BIG SPRING SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

	Page Number
INDEPENDENT AUDITORS' REPORT	IAR - 1 to IAR - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	MDA - 1 to MDA - 9
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 balance 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 - 27
BUDGETARY COMPARISON INFORMATION – GENERAL FUND	BCI - 1

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, 2008, 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, 2007 financial statements and, in our report dated January 22, 2008 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, 2008, 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 12, 2008, 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 - 9 and budgetary comparison information on page BCI - 1 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 12, 2008

Mechanicsburg, Pennsylvania

BIG SPRING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

This discussion and analysis provides an overview of the District's financial performance for the year ended June 2008. 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 2008, 2007 and 2006. The MD&A also includes comparisons of current year financial activities to the previous year. The 2007 and 2006 amounts have come from our prior year MD&A, and are otherwise not a part of the June 2008 financial statements. Please read our discussion and analysis in conjunction with the District's financial statements, which begin on page FS-1. In this discussion and analysis, dollar amounts are presented in millions, to make it easier to read.

FINANCIAL HIGHLIGHTS

General Fund revenues for 2007-2008 increased by 6.1% from 2006-2007 and expenditures increased by 5.7% during the same period as the fund balance increased from $1.2 million to $2.0 million. The current unrestricted-undesignated fund balance is approximately 4.0% of the 2008-2009 General Fund budget, within the 8.0% maximum required under state law for Districts of this size.

The District completed one school year of uninterrupted schooling without a successor collective bargaining agreement following the prior agreement's expiry in June 2007. Negotiations continued through the end of the reporting period, and the parties reached agreement on a four-year successor contract in August 2008. The district has experienced a downward trend in health care costs as annual double-digit percentage increases declined to single-digit increases and most recently to a single-digit decrease. The most recent plan renewal has been a 4.29% decrease compared to the prior year, representing a welcome change in the budgeting process.

In the 2007-2008 fiscal year, the Big Spring School District opened Mount Rock Elementary School, representing completion of 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 the aforementioned Mount Rock Elementary School. The District has now successfully phased in all of the debt service related to these projects.

The District completed its $5.6 million Guaranteed Energy Savings project for the purpose of making further capital improvements in exchange for operating savings through increased energy efficiency and reduced maintenance costs. The scope of the Guaranteed Energy Savings project includes 1) geothermal well fields systems to provide heating and air conditioning support to the Middle School, Mount Rock Elementary School and Newville Elementary School, 2) lighting and control systems in the same buildings, and 3) active humidity control at Oak Flat Elementary School. These upgrades were operational by August 2008 including all of the critical upgrades necessary to start the new school year. The District immediately experienced a substantial reduction in fuel oil consumption in buildings with geothermal well fields.

In the 2007-2008 fiscal year, the District's remained at its anticipated peak debt service of approximately $4.7 million per year. The district expects to remain at this level for one more fiscal year before reaching the first maturity in its debt service structure.

District personnel implemented provisions of the new Local Tax Reform Act, commonly known as Act 1 of the Special Session of 2006. Act 1 places a limit on future increases in the district's real estate tax estate. Real estate tax increases above the limit or "index", require consent through a formula of exceptions certified by the Pennsylvania Department of Education, the Commonwealth Court system and/or through voter referendum. The District determined that pursuing real estate taxes above the "index" through exceptions related to special education and retirement payments to the employees" retirement system was possible but not necessary to balance the upcoming budget. The district increased real estate taxes by 3.7% compared to an "index" limit of 5.40%.

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 Projects.

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 $18.9 million at June 2008, which is an increase of $3.2 million from June 2007 and a net increase of $1.9 million from June 2006. The following summarizes the Statement of Net Assets (page FS-1).

