250,000	-	-	250,000	350,000
Total assets	$ 9,751,511	$ 1,206,160	$ 3,279,685	$ 14,237,356	$ 9,642,099
Liabilities and fund balances					
Accounts payable	$ 665,982	$ -	$ -	$ 665,982	$ 449,713
Contracts payable	-	78,685	-	78,685	557,366
Payroll and benefits payable	2,163,319	-	-	2,163,319	2,084,316
Deferred revenues	2,404,227	-	-	2,404,227	2,630,000
Total liabilities	5,233,528	78,685	-	5,312,213	5,721,395
Nonspendable					
Prepaid health insurance	250,000	-	-	250,000	350,000
Restricted					
Capital projects	-	1,127,475	-	1,127,475	(1,373,750)
Committed					
Pension plan rate increases	554,000	-	-	554,000	554,000
Capital outlays	-	-	3,279,685	3,279,685	2,325,263
Unassigned	3,713,983	-	-	3,713,983	2,065,191
Total fund balances	4,517,983	1,127,475	3,279,685	8,925,143	3,920,704
Total liabilities and fund balances	$ 9,751,511	$ 1,206,160	$ 3,279,685	$ 14,237,356	$ 9,642,099

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

BIG SPRING SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balances - Governmental funds		$ 8,925,143
Amounts presented for governmental activities in the statement of net assets are different because:		
Capital assets are not financial resources and therefore are not presented as assets in the governmental funds. At year end, the cost of capital assets is $ 84,335,788 and the accumulated depreciation is $ 30,512,871.		53,822,917
Certain liabilities are not due and payable in the current year, and therefore are not presented as liabilities in the governmental funds. At year end, these liabilities consist of:		
Bonds and notes payable	$ (38,247,909)	
Compensated absences	(715,100)	
Other post employment benefit accruals	(408,123)	
Long-term liabilities	(39,371,132)	
Accrued interest on bonds payable	(390,000)	(39,761,132)
Costs related to the issuance of bonds are presented as expenditures in the governmental funds. At year end, the remaining unamortized bond related costs consist of:		
Bond issuance costs	511,674	
Bond discounts (premiums)	(82,100)	
Refunding costs	14,664	444,238
Taxes receivable will be collected, but are not available soon enough to pay for current year expenditures, and therefore are deferred in the governmental funds. At year end, these taxes receivable consist of:		
Real estate taxes	618,000	
Earned income taxes	1,765,000	
Personal taxes	7,000	2,390,000
Total net assets - Governmental activities		$ 25,821,166

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(With Summarized Financial Information for the Year Ended June 30, 2010)

	General	Capital Projects	Capital Reserve	Totals 2011	Totals 2010
Revenues					
Local sources - taxes	$ 23,308,528	$ -	$ -	$ 23,308,528	$ 21,824,617
Local sources - other	1,433,922	1,429	671	1,436,022	1,480,898
State sources	15,030,780	-	-	15,030,780	15,838,355
Federal sources	2,322,074	-	-	2,322,074	1,870,940
Total revenues	42,095,304	1,429	671	42,097,404	41,014,810
Expenditures					
Instruction	22,604,752	-	-	22,604,752	21,192,257
Support services	11,675,392	203,764	59,745	11,938,901	12,122,525
Noninstructional services	797,749	-	-	797,749	771,612
Capital outlay	-	2,885,838	286,504	3,172,342	1,712,700
Debt service (principal and interest)	4,109,060	4,191	-	4,113,251	4,070,967
Refund of prior years revenues	11,784	-	-	11,784	11,277
Total expenditures	39,198,737	3,093,793	346,249	42,638,779	39,881,338
Excess (deficiency) of revenues over expenditures	2,896,567	(3,092,364)	(345,578)	(541,375)	1,133,472
Other financing sources (uses)					
Proceeds from extended term financing	-	11,390,000	-	11,390,000	689,811
Debt service (refunded bonds and notes)	-	(5,796,411)	-	(5,796,411)	-
Transfers from other funds	-	-	1,300,000	1,300,000	2,735,912
Transfers to other funds	(1,347,775)	-	-	(1,347,775)	(2,783,962)
Net change in fund balances	1,548,792	2,501,225	954,422	5,004,439	1,775,233
Fund balances - beginning	2,969,191	(1,373,750)	2,325,263	3,920,704	2,145,471
Fund balances - ending	$ 4,517,983	$ 1,127,475	$ 3,279,685	$ 8,925,143	$ 3,920,704

