BIG SPRING SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

	Page Number
INDEPENDENT AUDITORS' REPORT	IAR - 1 to IAR - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	MDA - 1 to MDA - 14
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 INFORMATION	
Budgetary comparison information – general fund	ORI - 1
Other post employment benefit plans	ORI - 2

Greenawalt & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' 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, 2010, 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, 2009 financial statements and, in our report dated November 10, 2009 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 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, 2010, 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 30, 2010, 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.

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Board of Directors
Big Spring School District

Management's discussion and analysis on pages MDA - 1 through MDA - 14 and other required information on pages ORI - 1 and ORI - 2 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Greenawalt & Company, P.C.

GREENAWALT & COMPANY, P.C.

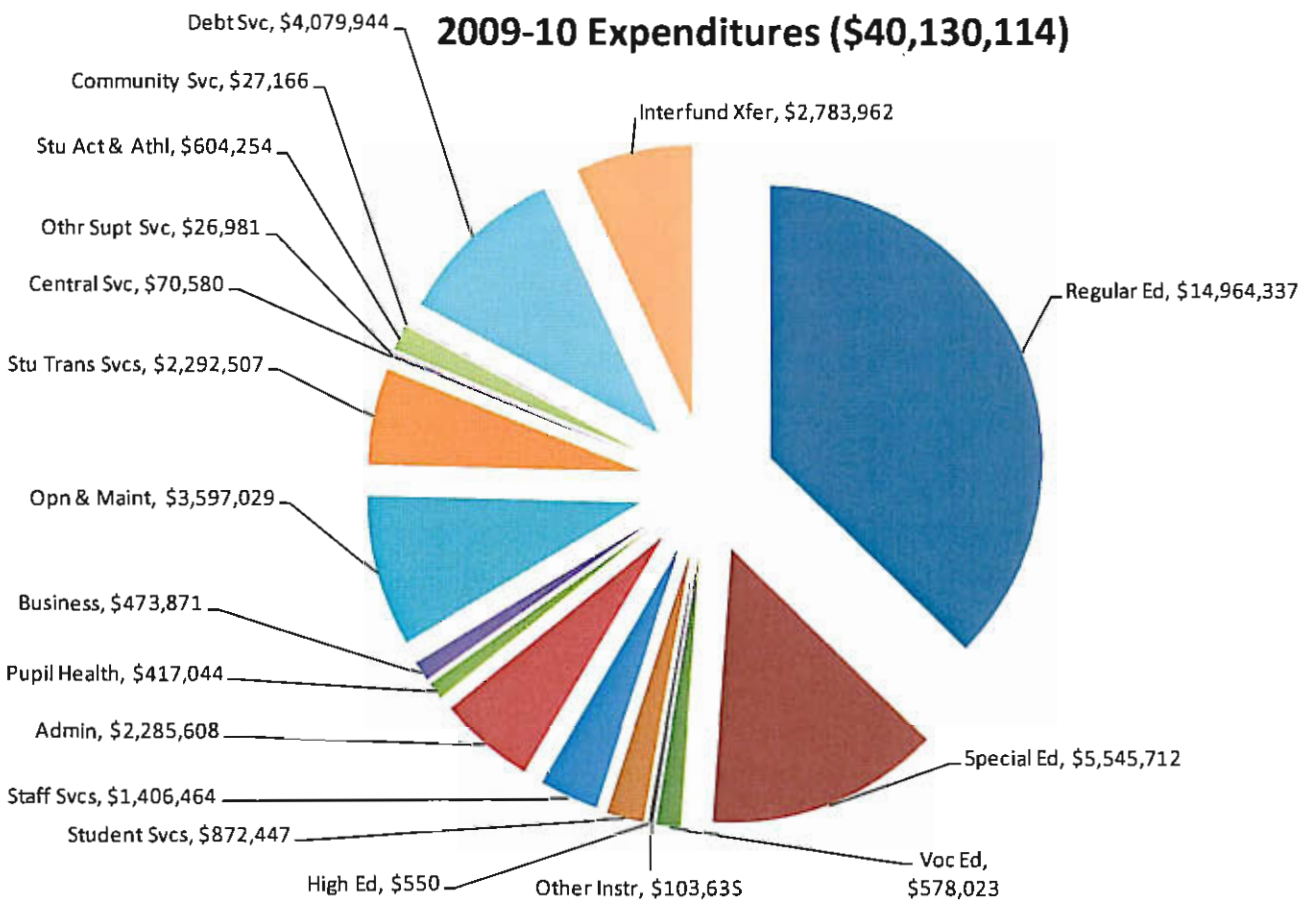
November 30, 2010

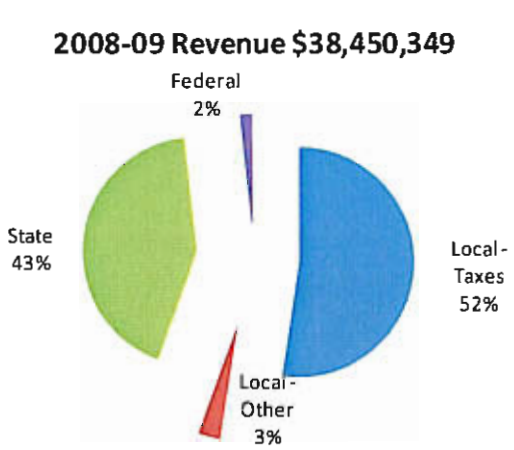
Mechanicsburg, Pennsylvania

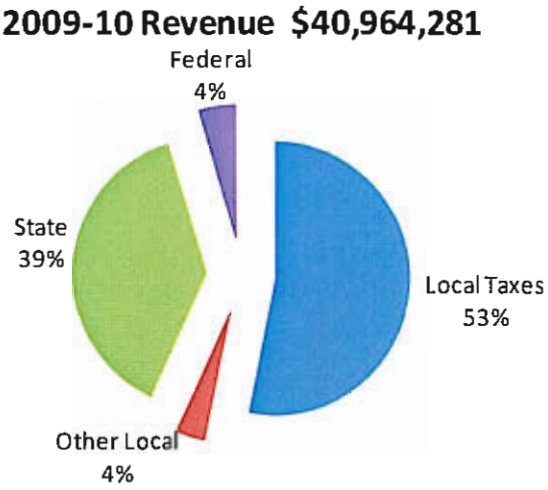
BIG SPRING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

This discussion and analysis provides an overview of the District's financial performance for the year ended June 2010. 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 2010, 2009 and 2008. The MD&A also includes comparisons of current year financial activities to the previous year. The 2009 and 2008 amounts have come from our prior year MD&A, and are otherwise not a part of the June 2010 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 2009-10 increased from $38,450,349 to $40,964,281 or 6.5% from 2008-09; expenditures and transfers-out increased from $38,338,219 in 2008-09 to $40,130,114 in 2009-10 or 4.7% from the prior year. The District added $834,167 to the fund balance for a total of $2,969,191 as of June 30, 2010. The current unreserved-undesignated fund balance is approximately 7.2% of the estimated 2010-11 General Fund budget of $41,000,000 and is within the 8% maximum required under state law.

