BIG SPRING SCHOOL DISTRICT

SUPPLEMENTARY AUDIT REPORT
ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2010

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

Creedon R. Hoffman

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

Board of School Directors
Big Spring School District
Newville, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Big Spring School District as of and for the year ended June 30, 2010, which collectively comprise Big Spring School District's basic financial statements and have issued our report thereon dated November 30, 2010. 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.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. (#2010-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of School Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Greenawalt & Company P.C.

GREENAWALT & COMPANY, P.C.

November 30, 2010

Mechanicsburg, Pennsylvania

G&Co.

Greenawalt & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Since 1955

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of School Directors
Big Spring School District
Newville, Pennsylvania

Compliance

We have audited Big Spring School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Big Spring School District's major federal programs for the year ended June 30, 2010. Big Spring School District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Big Spring School District's management. Our responsibility is to express an opinion on Big Spring School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Big Spring School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Big Spring School District's compliance with those requirements.

In our opinion, Big Spring School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item #2010-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Big Spring School District as of and for the year ended June 30, 2010, and have issued our report thereon dated November 30, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont'd.)

Schedule of Expenditures of Federal Awards (Cont'd.)

the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Board of School Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

November 30, 2010

Mechanicsburg, Pennsylvania

BIG SPRING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor Program Title	Source Code	Federal CFDA #	Pass Through Grantor #	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received For Year	Accrued (Deferred) Revenue 7/1/2009	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2010
U.S. Department of Agriculture										
Passed through PA Dept. of Education										
Child Nutrition Cluster										
National School Lunch Program	I(F)	10.555(M)	N/A	7/1/09-6/30/10	N/A	$ 320,522	$ -	$ 325,506	$ 325,506	$ 4,984
National School Lunch Program	I(F)	10.555(M)	N/A	7/1/08-6/30/09	N/A	4,215	4,215	-	-	-
School Breakfast Program	I(F)	10.553(M)	N/A	7/1/09-6/30/10	N/A	41,539	-	41,539	41,539	-
Total Child Nutrition Cluster						366,276	4,215	367,045	367,045	4,984
National School Lunch Program	I(S)	N/A	N/A	7/1/09-6/30/10	N/A	38,604	-	39,068	39,068	464
National School Lunch Program	I(S)	N/A	N/A	7/1/08-6/30/09	N/A	453	453	-	-	-
School Breakfast Program	I(S)	N/A	N/A	7/1/09-6/30/10	N/A	3,441	-	3,441	3,441	-
Passed through PA Dept. of Agriculture										
Value of USDA Donated Commodities	I(F)	10.550	N/A	7/1/09-6/30/10	N/A	91,419	-	91,419	91,419	-
Total U.S. Department of Agriculture						$ 500,193	$ 4,668	$ 500,973	$ 500,973	$ 5,448