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

BIG SPRING SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Total net change in fund balances - Governmental funds		$ 5,004,439
Amounts presented for governmental activities in the statement of activities are different because:		
Capital outlays are presented as expenditures in the governmental funds. In the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. During the year capital outlays and depreciation expense are as follows:		
Capital outlays	$ 3,276,624	
Depreciation expense	(1,970,574)	1,306,050
Payments of bond and note principal are presented as expenditures in the governmental funds. The principal repayment reduces the liability for bonds and notes payable in the statement of net assets.		8,452,531
Bond and note proceeds are presented as other financing sources in the governmental funds. They are shown as liabilities in the statement of net assets. During the year, the 2010 Series of bonds and short term notes payable were issued.		(11,390,000)
Bond issuance costs, bond discounts and premiums, and the difference between new bonds and any related refunded bonds are presented as expenditures in the governmental funds. During the year, costs incurred and amortization expense are as follows:		
Costs incurred	170,075	
Amortization expense	(157,002)	13,073
Because some taxes will not be collected until several months after the end of the fiscal year, they are not considered as available revenues in the governmental funds. Deferred tax revenues increased (decreased) during the year as follows:		
Real estate taxes	(22,000)	
Earned income taxes	(215,000)	
Personal taxes	(3,000)	(240,000)
Payments of interest are presented as expenditures in the governmental funds when the payment is due. In the statement of activities, the expense is measured by the amount accrued during the year. The liability for accrued interest on bonds payable decreased during the year.		16,600
Payments of other post employment benefits are presented as expenditures in the governmental funds. In the statement of activities, the expense includes actuarial estimates, primarily for amortization of prior costs. The liability for other post employment benefit accruals increased during the year.		(144,238)
Payments of compensated absences are presented as expenditures in the governmental funds. In the statement of activities, the expense is measured by the amount earned by employees during the year. The liability for compensated absences increased during the year.		(14,400)
Change in net assets - Governmental activities		$ 3,004,055

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2011

(With Summarized Financial Information for June 30, 2010)

	Food Service	
	2011	2010
Assets		
Cash and cash equivalents	$ 304,776	$ 230,277
Due from other governments	3,392	5,448
Other receivables	279	354
Inventories	29,886	45,882
Total current assets	338,333	281,961
Furniture and equipment (net of accumulated depreciation)	502,093	573,590
Total assets	$ 840,426	$ 855,551
Liabilities		
Accounts payable	$ 2,890	$ -
Payroll and benefits payable	2,204	1,883
Due to other funds	4,750	230
Deferred revenues	16,192	17,340
Current portion of compensated absences	7,000	7,000
Total current liabilities	33,036	26,453
Long-term portion of compensated absences	21,425	29,825
Total liabilities	54,461	56,278
Net assets		
Invested in capital assets (net of related debt)	502,093	573,590
Unrestricted	283,872	225,683
Total net assets	785,965	799,273
Total liabilities and net assets	$ 840,426	$ 855,551

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(With Summarized Financial Information for the Year Ended June 30, 2010)

	Food Service	
	2011	2010
Operating revenues - Food service revenue	$ 806,467	$ 805,380
Operating expenses		
Salaries	487,986	481,790
Employee benefits	212,723	186,935
Purchased property service	66,000	66,000
Food and milk	558,073	574,786
Other expenses	8,730	6,065
Depreciation	71,497	78,623
Total operating expenses	1,405,009	1,394,199
Operating income (loss)	(598,542)	(588,819)
Nonoperating revenues		
Earnings on investments	142	341
State sources - social security and retirement subsidies	31,855	28,795
State sources - meal subsidies	42,239	42,509
Federal sources - meal subsidies	398,839	367,045
Federal sources - donated commodities	64,384	91,419
Total nonoperating revenues	537,459	530,109
Income (loss) before transfers	(61,083)	(58,710)
Transfers from other funds	47,775	48,050
Change in net assets	(13,308)	(10,660)
Net assets - beginning	799,273	809,933
Net assets - ending	$ 785,965	$ 799,273