The revenue graphs above shows the story of decreasing support from the Commonwealth as an overall percentage of the District's budget. The difference is picked up by local taxes and federal funds. The federal portion of the revenue budget grew from 2% to 4%, principally as a result of the ARRA funds. Almost $1.1 million of ARRA funds displaced Commonwealth basic education subsidy. Obviously, this creates a challenge for the Commonwealth to replace those funds next year and forces the District to consider a possible decrease in funding from the Commonwealth in 2010-11.

The economy's impact on the District has been most evident in two areas: investment earnings and EIT taxes. The District collected $4.60 million in EIT taxes 2007-08, $4.12 million in 2008-09 and $4.26 million in 2009-10. The decline in 2008-09 revenues wasn't realized until the 2009-10 Budget was already enacted leaving a significant shortfall from the $4.5 million budget amount. In 2007-08 the District's investment income was over $271,000; the investment income for 2009-10 was only $38,000.

The Capital Reserve Fund started the year at $6,548 and the district made three transfers to the fund; one during the year and two more as part of the year-end closeout with the intent of funding needed capital repairs and renovations. The 2009-10 Budget anticipated approximately $1,200,000 for capital reserves with the balance coming from unexpected revenue in warehouse taxes and construction reimbursement from the state. The ending balance was $2,325,265.

The District's healthcare expenses through the South Central Trust (SCT) held relatively steady compared to last year with a very small decrease in actual claims experience. This allowed the District to increase reserves in SCT by $250,000.

In the 2007-2008 fiscal year, the Big Spring School District completed a multi-year process that included opening a new High School, renovating the old High School into a Middle School and renovating the old Middle School into Mount Rock Elementary School. The District made its last payment on the 1997 Series bonds in March 2009; however, that millage was continued in the 2009-10 Budget in order to support the possible expansion at Newville and replacement of the Plainfield building. In December 2009 the Board approved bids for the expansion and renovation at Newville totaling $2,774,334. Because the Board was still considering a possible Plainfield replacement, the District arranged a short term loan of up to $3.5 million with Orrstown Bank to support the continuing costs of the Newville project.

The Board position on Plainfield replacement began to reverse as the economy went bad and enrollment was in a slow but steady decline. In June 2010 the Board decided to stop the Plainfield planning process, add 2 more classrooms to the Newville project and directed the administration to develop an elementary school reconfiguration using two K-3 buildings, one 4-5 building to complement the existing MS and HS. Reorganization would allow each elementary building to focus on fewer grade levels and assist in maintaining even class sizing should a continued drop in enrollment cause a reduction in staffing.

In October 2010 the District sold $9,240,000 in bonds that included refinancing the existing 2005 bonds with a one-time savings of $119,000 to occur in 2010-11. The proceeds also paid off the Orrstown note used to pay for 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 purchase 63 acres adjacent to the existing campus for future use. Standard and Poor's rating of the District is A+/Stable.

The District completed its third 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 $770,051 in gaming monies in 2009-10 compared with $770,266 in 2008-09; these funds were distributed in an equal amount of $133.65 to each qualified homestead/farmstead property.

In 2008-09 the District did not request an exception to the Act 1 index. In 2009-10 the economy continued to devastate the PSERS retirement system and steep increases in employer contributions were forecast. 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%.

On the expense side, several areas performed better than expected. While the Regular Education program has almost $470,000 left over, in reality that was a result of a reduced PSERS rate compared to the forecasted rate in effect at budget time. One area of significant savings is in 2600 Operation & Maintenance program. The principal savings here are from energy savings realized from the geothermal project installed under the Guaranteed Energy Savings program and an enhanced monitoring program focusing on energy use. Over the past year the District has reduced heating set points, increased A/C set points and closed buildings for 3-days each week during the summer.

The table below shows the original budget before any adjustments and then expenses by program (function) and the actual spent (or received) at year end.

2009-10	Budget	Actual	▲
Income			
Local Tax	$ 21,487,784	$ 21,824,617	$ 336,833
Other Local	998,000	1,430,369	432,369
State	16,336,417	15,838,355	(498,062)
Federal	1,087,268	1,870,940	783,672
Expenses			
Regular Ed	15,433,427	14,964,337	469,090
Special Ed	5,354,553	5,545,712	(191,159)
Voc Ed	662,763	578,023	84,740
Other Instr	180,349	103,635	76,714
High Ed	0	550	(550)
Student Svcs	917,959	872,447	45,512
Staff Svcs	1,319,133	1,406,464	(87,331)
Admin	2,301,504	2,285,608	15,896
Pupil Health	482,296	417,044	65,252
Business	588,615	473,871	114,744
Opn & Maint	4,282,489	3,597,029	685,460
Stu Trans Svcs	2,244,781	2,292,507	(47,726)
Central Svc	43,802	70,580	(26,778)
Othr Supt Svc	36,000	26,981	9,019
Stu Act & Athletic	603,656	604,254	(598)
Community Svc	23,200	27,166	(3,966)
Debt Svc	4,682,248	4,079,944	602,304
Interfund Xfer	552,694	2,783,962	(2,231,268)
Budget Reserv	200,000	0	200,000

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 $23,616,384 at June 30, 2010, $20,285,811 at June 2009, and $18,881,061 at June 30, 2008 which is an increase of $3,330,573 from June 2009 and $1,404,750 from June 2008. The following summarizes the Statement of Net Assets (page FS-1).

	Governmental Activities			Business-type Activities			Totals		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Current and other assets	$10.0	$ 7.9	$ 8.8	$ 0.3	$ 0.1	$ 0.2	$10.3	$ 8.0	$ 9.0
Capital assets	52.5	52.6	53.7	0.6	0.7	0.7	$53.1	$53.3	$54.4
Total assets	$62.5	$60.5	$62.5	$ 0.9	$ 0.8	$ 0.9	$63.4	$61.3	$63.4
Current and other liabilities	$ 7.2	$ 3.3	$ 3.6	$ 0.1	$ -	$ -	$ 7.3	$ 3.3	$ 3.6
Long-term liabilities	32.5	37.7	40.8	-	-	0.1	32.5	37.7	40.9
Total liabilities	39.7	41.0	44.4	0.1	-	0.1	39.8	41.0	44.5
Capital assets (net of related debt)	17.6	15.9	14.0	0.6	0.7	0.7	18.2	16.6	14.7
Unrestricted	5.2	3.6	4.1	0.2	0.1	0.1	5.4	3.7	4.2
Total net assets	22.8	19.5	18.1	0.8	0.8	0.8	23.6	20.3	18.9
Total liabilities and net assets	$62.5	$60.5	$62.5	$ 0.9	$ 0.8	$ 0.9	$63.4	$61.3	$63.4

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 2010 net assets, $18,211,182 out of $23,616,384 total, 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 $3,330,573 during 2010 and by $1,404,750 during 2009.