BIG SPRING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor Program Title	Source Code	Federal CFDA #	Pass Through Grantor #	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received For Year	Accrued (Deferred) Revenue 7/1/2009	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2010
U.S. Department of Education										
Passed through PA Department of Education										
Title I, Part A Cluster										
Title I - Grants to Local Educational Agencies - Recovery Act	I	84.389(M)	127-100037	6/9/09-9/30/10	$ 208,257	$ 143,773	$ -	$ 208,257	$ 208,257	$ 64,484
Title I - Grants to Local Educational Agencies	I	84.010(M)	013-100037	6/9/09-9/30/10	404,719	162,312	-	404,719	404,719	242,407
Title I - Grants to Local Educational Agencies	I	84.010(M)	013-090037	7/1/08-9/30/09	450,754	180,520	180,520	-	-	-
Title I - Grants to Local Educational Agencies	I	84.010(M)	013-080037	7/1/07-9/30/08	483,712	225,117	225,117	-	-	-
Title I - Grants to Local Educational Agencies - Academic Achievement	I	84.010(M)	077-100037	7/1/09-9/30/10	3,600	960	-	3,600	3,600	2,640
Title I - Grants to Local Educational Agencies - Academic Achievement	I	84.010(M)	077-090037	7/1/08-9/30/09	2,000	1,200	1,200	-	-	-
Total Title I, Part A Cluster						713,882	406,837	616,576	616,576	309,531
Title II - Improving Teacher Quality - State Grants	I	84.367	020-100037	6/9/09-9/30/10	148,072	59,229	-	148,072	148,072	88,843
Safe and Drug Free Schools	I	84.186	100-100037	7/1/09-9/30/10	9,570	9,570	-	9,570	9,570	-
Safe and Drug Free Schools	I	84.186	100-090037	7/1/08-9/30/09	10,450	4,354	4,354	-	-	-
						787,035	411,191	774,218	774,218	398,374
State Fiscal Stabilization Fund Cluster										
State Fiscal Stabilization Fund - Education State Grants - Recovery Act	I	84.394(M)	126-100037	7/1/09-9/30/11	1,096,045	1,096,045	-	1,096,045	1,096,045	-
Total Passed though PA Department of Education						1,883,080	411,191	1,870,263	1,870,263	398,374
Passed through Capital Area Intermediate Unit										
Special Education Cluster (IDEA)										
Special Education - Grants to States (IDEA, Part B) - Recovery Act	I	84.391(M)	062-100015	7/1/09-6/30/11	718,904	246,480	-	359,452	359,452	112,972
Special Education - Grants to States (IDEA, Part B)	I	84 027A(M)	062-100015	7/1/09-6/30/10	640,515	369,800	-	640,515	640,515	270,715
Special Education - Grants to States (IDEA, Part B)	I	84.027A(M)	062-090015	7/1/08-6/30/09	626,884	626,884	626,884	-	-	-
Total Passed through Capital Area Intermediate Unit						1,243,164	626,884	999,967	999,967	383,687
Total U.S. Department of Education						$ 3,126,244	$ 1,038,075	$ 2,870,230	$ 2,870,230	$ 782,061

BIG SPRING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor Program Title	Source Code	Federal CFDA #	Pass Through Grantor #	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received For Year	Accrued (Deferred) Revenue 7/1/2009	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2010
U.S. Department of Heath & Human Services										
Passed through PA Department of Welfare										
Medical Assistance Program	I	93.778	N/A	7/1/09-6/30/10	$ 677	$ 677	$ -	$ 677	$ 677	$ -
Total U.S. Department of Heath & Human Services						$ 677	$ -	$ 677	$ 677	$ -
Total Federal Awards						$ 3,627,114	$ 1,042,743	$ 3,371,880	$ 3,371,880	$ 787,509

BIG SPRING SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2010

Note A - Significant accounting policies

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

Note B - Donated commodities

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

Calculation of 25% Rule

Total expenditures per schedule	$ 3,371,880
Less: State expenditures	42,509
Total Federal expenditures	$ 3,329,371
Major programs	
Child Nutrition Cluster	
National School Lunch Program, CFDA #10.555	$ 325,506
School Breakfast Program, CFDA #10.553	41,539
Title I, Part A Cluster	
Title I – Grants to Local Educational Agencies – Recovery Act, CFDA #84.389	208,257
Title I – Grants to Local Educational Agencies, CFDA #84.010	404,719
Title I – Grants to Local Educational Agencies – Academic Achievement, CFDA #84.010	3,600
State Fiscal Stabilization Fund Cluster	
State Fiscal Stabilization Fund – Education State Grants – Recovery Act, CFDA #84.394	1,096,045
Special Education Cluster (IDEA)	
Special Education – Grants to States (IDEA, Part B) – Recovery Act, CFDA #84.391	359,452
Special Education – Grants to States (IDEA, Part B), CFDA #84.027A	640,515
Total (92.50% of total federal expenditures)	$ 3,079,633

Source codes:

I - Indirect funding

F - Federal share

S - State share

Legends:

(M) Major program

BIG SPRING SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2010

A. Summary of audit results

1. The auditors' report expresses an unqualified opinion on the financial statements of Big Spring School District.

2. There were no significant deficiencies disclosed during the audit of the financial statements.

3. There were no instances of noncompliance disclosed during the audit which could be material to the financial statements of Big Spring School District.