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(With Summarized Financial Information for the Year Ended June 30, 2010)

	Food Service	
	2011	2010
Operating activities		
Cash received from users	$ 805,394	$ 813,819
Cash payments to employees for services	(708,788)	(673,658)
Cash payments to suppliers for goods and services	(549,533)	(573,658)
Net cash provided by (used for) operating activities	(452,927)	(433,497)
Non-capital financing activities		
State sources	74,285	71,293
Federal sources	400,704	366,276
General fund advances (Due to other funds)	4,520	7
General fund contributed services	47,775	48,050
Net cash provided by (used for) non-capital financing activities	527,284	485,626
Capital and related financing activities		
Cash payments for equipment	-	-
Net cash provided by (used for) capital and related financing activities	-	-
Investing activities		
Earnings on investments	142	341
Net cash provided by (used for) investing activities	142	341
Net change in cash and cash equivalents	74,499	52,470
Cash and cash equivalents - beginning	230,277	177,807
Cash and cash equivalents - ending	$ 304,776	$ 230,277
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities		
Operating income (loss)	$ (598,542)	$ (588,819)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation	71,497	78,623
Donated commodities	64,384	91,419
Net change in other assets and other liabilities		
Other receivables	75	6,473
Inventories	15,996	(17,936)
Accounts payable	2,890	(290)
Payroll and benefits payable	321	54
Deferred revenues	(1,148)	1,966
Compensated absences	(8,400)	(4,987)
Total adjustments	145,615	155,322
Net cash provided by (used for) operating activities	$ (452,927)	$ (433,497)

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2011

(With Summarized Financial Information for June 30, 2010)

	Student Activities	
	2011	2010
Assets		
Cash and cash equivalents	$ 179,035	$ 151,177
Total assets	$ 179,035	$ 151,177
Liabilities		
Due to student groups	$ 179,035	$ 151,177
Total liabilities	179,035	151,177
Net assets	-	-
Total liabilities and net assets	$ 179,035	$ 151,177

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Big Spring School District is the level of government which has oversight responsibility and control over activities related to public school education. The report includes services provided by the District to residents within its boundaries: the Cumberland County Townships of Cooke, Lower Frankford, Upper Frankford, Lower Mifflin, Upper Mifflin, North Newton, South Newton, Penn and West Pennsboro and the Borough of Newville. Services provided include a comprehensive curriculum for primary and secondary education as well as special education and vocational education programs. The District receives revenue from local, state and federal sources and must comply with the requirements of these funding sources.

The financial statements of Big Spring School District have been prepared in accordance with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. Accounting guidance is also provided through the Comptroller's office for Pennsylvania's Department of Education. The more significant of these accounting policies are as follows:

Reporting entity

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

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

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

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

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

Jointly-governed organizations

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

Capital Area Intermediate Unit provides special education services and programs.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Jointly-governed organizations (Cont'd.)

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

Capital Tax Collection Bureau provides earned income tax collection services.

Basis of presentation - District-wide financial statements

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

District-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Real estate and personal taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation and amortization are charged as an expense against current operations. Capital assets (net of accumulated depreciation) and bonds payable (net of unamortized costs) are presented in the statement of net assets.

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

Basis of presentation - Fund financial statements

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

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

Proprietary funds generally follow standards for accounting and financial presentation for private business enterprises to the extent that those standards do not conflict with or contradict guidance of the GASB. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses for the District's proprietary fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund accounting

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

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

The District has the following types of funds:

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

Fund accounting (Cont'd.)

The District presents the following major governmental funds:

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

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

Fund accounting (Cont'd.)