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2008
Program revenues						
Charges for services	$ 0.4	$ 0.4	$ 0.8	$ 0.9	$ 1.2	$ 1.3
Operating grants and contributions	8.3	7.0	0.6	0.5	8.9	7.5
Capital grants and contributions	1.5	1.1	-	-	1.5	1.1
General revenues						
Taxes	22.1	20.5	-	-	22.1	20.5
Earnings on investments	-	0.2	-	-	-	0.2
State general subsidies	8.9	9.5	-	-	8.9	9.5
Total revenues	41.2	38.7	1.4	1.4	42.6	40.1
Direct expenses	37.9	37.2	1.4	1.5	39.3	38.7
Excess revenues (expenses) before transfers	3.3	1.5	-	(0.1)	3.3	1.4
Transfers between activities	-	(0.1)	-	0.1	-	-
Change in net assets	$ 3.3	$ 1.4	$ -	$ -	$ 3.3	$ 1.4

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	
	2010	2009	2010	2009	2010	2009
Instruction	$ 23.2	$ 22.7	$ 6.6	$ 5.2	$ 16.6	$ 17.5
Instructional student support	2.9	2.8	0.2	0.2	2.7	2.6
Administrative and financial support	3.1	2.7	0.1	0.1	3.0	2.6
Operation and maintenance of plant	4.1	4.4	0.1	0.1	4.0	4.2
Pupil transportation	2.3	2.3	1.6	1.7	0.7	0.6
Student activities	0.8	0.6	0.1	0.1	0.7	0.6
Community services	-	-	-	-	-	-
Interest on long-term debt	1.5	1.6	1.5	1.1	-	0.5
	$ 37.9	$ 37.2	$ 10.2	$ 8.5	27.7	28.7
Transfers to business-type activities					-	0.1
Net expenses - governmental activities					27.7	28.8
State general subsidies revenues					8.9	9.5
Total needs from taxes and other local sources					$ 18.8	$ 19.3

	Business-type Activities					
	Direct Expenses		Program Revenues		Net Expense	
	2010	2009	2010	2009	2010	2009
Food service	$ 1.4	$ 1.5	$ 1.4	$ 1.4	$ -	$ 0.1
Transfers from governmental activities					-	(0.1)
Net expenses - business-type activities					$ -	$ -

THE DISTRICT'S FUNDS

Governmental Funds – fund balances

	Governmental Fund Balances				
	2010	2009	2008	2009-2010 Change	2008-2009 Change
General fund - reserved	$ 0.3	$ 0.1	$ 0.5	$ 0.2	$ (0.4)
General fund - designated	0.6	-	-	0.6	-
General fund - undesignated	2.1	2.0	1.5	0.1	0.5
Capital reserve fund - undesignated	2.3	-	0.8	2.3	(0.8)
Capital projects fund - reserved	(1.4)	-	-	(1.4)	-
	$ 3.9	$ 2.1	$ 2.8	$ 1.8	$ (0.7)
Total reserved	$ (1.1)	$ 0.1	$ 0.5	$ (1.2)	$ (0.4)
Total designated	0.6	-	-	0.6	-
Total undesignated	4.4	2.0	2.3	2.4	(0.3)
	$ 3.9	$ 2.1	$ 2.8	$ 1.8	$ (0.7)

Changes from 2009 to 2010

The General Fund ended 2010 with a fund balance of $2,969,191, this is an increase of $834,167 over the 2009 balance. The Board intends to commit $554,000 to future PSERS expense.

The Capital Reserve Fund, now known as the Capital Projects Fund as a result of GASB 54, started the year at $6,548 and the District made three transfers to the fund; one during the year and two more as part of the year-end closeout with the intent of funding needed capital repairs and renovations. The ending balance was $2,325,263.

The negative fund balance in the Capital Projects Fund, now Construction Fund, 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.

The District self funds its health insurance plans through the South Central Trust and ended the year with $1,460,576 in the trust prior to audit. In addition to providing summer insurance coverage for the professional staff, this amount funds approximately two months of claims and fees, with any excess reserved for future claims. The reserved amount increased to $350,000.

Changes from 2008 to 2009 (Previous Year)

For 2008-09 the General Fund projected no change in undesignated fund balance; at June 2009 the fund balance was $2,135,024. This was an $112,130 increase from June 2008 and was mostly due to $249,450 in extra revenues from real estate taxes and federal grants.

The Capital Reserve Fund decrease of $799,280 was mostly due to expenditures related to a boiler replacement project in the DAO and Middle School.

General Fund Budget

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

	Final Budget		Actual Amount		Variance	
	2010	2009	2010	2009	2010	2009
Total revenues	$ 40.0	$ 38.2	$ 40.9	$ 38.4	$ 0.9	$ 0.2
Total expenditures	37.5	37.9	37.3	38.2	0.2	(0.3)
Excess revenues (expenditures)	2.5	0.3	3.6	0.2	1.1	(0.1)
Other financing sources (uses)	(2.5)	(0.3)	(2.8)	(0.1)	(0.3)	0.2
Net change in fund balance	$ -	$ -	$ 0.8	$ 0.1	$ 0.8	$ 0.1

In 2010, actual revenues exceeded the budgeted amount by $963,689. Actual expenditures were $156,746 under the budgeted amount, and transfers to other funds were $286,268 over 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 February 2009, the Board awarded bids for the replacement of the heating & air conditioning in the DAO and the boilers in the Middle School; these projects totaled $806,708 and were completed during the 2009-10 year.

In December 2009 the Board approved a project adding a 2-story 6-classroom addition to Newville to relieve the dangerous overcrowding. It accepted bids in January for and awarded those bids in February with an expected completion of November 2010. Because of the economy and falling enrollment, the Plainfield project was reduced in scope November 2009 and finally cancelled in June 2010. At that time the Board decided to add the 2 classrooms to the Newville project bringing the total to $3.3 million.

	Capital assets (net of depreciation)				
	2010	2009	2008	2009-2010 Change	2008-2009 Change
Governmental activities					
Land	$ 0.5	$ 0.5	$ 0.5	$ -	$ -
Construction in progress	1.3	0.5	-	0.8	0.5
Buildings and improvements	49.0	49.8	51.3	(0.8)	(1.5)
Furniture and equipment	1.2	1.2	1.3	-	(0.1)
Library books	0.2	0.2	0.2	-	-
Computer equipment	0.3	0.4	0.4	(0.1)	-
	$ 52.5	$ 52.6	$ 53.7	$ (0.1)	$ (1.1)
Business-type activities					
Furniture and equipment	$ 0.6	$ 0.7	$ 0.7	$ (0.1)	$ -

Capital assets in the governmental activities were $52,516,867 at June 2010, $52,607,816 at June 2009, and $53,741,240 at June 2008. During 2010 there was $1,931,648 in capital assets purchased and $2,022,597 of depreciation expense. During 2009, there was $810,288 of capital assets purchased and $1,943,712 of depreciation expense.

LONG-TERM LIABILITIES

The following summarizes the long-term liabilities note to financial statements (starting at page FS-23). 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. Moody's Investors Service, Inc. assigned its municipal bond rating of "Aaa" to the District's most recent series of general obligation bonds, the 2006 Series issued in March 2006.