4. There was one significant deficiency disclosed during the audit of the major federal award programs. (#2010-1)

5. The auditors' report on compliance for the major federal award programs for Big Spring School District expresses an unqualified opinion.

6. There was one audit finding that was required to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The programs tested as major programs were:
   - Child Nutrition Cluster
     - National School Lunch Program, CFDA #10.555
     - School Breakfast Program, CFDA #10.553
   - Title I, Part A Cluster
     - Title I – Grants to Local Educational Agencies – Recovery Act, CFDA #84.389
     - Title I – Grants to Local Educational Agencies, CFDA #84.010
     - Title I – Grants to Local Educational Agencies – Academic Achievement, CFDA #84.010
   - State Fiscal Stabilization Fund Cluster
     - State Fiscal Stabilization Fund – Education State Grants – Recovery Act, CFDA #84.394
   - Special Education Cluster (IDEA)
     - Special Education – Grants to States (IDEA, Part B) –Recovery Act, CFDA #84.391
     - Special Education – Grants to States (IDEA, Part B), CFDA #84.027A

8. The threshold for distinguishing Types A and B programs was $ 300,000.

9. Big Spring School District was determined to be a low-risk auditee.

B. Findings - financial statement audit

None

Questioned Costs

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

#2010-1 Significant deficiency

Title I – Grants to Local Education Agencies – Recovery Act, CFDA # 84.389
Title I – Grants to Local Education Agencies, CFDA # 84.010
Title I – Grants to Local Educational Agencies – Academic Achievement, CFDA #84.010

Criteria

The Pennsylvania Department of Education requires final completion reports be filed documenting the close of the grant project by detailing that funds have been expended and are in compliance with the last approved budget.

Condition

We noted that the accounting records did not agree to the final completion reports by budget category. The report indicated the grant was fully expended, which agreed to the accounting records in total.

Effect

The Title I - Recovery Act benefits were overstated $ 4,429 (salaries understated $ 3,907 and supplies understated by $ 522). For the Title I grant supplies were understated $ 1,368 and benefits overstated $ 1,368. The accounting records correctly reflected the proper grant expenditures in total. If expenditures had been reported in the proper budget category, there would have been no budget violations.

The $ 3,600 Academic Achieve Grant report overstated the actual expenditures for the professional services budget category by $ 1,107 and understated the supply category by $ 1,107. As a result, a budget revision was not requested and the supply budget was exceeded by $ 747. $ 747

Cause

The reporting error was the result of human error.

Recommendation

We recommend that management discuss with the individuals performing the review of the final completion reports, the process for ensuring reports agree to the accounting records before the reports are filed.

Auditee's response

The District agrees with this finding and the recommendation. In these instances, there was sufficient review of the overall budget but the actual expenditures were not reviewed thoroughly resulting in expenses that did not match the most recent budgeted line items. The administration will put in place a formal review process to ensure final reports and budgets are synchronous.

BIG SPRING SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010

#2009-1 Significant deficiency - major federal award program audits

Child Nutrition Cluster
National School Lunch Program, CFDA #10.555
School Breakfast Program, CFDA #10.553

Condition

In the month selected for testing (April), we noted that on four days the daily meal counts did not agree to the detail supporting documentation for that day. The meals reimbursement for April totaled $ 41,306.

School District's Corrective Action Plan

The Food Service Director will review the reports before filing. In doing so the food service director will compare the number of meals reported on the edit check sheet for free, reduced, and full pay students to the numbers recorded on the point-of-sale daily reports. Any errors will be noted and corrected immediately.

Status

The District has enacted its corrective action plan. No deficiencies were noted in the current year's audit for this program. This finding is deemed resolved.