The District presents the following proprietary fund:

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

The District presents the following fiduciary fund:

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

Cash and cash equivalents and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits (including pooled investments), and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

Taxes and taxes receivable

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

Receivables and payables between funds

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

Inventories and prepaid items

Inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when consumed. Donated commodities are recognized as revenue and are inventoried at an estimated cost value.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Capital assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Capital assets are depreciated using the straight-line method, allowing for reasonable salvage values on equipment, over the following estimated useful lives:

Assets	Governmental Activities	Business-type Activities
Buildings	40	-
Site improvements	20	-
Furniture	15	15
Machinery and equipment	10 to 15	15
Library books	7	-
Audio visual equipment	6	-
Technology equipment	5	5

Long-term liabilities

In district-wide financial statements, and proprietary fund types in fund financial statements, bonds and notes payable and other long-term obligations are presented as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Refunding costs and bond discounts are amortized over the life of the bonds using the effective interest method. Bond issuance costs are presented as deferred charges and amortized over the term of the related debt.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Net assets

Net assets represent the difference between assets and liabilities. In district-wide financial statements and proprietary fund financial statements, categories of net assets are:

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

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

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

Governmental fund balances

GASB has established criteria for classifying fund balances into specifically defined classifications based on a hierarchy that reflects the extent to which the District is bound to honor constraints on how those funds can be spent. Classifications of fund balances are:

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

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

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

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

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

Recent accounting standards

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The District has implemented this standard in the current year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Estimates

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

Comparative information

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with current year's presentation. However, presentations of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Subsequent events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 4, 2011, the date the financial statements were available to be issued.

CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

As of June 30, 2011, the District's deposits totaled $ 2,095,771 and the depository institution balances totaled $ 2,450,904 Of the depository institution balances, $ 377,505 was covered by federal depository insurance and $ 2,073,399 was collateralized. The pledged collateral is held by the Federal Reserve Bank, but is not titled in the District's name.

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

The District also has cash equivalents and investments with Pennsylvania School District Liquid Asset Fund (PSDLAF) and Pennsylvania Local Government Investment Trust (PLGIT). PSDLAF and PLGIT operate as common law trusts established pursuant to the Intergovernmental Cooperation Act and related statues for the purpose of pooling investments. Each organization's fundamental policy is to maintain a net asset value of $ 1 per share, but there can be no assurance that the net asset value will not vary from $ 1 per share. They may only purchase securities which are permitted under PA law. As of June 30; 2011, District deposits in PSDLAF and PLGIT totaled $ 6,958,872 and $ 6,851, respectively.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy for interest rate risk. The weighted average maturity of securities held by PSDLAF and PLGIT is generally less than 90 days.

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

Cash and cash equivalents and investments are as follows:

	Cash and Cash Equivalents	Investments
Governmental activities	$ 7,719,788	$ -
Governmental activities - restricted for capital projects	1,201,610	-
Business-type activities	304,776	-
Fiduciary funds	179,035	-
	$ 9,405,209	$ -

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

TAXES RECEIVABLE

Taxes receivable are as follows:

	Taxes Receivable (Gross)	Allowance for Uncollectibles	Taxes Receivable (Net)	Deferred Tax Revenue
Real estate taxes	$ 803,766	$ 766	$ 803,000	$ 618,000
Earned income taxes	1,765,000	-	1,765,000	1,765,000
Personal taxes	19,285	12,285	7,000	7,000
General Fund	2,588,051	13,051	2,575,000	2,390,000
Full accrual adjustment	-	-	-	(2,390,000)
Governmental activities	$ 2,588,051	$ 13,051	$ 2,575,000	$ -

DUE FROM/TO OTHER FUNDS AND INTERFUND TRANSFERS

Interfund balances are as follows:

	Assets	Liabilities	
Capital Reserve Fund	$ 1,300,000	$ 1,300,000	General Fund
General Fund	4,750	4,750	Food Service Fund
Capital Projects Fund	4,550	4,550	General Fund

Interfund transfers were as follows:

	Other financing sources	Other financing uses	
Capital Reserve Fund	$ 1,300,000	$ 1,300,000	General Fund
Food Service Fund	47,775	47,775	General Fund

DUE FROM OTHER GOVERNMENTS

Due from other governments are as follows:

	Governmental Activities	Business-type Activities
Local sources – earned income taxes	$ 938,240	$ -
Local sources – IDEA - B grants	438,963	-
Local sources – other districts	289,642	-
Local sources – other items	31,911	-
State sources	315,548	273
Federal sources	427,832	3,119
	$ 2,442,136	$ 3,392