	2010	2009	2008	2009-2010 Change	2008-2009 Change
Governmental activities					
General obligation bonds and notes	$ 35.3	$ 37.3	$ 40.5	$ (2.0)	$ (3.2)
Compensated absences	0.7	0.4	0.4	0.3	-
Other post employment benefits	0.3	0.1	-	0.2	0.1
Unamortized bond costs	-	(0.1)	(0.1)	0.1	-
	$ 36.3	$ 37.7	$ 40.8	$ (1.4)	$ (3.1)

Each year, the District pays interest on the debt and a portion of the outstanding bonds and notes, referred to as redemption. The District made regularly scheduled redemptions of $2,656,846 during 2010, $3,261,326 during 2009, and $3,141,783 during 2008.

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 detail is available starting at page FS-26 of the notes.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

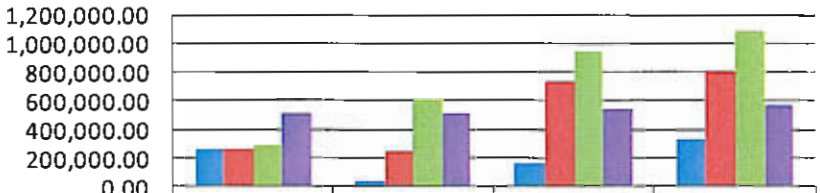
	Original Budget		
	2010-2011	2009-2010	Change
Total revenue	$ 40.9	$ 39.9	$ 1.0
Total expenditures and other uses	40.7	39.9	0.8
Excess revenues (expenditures)	$ 0.2	$ -	$ 0.2

The revenue budget for 2010-11 represents a 4% increase from the 2009-10 actual. The real estate millage rate increases by 0.587 mills, from 15.455 to 16.072. The earned income tax rate remains at 1.65%.

The expenditure budget for 2010-11 represents a 2.6% increase over actual 2009-10. Although the salary contract increase is 4.35%, other areas in the budget were cut including several positions. This increase includes anticipated increases in energy, PSERS, healthcare and maintenance of debt service for the Newville bond issue.

In recent years the District has spent more funds to send our students to external schooling. The District participates in a consortium that requires tuition payments for special needs placements to those LEAs. The cost of private schools, to meet our ever increasing special education requirements, increased dramatically over the past four years.

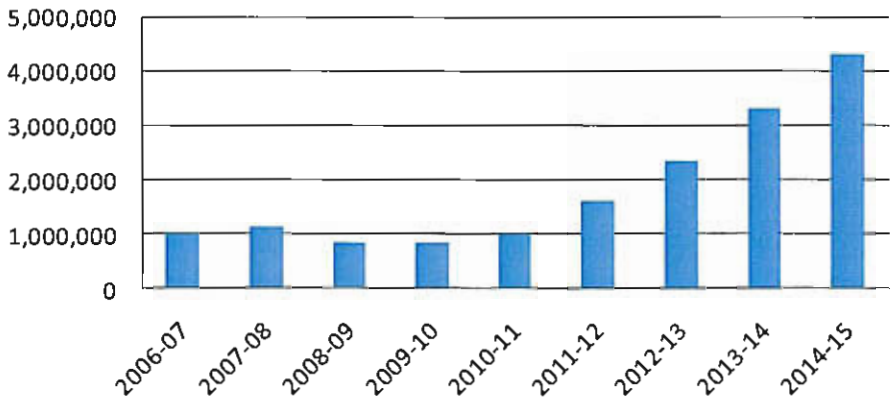
Student Tuition



	2006-07	2007-08	2008-09	2009-10
Other LEA/Public	258,582.00	46,543	163,352	337,637
PA Charter	263,535.00	247,076	740,932	805,586
Private Schls	285,865.00	615,618	946,653	1,093,034
Vocational Ed	508,622.00	513,643	545,187	578,023

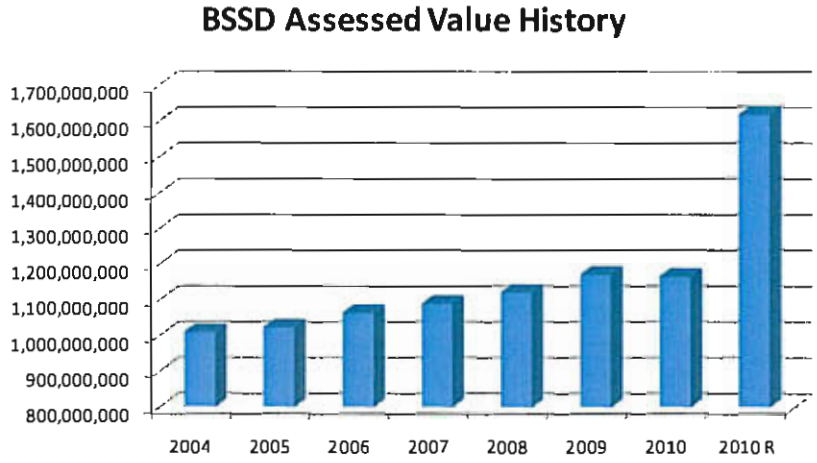
The increase in PSERS contributions has a major effect on budgets – for Districts and the Commonwealth since they pay half each. An estimate of our future PSERS liability is shown in the chart below.

PSERS Expense



As the District considers reorganization, a review of capital projects needed to support the repair and upkeep of existing facilities and infrastructure continues. Last year the 5-year Capital Plan included $1.502 million in various projects across the district and $1.5 estimated for the replacement of single-pane windows in the Middle School, Mount Rock, DAO and Newville.

In 2010 Cumberland County conducted a reassessment of properties. As the District prepares for 2012 Budget, it will need to adjust millage down to equalize revenue after the assessment goes into effect on July 2011.



The economic downturn caused unexpected loss of revenues in 2009-10 and those reductions are expected to stabilize in 2011. However, EIT revenues remain lower than 2009 levels and investment income is no longer a significant source of revenues.

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, 2010

(With Summarized Financial Information for June 30, 2009)

	Governmental Activities	Business-type Activities	Totals 2010	Totals 2009
Assets				
Cash and cash equivalents	$ 1,376,690	$ 230,277	$ 1,606,967	$ 2,238,656
Investments	2,500,000	-	2,500,000	-
Taxes receivable (net of allowance for uncollectibles)	2,860,000	-	2,860,000	2,685,000
Internal balances	230	(230)	-	-
Due from other governments	2,428,180	5,448	2,433,628	2,512,170
Other receivables	126,999	354	127,353	38,080
Inventories	-	45,882	45,882	27,946
Prepaid health insurance	350,000	-	350,000	100,000
Unamortized bond issuance costs	393,767	-	393,767	466,179
Capital assets not being depreciated	1,883,106	-	1,883,106	985,985
Capital assets being depreciated (net of accumulated depreciation)	50,633,761	573,590	51,207,351	52,274,044
Total assets	$ 62,552,733	$ 855,321	$ 63,408,054	$ 61,328,060
Liabilities				
Accounts payable	$ 449,713	$ -	$ 449,713	$ 355,596
Contracts payable	557,366	-	557,366	219,120
Payroll and benefits payable	2,084,316	1,883	2,086,199	2,281,759
Deferred revenues	-	17,340	17,340	15,374
Accrued interest on bonds payable	406,600	-	406,600	411,100
Long-term liabilities				
Due within one year	3,762,531	7,000	3,769,531	2,965,846
Due in more than one year	32,512,494	29,825	32,542,319	34,904,789
Unamortized bond discounts and refunding costs	(37,398)	-	(37,398)	(111,335)
Total liabilities	39,735,622	56,048	39,791,670	41,042,249
Net assets				
Invested in capital assets (net of related debt)	17,637,592	573,590	18,211,182	16,560,068
Unrestricted	5,179,519	225,683	5,405,202	3,725,743
Total net assets	22,817,111	799,273	23,616,384	20,285,811
Total liabilities and net assets	$ 62,552,733	$ 855,321	$ 63,408,054	$ 61,328,060