CAPITAL ASSETS

Changes in capital assets were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 501,824	$ 485,000	$ -	$ 986,824
Construction in progress	1,381,282	2,403,718	(3,785,000)	-
	1,883,106	2,888,718	(3,785,000)	986,824
Capital assets being depreciated				
Buildings and improvements	69,270,382	3,785,000	-	73,055,382
Furniture and equipment	3,111,705	31,278	(38,184)	3,104,799
Library books	2,308,721	-	-	2,308,721
Technology equipment	4,523,434	356,628	-	4,880,062
	79,214,242	4,172,906	(38,184)	83,348,964
Accumulated depreciation				
Buildings and improvements	(20,299,322)	(1,684,986)	-	(21,984,308)
Furniture and equipment	(1,953,214)	(170,425)	38,184	(2,085,455)
Library books	(2,077,848)	-	-	(2,077,848)
Technology equipment	(4,250,097)	(115,163)	-	(4,365,260)
	(28,580,481)	(1,970,574)	38,184	(30,512,871)
Capital assets being depreciated, net	50,633,761	2,202,332	-	52,836,093
Governmental activities capital assets, net	$ 52,516,867	$ 5,091,050	$ (3,785,000)	$ 53,822,917
Business-type activities				
Capital assets being depreciated				
Furniture and equipment	$ 1,568,486	$ -	$ -	$ 1,568,486
Accumulated depreciation				
Furniture and equipment	(994,896)	(71,497)	-	(1,066,393)
Capital assets being depreciated, net	573,590	(71,497)	-	502,093
Business-type activities capital assets, net	$ 573,590	$ (71,497)	$ -	$ 502,093

During the year, the 2 year Newville Elementary project was completed, at a total cost of $ 3,785,000.

CAPITAL ASSETS (Cont'd.)

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Instruction	$ 1,583,625
Instructional student support	173,812
Administrative and financial support	77,250
Operation and maintenance of plant	96,562
Student activities	39,325
	$ 1,970,574
Business-type activities - Food service	$ 71,497

DEFERRED REVENUES

Governmental funds present deferred revenue in connection with receivables for revenues that are not considered to be available to pay liabilities of the current period. Governmental funds also defer revenue recognition with resources that have been received, but not yet earned. Deferred revenues in the General Fund of $ 2,404,227 consists of $ 2,390,000 taxes receivable not received within 2 months of the end of the fiscal period, and $ 14,227 of deferred federal revenue.

Deferred revenues in proprietary funds and district-wide financial statements represent resources that have been received but not yet earned.

LONG-TERM LIABILITIES

Changes in all long-term liabilities were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds and notes payable	$ 35,310,440	$ 11,390,000	$ (8,452,531)	$ 38,247,909	$ 2,925,640
Compensated absences	700,700	126,200	(111,800)	715,100	100,000
Other post employment benefits	263,885	477,312	(333,074)	408,123	300,000
	$ 36,275,025	$ 11,993,512	$ (8,897,405)	$ 39,371,132	$ 3,325,640
Business-type activities					
Compensated absences	$ 36,825	$ 5,850	$ (14,250)	$ 28,425	$ 7,000

LONG-TERM LIABILITIES (Cont'd.)

Bonds and notes payable

Changes in bonds and notes payable were as follows:

	Beginning Balance	New Issue	Scheduled Redemptions	Ending Balance
1999 Series	$ 2,690,000	$ -	$ (290,000)	$ 2,400,000
2001 Series	1,370,000	-	(745,000)	625,000
2003 Series	13,510,000	-	(1,055,000)	12,455,000
2005 Series	2,900,000	(2,900,000)	-	-
2006 Series	9,740,000	-	(80,000)	9,660,000
2006 Notes (energy savings project)	4,410,629	-	(167,720)	4,242,909
2010 Notes (short-term)	689,811	2,150,000	(2,839,811)	-
2010 Series	-	9,240,000	(375,000)	8,865,000
	$ 35,310,440	$ 8,490,000	$ (5,552,531)	$ 38,247,909

In March 2010 the District obtained a one year $ 3,500,000 draw-down non-revolving line-of-credit from Orrstown Bank. This 2.10% short-term note was repaid from permanent financing obtained in October 2010.

	Interest Rates	Maturity Date	Callable Date	Due Within One Year
1999 Series	(1)	December 2017	45 days notice	$ 300,000
2001 Series	5.00%	February 2021	August 2011	625,000
2003 Series	3.65% to 5.00%	April 2023	April 2013	1,095,000
2006 Series	3.55% to 4.05%	March 2021	August 2011	235,000
2006 Notes	3.95%	December 2021	Annually, with fees	195,640
2010 Series	2.00% to 3.00%	December 2022	December 2016	475,000
				$ 2,925,640

(1) The 1999 Series pays interest at a variable rate of 1.65% above the "weekly rate", not to exceed 25.00%. At June 2011 the "weekly rate" was 0.13%.

LONG-TERM LIABILITIES (Cont'd.)

Bonds and notes payable (Cont'd.)

During the year ended June 2011, $ 9,382 of debt service (interest on the short-term note) was paid from the Capital Projects Fund. Scheduled debt service requirements, payable by the General Fund are as follows:

Year Ending June	Principal	Interest	Total
2012	$ 2,925,640	$ 1,381,846	$ 4,307,486
2013	3,080,736	1,264,936	4,345,672
2014	3,233,151	1,150,487	4,383,638
2015	3,383,030	1,040,690	4,423,720
2016	3,540,532	923,916	4,464,448
2017-2021	18,029,182	2,736,815	20,765,997
2022-2023	4,055,638	184,360	4,239,998
	$ 38,247,909	$ 8,683,050	$ 46,930,959

In October 2010, the District issued its 2010 Series of bonds, which is summarized as follows:

Amount of 2010 Series of bonds	$ 9,240,000
Payoff 2005 Series of bonds	(2,951,409)
Payoff 2010 short-term notes	(2,845,002)
Transaction costs incurred	(170,075)
Amount for Capital Projects Fund	$ 3,273,514

The net proceeds were to complete the Newville Elementary additions and renovations project (about $ 2,150,000) and for future projects (about $ 1,125,000).

In the year ended June 2006, the District defeased a portion of the 2001 Series of bonds by creating an irrevocable trust fund. New debt was issued (2006 Series) and the proceeds were used by the trust fund to purchase U.S. government securities. The investments and fixed earnings are sufficient to fully service the defeased debt until it is called or matures. For financial reporting purposes, the defeased debt was removed as a liability from District-wide financial statements. As of June 30, 2011 $ 9,135,000 of defeased bonds remain outstanding and were called in August 2011.

LONG-TERM LIABILITIES (Cont'd.)

Compensated absences

Compensated absences (those for which employees are compensated) are presented using the termination payment method. A liability is computed using estimates which apply historical data to current factors. The District maintains records of unused leave and applies the contracted rate for employees eligible for the severance allowance. The District allows only restricted sabbatical leave and therefore does not present any liability in advance of the sabbatical. Payments for compensated absences are made in the year the absence is taken or the employee retires. At retirement or death, while in District service, employees or their beneficiaries shall choose one of the following options (subject to a maximum of $ 18,000 for administrators and $ 14,500 for all other employees):

1. Number of full years of service in the District multiplied by $ 210 (the employee must have a minimum of 20 years of service in the District)

2. Accumulated unused sick leave days multiplied by 80% of the substitute per diem rate

The severance allowance is paid as a District contribution into the employee's 403(b) tax sheltered annuity account.

Other post employment benefits (OPEBs)

OPEBs are presented in accordance with GASB Statement No. 45 (GASB 45), which requires their recognition as part of the compensation package of active employees for services rendered. The cost and obligation for OPEBs are measured by an actuarial valuation.

Plan description

Under the negotiations agreement with Big Spring Education Association, the District shall provide for continuance of health care insurance after retirement until the retiree attains the Medicare eligible age. The retiree will pay the monthly premiums, except that teachers who retire after 30 or more years with the District, shall have up to five years of health care insurance benefits provided on the basis of the retiree paying 50% of the monthly premiums.

Retired administrators, and classified employees hired prior to July 2007, receive the same benefit as described above. Classified employees hired after June 2007 must pay the entire premium.