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

(With Summarized Financial Information for the Year Ended June 30, 2009)

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	Net (Expense) Revenue and Changes in Net Assets: Totals: 2010	Net (Expense) Revenue and Changes in Net Assets: Totals: 2009
Governmental activities								
Instruction	$ 23,189,234	$ 368,351	$ 6,234,437	$ -	$ (16,586,446)	$ -	$ (16,586,446)	$ (17,499,745)
Instructional student support	2,919,803	-	225,185	-	(2,694,618)	-	(2,694,618)	(2,619,985)
Administrative and financial support	3,047,365	-	112,928	-	(2,934,437)	-	(2,934,437)	(2,615,459)
Operation and maintenance of plant	4,117,022	13,319	80,399	-	(4,023,304)	-	(4,023,304)	(4,246,841)
Pupil transportation	2,292,507	-	1,583,484	-	(709,023)	-	(709,023)	(625,694)
Student activities	782,595	50,381	26,967	-	(705,247)	-	(705,247)	(571,928)
Community services	27,166	-	11,950	-	(15,216)	-	(15,216)	(19,057)
Interest on long-term debt	1,483,558	-	-	1,519,391	35,833	-	35,833	(476,057)
Total governmental activities	37,859,250	432,051	8,275,350	1,519,391	(27,632,458)	-	(27,632,458)	(28,674,766)
Business-type activities								
Food service	1,394,199	805,380	529,768	-	-	(59,051)	(59,051)	(70,845)
Total school district	$ 39,253,449	$ 1,237,431	$ 8,805,118	$ 1,519,391	(27,632,458)	(59,051)	(27,691,509)	(28,745,611)
General revenues								
Taxes								
Real estate taxes					17,216,685	-	17,216,685	15,747,609
Earned income taxes					4,391,916	-	4,391,916	4,273,819
Personal taxes					183,150	-	183,150	178,366
Other taxes					277,866	-	277,866	258,856
Earnings on investments					38,306	341	38,647	154,199
State general subsidies					8,913,818	-	8,913,818	9,537,512
Total general revenues					31,021,741	341	31,022,082	30,150,361
Transfers between governmental and business-type activities					(48,050)	48,050	-	-
Total general revenues and transfers					30,973,691	48,391	31,022,082	30,150,361
Change in net assets					3,341,233	(10,660)	3,330,573	1,404,750
Net assets - beginning					19,475,878	809,933	20,285,811	18,881,061
Net assets - ending					$ 22,817,111	$ 799,273	$ 23,616,384	$ 20,285,811

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

BIG SPRING SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010

(With Summarized Financial Information for June 30, 2009)

	General	Capital Projects	Capital Reserve	Athletic	Totals 2010	Totals 2009
Assets						
Cash and cash equivalents	$ 1,286,458	$ 21,448	$ 66,696	$ 2,088	$ 1,376,690	$ 2,060,849
Investments	2,500,000	-	-	-	2,500,000	-
Taxes receivable (net of allowance for uncollectibles)	2,860,000	-	-	-	2,860,000	2,685,000
Due from other funds	831,583	-	2,258,567	-	3,090,150	223
Due from other governments	2,428,180	-	-	-	2,428,180	2,507,502
Other receivables	126,999	-	-	-	126,999	31,253
Prepaid health insurance	350,000	-	-	-	350,000	100,000
Total assets	$10,383,220	$ 21,448	$ 2,325,263	$ 2,088	$ 12,732,019	$ 7,384,827
Liabilities and fund balances						
Accounts payable	$ 449,713	$ -	$ -	$ -	$ 449,713	$ 355,306
Contracts payable	-	557,366	-	-	557,366	219,120
Payroll and benefits payable	2,084,316	-	-	-	2,084,316	2,279,930
Due to other funds	2,250,000	837,832	-	2,088	3,089,920	-
Deferred revenues	2,630,000	-	-	-	2,630,000	2,385,000
Total liabilities	7,414,029	1,395,198	-	2,088	8,811,315	5,239,356
Reserved for prepaid health insurance	350,000	-	-	-	350,000	100,000
Reserved for capital projects	-	(1,373,750)	-	-	(1,373,750)	-
Designated for pension plan rate increases	554,000	-	-	-	554,000	-
Unreserved - undesignated						
General fund	2,065,191	-	-	-	2,065,191	2,035,024
Special revenue funds	-	-	2,325,263	-	2,325,263	10,447
Total fund balances	2,969,191	(1,373,750)	2,325,263	-	3,920,704	2,145,471
Total liabilities and fund balances	$10,383,220	$ 21,448	$ 2,325,263	$ 2,088	$ 12,732,019	$ 7,384,827

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, 2010

Total fund balances - Governmental funds		$ 3,920,704
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 $ 81,097,348 and the accumulated depreciation is $ 28,580,481.		52,516,867
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	$ (35,310,440)	
Compensated absences	(700,700)	
Other post employment benefit accruals	(263,885)	
Long-term liabilities	(36,275,025)	
Accrued interest on bonds payable	(406,600)	(36,681,625)
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	393,767	
Bond discounts (premiums)	(65,250)	
Refunding costs	102,648	431,165
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	640,000	
Earned income taxes	1,980,000	
Personal taxes	10,000	2,630,000
Total net assets - Governmental activities		$ 22,817,111

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, 2010

(With Summarized Financial Information for the Year Ended June 30, 2009)

	General	Capital Projects	Capital Reserve	Athletic	Totals 2010	Totals 2009
Revenues						
Local sources - taxes	$ 21,824,617	$ -	$ -	$ -	$ 21,824,617	$ 20,263,650
Local sources - other	1,430,369	11	137	50,381	1,480,898	1,206,319
State sources	15,838,355	-	-	-	15,838,355	16,239,081
Federal sources	1,870,940	-	-	-	1,870,940	789,946
Total revenues	40,964,281	11	137	50,381	41,014,810	38,498,996
Expenditures						
Instruction	21,192,257	-	-	-	21,192,257	21,219,365
Support services	11,442,531	355,112	324,882	-	12,122,525	12,374,088
Noninstructional services	631,420	-	-	140,192	771,612	618,245
Capital outlay	-	1,706,160	6,540	-	1,712,700	69,578
Debt service (principal and interest)	4,068,667	2,300	-	-	4,070,967	4,842,048
Refund of prior years revenues	11,277	-	-	-	11,277	-
Total expenditures	37,346,152	2,063,572	331,422	140,192	39,881,338	39,123,324
Excess (deficiency) of revenues over expenditures	3,618,129	(2,063,561)	(331,285)	(89,811)	1,133,472	(624,328)
Other financing sources (uses)						
Proceeds from extended term financing	-	689,811	-	-	689,811	-
Transfers from other funds	-	-	2,650,000	85,912	2,735,912	81,000
Transfers to other funds	(2,783,962)	-	-	-	(2,783,962)	(145,182)
Net change in fund balances	834,167	(1,373,750)	2,318,715	(3,899)	1,775,233	(688,510)
Fund balances - beginning	2,135,024	-	6,548	3,899	2,145,471	2,833,981
Fund balances - ending	$ 2,969,191	$ (1,373,750)	$ 2,325,263	$ -	$ 3,920,704	$ 2,145,471