LONG-TERM LIABILITIES (Cont'd.)

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

Plan description (Cont'd.)

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

Participant information	
Active participants	360
Vested former members	6
Retired participants	68
	434

Funding Policy

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

Annual OPEB cost and net OPEB obligation

The annual OPEB cost (expense) is calculated based on the actuarially determined annual required contribution (ARC) of the employer. The ARC represents the amount needed to fund the cost of benefits attributed to the current year, plus an amortized portion of the unfunded actuarial accrued liability (UAAL). The District uses an amortization method which results in the UAAL being amortized over a remaining period of 27 years.

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

Employer normal cost	$ 252,524
Amortization of unfunded actuarial accrued liability	229,113
Annual required contribution	481,637
Interest on the net OPEB obligation	11,875
Adjustment to the ARC	(16,200)
Annual OPEB cost	477,312
Contributed to the plan	(333,074)
Increase in net OPEB obligation	144,238
Net OPEB obligation - beginning	263,885
Net OPEB obligation - end	$ 408,123

LONG-TERM LIABILITIES (Cont'd.)

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

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

The percentage of annual OPEB cost contributed was as follows:

Year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 2011	$ 477,312	69.78 %	$ 408,123

Funding status and funding progress

The actuarial accrued liability (AAL) for OPEBs as of July 2010 was $ 3,732,005. There are no Plan assets, thus, the entire amount is unfunded. The District does not have any current plans to fund the AAL.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
July 2010	$ -	$ 3,732,005	$ 3,732,005	0.00	$16,852,109	22.15 %

Actuarial assumptions and methods

Actuarial assumptions and methods used in the July 2010 actuarial valuation include the following:

Interest rate	4.50%
General inflation rate	3.00%
Health care cost trend rate	7.0% in 2011, decreasing by 0.5% per year to 5.5% in 2014. Rates gradually decrease from 5.3% in 2015 to 4.2% in 2019 and later
Actuarial cost method	Benefits are allocated on a level basis over the earnings of an individual from date of hire to assumed retirement age
Amortization period	30 years (27 years remaining)

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

LONG-TERM LIABILITIES (Cont'd.)

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

Actuarial assumptions and methods (Cont'd.)

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

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

The required schedule of funding progress in the other required supplementary information (ORSI) immediately following the notes to financial statements, is to present multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the District maintains no Plan assets, information relative to Plan asset disclosures is not applicable. Additionally, because the June 2009 year was the implementation year of GASB 45, the OPEB disclosure standards were implemented prospectively; therefore, the ORSI does not reflect similar information for three consecutive valuations.

PENSION PLAN

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

The District contributes to The Public School Employees' Retirement System (the System), a governmental cost sharing multiple-employer defined benefit plan. The plan is under the authority of the Public School Employees' Retirement Code (the Code), as amended. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to the System at PO Box 125, Harrisburg, PA 17108-0125, or on the System's website.

PENSION PLAN (Cont'd.)

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

Membership Class T-C	Active members hired before July 22, 1983	5.25%
Membership Class T-C	Members hired on or after July 22, 1983	6.25%
Membership Class T-D	Active members hired before July 22, 1983	6.50%
Membership Class T-D	Members hired on or after July 22, 1983	7.50%

Members hired after July 1, 2001 are automatically Class T-D. The contribution rates for all members in Membership Class T-D were effective January 1, 2002.

Provisions of the 2010 Pension Reform Legislation that relate to member and employer contributions are effective July 2011 and will affect pension plan disclosures for the year ended June 2012.

Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 2011 the employer contribution rate was 5.64 percent of covered payroll, composed of 5.00 percent for pension benefits and 0.64 percent for healthcare insurance premium assistance. District contributions to the system for years ended June 2011, 2010 and 2009 were $ 1,035,670, $ 867,260, and $ 821,696, respectively. Those amounts are equal to the required contributions for each year.

RISK MANAGEMENT

Health insurance

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

Cash balance in the trust - beginning		$ 1,460,576
Payments from the District and its retirees		3,943,632
Benefit claims paid by the trust	$ (3,668,664)	
Administrative and other fees, net of interest earned	(237,391)	
Stop loss premiums	(75,241)	
		(3,981,296)
Cash balance in the trust - ending		$ 1,422,912

RISK MANAGEMENT (Cont'd.)