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, 2010

Total net change in fund balances - Governmental funds		$ 1,775,233
Amounts presented for governmental activities in the statement of activities are different because:		
Capital outlays are presented as expenditures in the governmental funds. In the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. During the year capital outlays and depreciation expense are as follows:		
Capital outlays	$ 1,931,648	
Depreciation expense	(2,022,597)	(90,949)
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.		2,656,846
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 short term notes payable were issued.		(689,811)
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	-	
Amortization expense	(146,349)	(146,349)
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	110,000	
Earned income taxes	130,000	
Personal taxes	5,000	245,000
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.		4,500
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.		(105,237)
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.		(308,000)
Change in net assets - Governmental activities		$ 3,341,233

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2010

(With Summarized Financial Information for June 30, 2009)

	Food Service	
	2010	2009
Assets		
Cash and cash equivalents	$ 230,277	$ 177,807
Due from other governments	5,448	4,668
Other receivables	354	6,827
Inventories	45,882	27,946
Total current assets	281,961	217,248
Furniture and equipment (net of accumulated depreciation)	573,590	652,213
Total assets	$ 855,551	$ 869,461
Liabilities		
Accounts payable	$ -	$ 290
Payroll and benefits payable	1,883	1,829
Due to other funds	230	223
Deferred revenues	17,340	15,374
Current portion of compensated absences	7,000	7,000
Total current liabilities	26,453	24,716
Long-term portion of compensated absences	29,825	34,812
Total liabilities	56,278	59,528
Net assets		
Invested in capital assets (net of related debt)	573,590	652,213
Unrestricted	225,683	157,720
Total net assets	799,273	809,933
Total liabilities and net assets	$ 855,551	$ 869,461

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, 2010
(With Summarized Financial Information for the Year Ended June 30, 2009)

	Food Service	
	2010	2009
Operating revenues - Food service revenue	$ 805,380	$ 881,775
Operating expenses		
Salaries	481,790	465,428
Employee benefits	186,935	223,267
Purchased property service	66,000	63,000
Food and milk	574,786	596,008
Other expenses	6,065	10,384
Depreciation	78,623	87,302
Total operating expenses	1,394,199	1,445,389
Operating income (loss)	(588,819)	(563,614)
Nonoperating revenues		
Earnings on investments	341	735
State sources - social security and retirement subsidies	28,795	28,710
State sources - meal subsidies	42,509	45,626
Federal sources - meal subsidies	367,045	336,135
Federal sources - donated commodities	91,419	82,298
Total nonoperating revenues	530,109	493,504
Income (loss) before transfers	(58,710)	(70,110)
Transfers from other funds	48,050	64,182
Change in net assets	(10,660)	(5,928)
Net assets - beginning	809,933	815,861
Net assets - ending	$ 799,273	$ 809,933

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, 2010

(With Summarized Financial Information for the Year Ended June 30, 2009)

	Food Service	
	2010	2009
Operating activities		
Cash received from users	$ 813,819	$ 877,804
Cash payments to employees for services	(673,658)	(688,904)
Cash payments to suppliers for goods and services	(573,658)	(587,752)
Net cash provided by (used for) operating activities	(433,497)	(398,852)
Non-capital financing activities		
State sources	71,293	74,669
Federal sources	366,276	337,065
General fund advances (Due to other funds)	7	14,851
General fund contributed services	48,050	64,182
Net cash provided by (used for) non-capital financing activities	485,626	490,767
Capital and related financing activities		
Cash payments for equipment	-	(18,642)
Net cash provided by (used for) capital and related financing activities	-	(18,642)
Investing activities		
Earnings on investments	341	735
Net cash provided by (used for) investing activities	341	735
Net change in cash and cash equivalents	52,470	74,008
Cash and cash equivalents - beginning	177,807	103,799
Cash and cash equivalents - ending	$ 230,277	$ 177,807
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities		
Operating income (loss)	$ (588,819)	$ (563,614)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation	78,623	87,302
Donated commodities	91,419	82,298
Net change in other assets and other liabilities		
Other receivables	6,473	(6,132)
Inventories	(17,936)	2,790
Accounts payable	(290)	(3,448)
Payroll and benefits payable	54	54
Deferred revenues	1,966	2,161
Compensated absences	(4,987)	(263)
Total adjustments	155,322	164,762
Net cash provided by (used for) operating activities	$ (433,497)	$ (398,852)

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2010

(With Summarized Financial Information for June 30, 2009)

	Student Activities	
	2010	2009
Assets		
Cash and cash equivalents	$ 151,177	$ 143,971
Total assets	$ 151,177	$ 143,971
Liabilities		
Due to student groups	$ 151,177	$ 143,971
Total liabilities	151,177	143,971
Net assets	-	-
Total liabilities and net assets	$ 151,177	$ 143,971

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

The 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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 therefore are not included in this reporting entity. The entities do not have taxing power, but each is required to adopt an annual budget, which is funded primarily by its member Districts or others that use its services. Complete financial statements for these entities can be obtained from their administrative offices.

Capital Area Intermediate Unit provides special education services and programs.

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

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.

The 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation - Fund financial statements

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

The 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.

Proprietary funds distinguish operating revenues and expenses 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 for use, it is the District's general policy to use the restricted (primarily operating grants) resources first, then unrestricted resources as they are needed.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

Fund accounting (Cont'd.)

The District has the following major types of funds:

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

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

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

The District presents the following major governmental funds:

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

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

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

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

Fund accounting (Cont'd.)

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. During the year these programs increased both revenues and expenditures of the original budget by $ 91,123.

The Capital Reserve Fund accounts for transfers from the General Fund and expenditures of those funds for capital outlays.

The Athletic Fund accounts for athletic revenues and transfers from the General Fund and expenditures of those funds for athletics.

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

The District's 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.

The 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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 to/from 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.

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	-
Computer equipment	5	5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Long-term liabilities

In the district-wide financial statements, and proprietary fund types in the 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 the 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.

Net assets

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

Invested in capital assets (net of related debt) - This category groups 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 external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions 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 internally designated for specific projects or purposes in the fund financial statements.

Fund balance reserves and designations

In the governmental fund financial statements, reserves and designations segregate portions of the fund balance that are either not available or have been earmarked for specific purposes. Fund balance reserves and designations are as follows:

Reserved for prepaid health insurance - This category presents resources already utilized so they are not considered as current available funds.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Fund balance reserves and designations (Cont'd.)

Reserved for capital projects - This category presents resources which must be utilized for capital projects; therefore, they are not considered as current available funds for any other purpose.