Health insurance (Cont'd.)

The amount available in the trust was as follows:

Accrual for benefit claims	$ 610,212
Accrual for administrative and other fees	42,200
Accrual for health insurance coverage on payroll payable	520,500
Amount available for accrued costs - ending	1,172,912
Prepaid health insurance	250,000
Cash balance in the trust - ending	$ 1,422,912

There are various methodologies for estimating a reasonable accrual for benefit claims. District management has selected the methodology of approximately '60 days of paid claims'. District management believes this methodology provides an adequate amount for accrued costs.

Other insurance

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

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

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

COMMITMENTS AND CONTINGENCIES

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

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

In the normal course of preparing for the subsequent school year, the District has awarded bids for various supplies, fuel contracts, etc. No major commitments in excess of routine requirements have been made by the District.

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

SUBSEQUENT EVENTS

In July 2011, the District issued its 2011 Series of bonds ($ 9,800,000) for the current refunding of the 2006 Series of bonds. The primary purpose of this refunding was to take advantage of favorable interest rates. After refunding the old bonds ($ 9,846,355), paying issuance costs ($ 155,411) and receiving bond premiums ($ 207,652), the net proceeds ($ 5,886) were realized. These proceeds were used to pay a portion of the initial interest payment on the new bonds.

BIG SPRING SCHOOL DISTRICT

BUDGETARY COMPARISON INFORMATION - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual Amount	Variance With Final Budget Positive (Negative)
Revenues				
Local sources - taxes	$ 22,160,059	$ 22,160,059	$ 23,308,528	$ 1,148,469
Local sources - other	1,211,237	1,211,237	1,433,922	222,685
State sources	15,506,648	15,506,648	15,030,780	(475,868)
Federal sources	2,068,347	2,068,347	2,322,074	253,727
Total revenues	40,946,291	40,946,291	42,095,304	1,149,013
Expenditures				
Regular programs	15,832,460	15,848,360	15,848,232	128
Special programs	5,367,812	5,935,812	5,935,689	123
Vocational programs	679,200	679,200	679,144	56
Other instructional programs	171,001	136,001	135,872	129
Higher education programs	6,924	5,815	5,815	-
Pupil personnel	942,328	873,328	873,210	118
Instructional staff	1,407,356	1,327,356	1,326,359	997
Administration	2,208,488	2,281,488	2,280,672	816
Pupil health	403,480	421,780	421,711	69
Business	558,632	433,932	432,041	1,891
Operation and maintenance of plant	4,518,310	3,906,310	3,906,139	171
Student transportation	2,417,507	2,417,507	2,360,513	56,994
Central services	125,329	47,329	46,530	799
Other support services	36,000	29,000	28,217	783
Student activities	758,376	778,626	778,612	14
Community services	27,509	19,159	19,137	22
Debt service (principal and interest)	4,865,474	4,445,719	4,109,060	336,659
Refund of prior years revenues	-	11,784	11,784	-
Total expenditures	40,326,186	39,598,506	39,198,737	399,769
Excess (deficiency) of revenues over expenditures	620,105	1,347,785	2,896,567	1,548,782
Other financing sources (uses)				
Transfers to other funds	(420,105)	(1,347,785)	(1,347,775)	10
Budgetary reserve	(200,000)	-	-	-
Net change in fund balance	-	-	1,548,792	1,548,792
Fund balance - beginning	2,100,000	2,100,000	2,969,191	869,191
Fund balance - ending	$ 2,100,000	$ 2,100,000	$ 4,517,983	$ 2,417,983

BIG SPRING SCHOOL DISTRICT

OTHER POST EMPLOYMENT BENEFIT PLANS

JUNE 30, 2011

HEALTH CARE BENEFITS
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
July 2008	$ -	$ 3,995,512	$ 3,995,512	0.00	$ 15,104,065	26.45%
July 2010	-	3,732,005	3,732,005	0.00	16,852,109	22.15

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

Because the June 2009 year was the implementation year for GASB 45, and the District chose to implement prospectively, the above illustration does not reflect similar information for three consecutive valuations.