Designated for pension plan rate increases - This category presents an amount toward the projected increases in contractually-required contributions to the pension plan.

Recent accounting standards

In March 2009, the 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 is required to implement GASB 54 in its year beginning July 2010.

In March 2009, the GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. GASB 55 was effective upon issuance. The District has implemented this standard in the current year.

In March 2009, the GASB issued Statement No. 56, *Codification of the Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the AICPA's Statements on Auditing Standards. This statement addresses three issues not included in the authoritative literature that establishes accounting principles: related party transactions; going concern considerations; and subsequent events. GASB 56 was effective upon issuance. The District has implemented this standard in the current year.

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, 2009, from which the summarized information was derived.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Subsequent events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 30, 2010, 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 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, 2010, the District's deposits totaled $ 160,331 and the depository institution balances totaled $ 533,359. Of the depository institution balances, $ 416,068 was covered by federal depository insurance and $ 117,291 was collateralized. The pledged collateral is held by the Federal Reserve Bank, but is not titled in the District's name.

The District also has cash equivalents and investments with the 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. The fundamental policy of PSDLAF and PLGIT are 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. PSDLAF and PLGIT may only purchase securities which are permitted under PA law. As of June 30, 2010, the District's deposits in PSDLAF and PLGIT totaled $ 4,094,251 and $ 3,562, 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 the 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 (Cont'd.)

Cash and cash equivalents and investments are as follows:

	Cash and Cash Equivalents	Investments
Governmental activities	$ 1,376,690	$ 2,500,000
Business-type activities	230,277	-
Fiduciary funds	151,177	-
	$ 1,758,144	$ 2,500,000

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

TAXES RECEIVABLE

Taxes receivable are as follows:

	Taxes Receivable (Gross)	Allowance for Uncollectibles	Taxes Receivable (Net)	Deferred Tax Revenue
Real estate taxes	$ 872,401	$ (2,401)	$ 870,000	$ 640,000
Earned income taxes	1,980,000	-	1,980,000	1,980,000
Personal taxes	21,714	(11,714)	10,000	10,000
General Fund	2,874,115	(14,115)	2,860,000	2,630,000
Full accrual adjustment	-	-	-	(2,630,000)
Governmental activities	$ 2,874,115	$ (14,115)	$ 2,860,000	$ -

DUE FROM/TO OTHER FUNDS AND INTERFUND TRANSFERS

Interfund balances are as follows:

Assets			Liabilities	
General Fund	$ 829,265	$ 829,265		Capital Projects Fund
General Fund	2,088	2,088		Athletic Fund
General Fund	230	230		Food Service Fund
Capital Reserve Fund	2,250,000	2,250,000		General Fund
Capital Reserve Fund	8,567	8,567		Capital Projects Fund

Interfund transfers were as follows:

Other financing sources		Other financing uses	
Capital Reserve Fund	$ 2,650,000	$ 2,650,000	General Fund
Athletic Fund	85,912	85,912	General Fund
Food Service Fund	48,050	48,050	General Fund

DUE FROM OTHER GOVERNMENTS

Due from other governments are as follows:

	Governmental Activities	Business-type Activities
Local sources – earned income taxes	$ 756,430	$ -
Local sources – IDEA - B grant	383,687	-
Local sources – other districts	337,088	-
Local sources – other items	20,802	-
State sources	531,799	464
Federal sources	398,374	4,984
	$ 2,428,180	$ 5,448

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	$ -	$ -	$ 501,824
Construction in progress	484,161	1,703,829	(806,708)	1,381,282
	985,985	1,703,829	(806,708)	1,883,106
Capital assets being depreciated				
Buildings and improvements	68,463,674	806,708	-	69,270,382
Furniture and equipment	3,432,333	222,829	-	3,655,162
Library books	2,308,721	-	-	2,308,721
Computer equipment	3,974,987	4,990	-	3,979,977
	78,179,715	1,034,527	-	79,214,242
Accumulated depreciation				
Buildings and improvements	(18,681,001)	(1,618,321)	-	(20,299,322)
Furniture and equipment	(2,184,867)	(291,218)	-	(2,476,085)
Library books	(2,077,848)	-	-	(2,077,848)
Computer equipment	(3,614,168)	(113,058)	-	(3,727,226)
	(26,557,884)	(2,022,597)	-	(28,580,481)
Capital assets being depreciated, net	51,621,831	(988,070)	-	50,633,761
Governmental activities capital assets, net	$ 52,607,816	$ 715,759	$ (806,708)	$ 52,516,867
Business-type activities				
Capital assets being depreciated				
Furniture and equipment	$ 1,568,486	$ -	$ -	$ 1,568,486
Accumulated depreciation				
Furniture and equipment	(916,273)	(78,623)	-	(994,896)
Capital assets being depreciated, net	652,213	(78,623)	-	573,590
Business-type activities capital assets, net	$ 652,213	$ (78,623)	$ -	$ 573,590

CAPITAL ASSETS (Cont'd.)

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Instruction	$ 1,627,740
Instructional student support	178,654
Administrative and financial support	79,402
Operation and maintenance of plant	99,252
Student activities	37,549
	$ 2,022,597
Business-type activities - Food service	$ 78,623

During the year the Middle School boiler replacement project was completed, at a total cost of $ 806,708.

The construction in progress at June 2010 was the construction project at the Newville Elementary School.

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 $ 2,630,000 consist entirely of taxes receivable not received within 2 months of the end of the fiscal period.

Deferred revenues in the proprietary funds and the district-wide financial statements represents 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	$ 37,277,475	$ 689,811	$ (2,656,846)	$ 35,310,440	$ 3,462,531
Compensated absences	392,700	353,506	(45,506)	700,700	100,000
Other post employment benefits	158,648	476,153	(370,916)	263,885	200,000
	$ 37,828,823	$ 1,519,470	$ (3,073,268)	$ 36,275,025	$ 3,762,531
Business-type activities					
Compensated absences	$ 41,812	$ 4,000	$ (8,987)	$ 36,825	$ 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	$ 2,965,000	$ -	$ (275,000)	$ 2,690,000
2001 Series	2,085,000	-	(715,000)	1,370,000
2003 Series	14,535,000	-	(1,025,000)	13,510,000
2005 Series	3,320,000	-	(420,000)	2,900,000
2006 Series	9,820,000	-	(80,000)	9,740,000
2006 Notes (energy savings project)	4,552,475	-	(141,846)	4,410,629
2010 Notes (short-term)	-	689,811	-	689,811
	$ 37,277,475	$ 689,811	$ (2,656,846)	$ 35,310,440

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	$ 290,000
2001 Series	4.40% to 5.00%	February 2021	August 2011	745,000
2003 Series	3.65% to 5.00%	April 2023	April 2013	1,055,000
2005 Series	3.30% to 3.80%	June 2016	December 2010	435,000
2006 Series	3.50% to 4.05%	March 2021	August 2011	80,000
2006 Notes	3.95%	December 2021	Annually, with fees	167,720
2010 Notes	2.10%	March 2011	At any time	689,811
				$ 3,462,531

(1) The 1999 Series pays interest at a variable rate of 1.85% above the "weekly rate", not to exceed 25.00%. At June 2010 the "weekly rate" was 0.27%.

During the year ended June 2010, $ 2,300 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 (except for the short-term note which was repaid from permanent financing), are as follows:

LONG-TERM LIABILITIES (Cont'd.)

Year Ending June	Principal	Interest	Total
2011	$ 3,462,531	$ 1,338,534	$ 4,801,065
2012	2,900,640	1,233,624	4,134,264
2013	3,060,736	1,109,895	4,170,631
2014	3,218,151	987,724	4,205,875
2015	3,368,030	874,561	4,242,591
2016-2020	14,596,162	2,561,465	17,157,627
2021-2023	4,704,190	324,693	5,028,883
	$ 35,310,440	$ 8,430,496	$ 43,740,936

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 the District-wide financial statements. As of June 30, 2010 $ 9,135,000 of defeased bonds remain outstanding and are scheduled to be called in August 2011.

Compensated absences

Compensated absences (those for which employees receive pay) 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 termination payments. 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 $ 12,000 for administrators and $ 13,500 for all other employees):

1. Number of full years of service in the District multiplied by $ 200 (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

LONG-TERM LIABILITIES (Cont'd.)

Other post employment benefits (OPEBs)

The District reports OPEBs in accordance with GASB Statement No. 45 (GASB 45), which requires recognition of OPEBs 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.

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.

LONG-TERM LIABILITIES (Cont'd.)

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

Annual OPEB cost and net OPEB obligation

The District's 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 has selected to have the UAAL amortized over a period of 30 years.

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

Employer normal cost	$ 233,464
Amortization of unfunded actuarial accrued liability	245,290
Annual required contribution	478,754
Interest on the net OPEB obligation	7,139
Adjustment to the ARC	(9,740)
Annual OPEB cost	476,153
Contributed to the plan	(370,916)
Increase in net OPEB obligation	105,237
Net OPEB obligation - beginning	158,648
Net OPEB obligation - end	$ 263,885

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 2010	$ 476,153	77.90 %	$ 263,885

Funding status and funding progress

The District's 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 %

LONG-TERM LIABILITIES (Cont'd.)

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

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	7.50% in 2010, decreasing by 0.50% per year to 5.50% in 2014. Rates gradually decrease from 5.30% in 2015 to 4.20% 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 date
Amortization period	30 years

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

Projections of benefits are based on the types of benefits provided under the plan at the time of each valuation and on the pattern of sharing of benefit costs between the 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 information (ORI) 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 year ended June 2009 was the year of implementation of GASB 45, the OPEB disclosure standards were implemented prospectively; therefore, the ORI 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 by accessing the System's website at www.psers.state.pa.us.

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

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

Active members newly 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.

Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 2010 the employer contribution rate was 4.78 percent of covered payroll, composed of 4.00 percent for pension benefits and 0.78 percent for healthcare insurance premium assistance. The District's contributions to the system for the years ended June 2010, 2009 and 2008 were $ 867,260, $ 821,696, and $ 1,204,162, respectively. Those amounts are equal to the required contributions for each year.

RISK MANAGEMENT

Health insurance

The District's health insurance plan allows each participant to choose one of the three coverage options available through South Central Trust. 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		$ 1,214,169
Payments from the District and its retirees		3,843,320
Benefit claims paid by the trust	$ (3,257,410)	
Administrative and other fees, net of interest earned	(268,443)	
Stop loss premiums	(71,060)	
		(3,596,913)
Cash balance in the trust - ending		$ 1,460,576

The amount available in the trust was as follows:

Accrual for benefit claims	$ 570,576
Accrual for administrative and other fees	45,000
Accrual for health insurance coverage on payroll payable	495,000
Amount available for accrued costs - ending	1,110,576
Prepaid health insurance	350,000
Cash balance in the trust - ending	$ 1,460,576

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.

RISK MANAGEMENT (Cont'd.)

Other insurance (Cont'd.)

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 2011.

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.

Alterations and additions to Newville Elementary School are expected to cost approximately $ 3,150,000, of which $ 1,381,282 was completed as of June 2010.

SUBSEQUENT EVENTS

In October 2010 the District issued its 2010 Series A General Obligation Bonds in the amount of $ 9,240,000 at an average interest rate of 2.90%. The net proceeds of $ 9,069,925 (net of bond premium, underwriter's discount and all other issuance costs of $ 170,075) were expected to be used as follows:

Call the 2005 series of bonds	$ 2,951,409
Payoff 2010 Notes (short-term)	2,840,452
Reimburse the General Fund	829,265
Reimburse the Capital Reserve Fund	8,567
Complete the Newville Elementary School project	1,128,102
Purchase land for future use	490,000
Estimated to be available for other projects	822,130
	$ 9,069,925

BIG SPRING SCHOOL DISTRICT

BUDGETARY COMPARISON INFORMATION - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance With Final Budget Positive (Negative)
Revenues				
Local sources - taxes	$ 21,487,784	$ 21,487,784	$ 21,824,617	$ 336,833
Local sources - other	998,000	1,368,696	1,430,369	61,673
State sources	16,336,417	16,329,654	15,838,355	(491,299)
Federal sources	1,087,268	814,458	1,870,940	1,056,482
Total revenues	39,909,469	40,000,592	40,964,281	963,689
Expenditures				
Regular programs	15,433,427	14,965,264	14,964,337	927
Special programs	5,354,553	5,546,138	5,545,712	426
Vocational programs	662,763	578,763	578,023	740
Other instructional programs	180,349	130,349	103,635	26,714
Higher education programs	-	6,848	550	6,298
Pupil personnel	917,959	873,419	872,447	972
Instructional staff	1,319,133	1,411,102	1,406,464	4,638
Administration	2,301,504	2,290,494	2,285,608	4,886
Pupil health	482,296	482,296	417,044	65,252
Business	588,615	483,615	473,871	9,744
Operation and maintenance of plant	4,282,489	3,597,489	3,597,029	460
Student transportation	2,244,781	2,292,781	2,292,507	274
Central services	43,802	70,802	70,580	222
Other support services	36,000	36,000	26,981	9,019
Student activities	603,656	608,656	604,254	4,402
Community services	23,200	29,377	27,166	2,211
Debt service (principal and interest)	4,682,248	4,087,505	4,068,667	18,838
Refund of prior years revenues	-	12,000	11,277	723
Total expenditures	39,156,775	37,502,898	37,346,152	156,746
Excess (deficiency) of revenues over expenditures	752,694	2,497,694	3,618,129	1,120,435
Other financing sources (uses)				
Transfers to other funds	(552,694)	(2,497,694)	(2,783,962)	(286,268)
Budgetary reserve	(200,000)	-	-	-
Net change in fund balances	-	-	834,167	834,167
Fund balance - beginning	1,588,000	1,588,000	2,135,024	547,024
Fund balance - ending	$ 1,588,000	$ 1,588,000	$ 2,969,191	$ 1,381,191

BIG SPRING SCHOOL DISTRICT

OTHER POST EMPLOYMENT BENEFIT PLANS

JUNE 30, 2010

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 year ended 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.