	Governmental Activities			Business-type Activities			Totals		
	2008	2007	2006	2008	2007	2006	2008	2006	2005
Current and other assets	$ 8.8	$12.9	$ 8.9	$ 0.2	$ 0.2	$ 0.2	$ 9.0	$13.1	$ 9.1
Capital assets	53.7	53.1	48.0	0.7	0.8	0.9	54.4	53.9	48.9
Total assets	$62.5	$66.0	$56.9	$ 0.9	$ 1.0	$ 1.1	$63.4	$67.0	$58.0
Current and other liabilities	$ 3.6	$ 7.2	$ 2.7	$ -	$ -	$ -	$ 3.6	$ 7.2	$ 2.7
Long-term liabilities	40.8	44.0	41.4	0.1	0.1	0.1	40.9	44.1	41.5
Total liabilities	44.4	51.2	44.1	0.1	0.1	0.1	44.5	51.3	44.2
Capital assets (net of related debt)	14.0	10.3	7.9	0.7	0.8	0.9	14.7	11.1	8.8
Restricted for capital projects	-	1.8	3.3	-	-	-	-	1.8	3.3
Unrestricted	4.1	2.7	1.6	0.1	0.1	0.1	4.2	2.8	1.7
Total net assets	18.1	14.8	12.8	0.8	0.9	1.0	18.9	15.7	13.8
Total liabilities and net assets	$62.5	$66.0	$56.9	$ 0.9	$ 1.0	$ 1.1	$63.4	$67.0	$58.0

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 2008 net assets, $14.7 million out of $18.9 million 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 $3.2 million during 2008. Total net assets also increased by $1.9 million during 2007.

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2007	2006
Program revenues						
Charges for services	$ 0.4	$ 0.3	$ 0.8	$ 0.8	$ 1.2	$ 1.1
Operating grants and contributions	6.6	6.7	0.4	0.3	7.0	7.0
Capital grants and contributions	1.8	1.2	-	-	1.8	1.2
General revenues						
Taxes	20.8	19.1	-	-	20.8	19.1
Earnings on investments	0.3	0.6	-	-	0.3	0.6
State general subsidies	8.4	8.3	-	-	8.4	8.3
Total revenues	38.3	36.2	1.2	1.1	39.5	37.3
Direct expenses	34.9	34.1	1.4	1.3	36.3	35.4
Excess revenues (expenses) before transfers	3.4	2.1	(0.2)	(0.2)	3.2	1.9
Transfers between activities	(0.1)	(0.1)	0.1	0.1	-	-
Change in net assets	$ 3.3	$ 2.0	$ (0.1)	$ (0.1)	$ 3.2	$ 1.9

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	
	2008	2007	2008	2007	2008	2007
Instruction	$ 20.8	$ 20.6	$ 5.2	$ 5.3	$ 15.6	$ 15.3
Instructional student support	2.7	2.6	0.2	0.2	2.5	2.4
Administrative and financial support	2.5	2.6	0.1	0.1	2.4	2.5
Operation and maintenance of plant	4.3	3.8	0.1	0.1	4.2	3.7
Pupil transportation	2.2	2.1	1.7	1.6	0.5	0.5
Student activities	0.6	0.6	0.1	0.1	0.5	0.5
Community services	-	-	-	-	-	-
Interest on long-term debt	1.8	1.8	1.4	0.8	0.4	1.0
	$ 34.9	$ 34.1	$ 8.8	$ 8.2	26.1	25.9
Transfers to business-type activities					0.1	0.1
Net expenses - governmental activities					26.2	26.0
State general subsidies revenues					8.4	8.3
Total needs from taxes and other local sources					$ 17.8	$ 17.7

	Business-type Activities					
	Direct Expenses		Program Revenues		Net Expense	
	2008	2007	2008	2007	2008	2007
Food service	$ 1.4	$ 1.3	$ 1.2	$ 1.1	$ 0.2	$ 0.2
Transfers from governmental activities					(0.1)	(0.1)
Net expenses - business-type activities					$ 0.1	$ 0.1

THE DISTRICT'S FUNDS

Governmental Funds – fund balances

	Governmental Fund Balances				
	2008	2007	2006	2007-2008 Change	2006-2007 Change
General Fund - unrestricted	$ 2.0	$ 1.2	$ 0.7	$ 0.8	$ 0.5
Capital Reserve Fund - unrestricted	0.8	0.6	0.1	0.2	0.5
Athletic Fund - unrestricted	-	-	-	-	-
Capital Projects Fund - restricted	-	1.8	3.3	(1.8)	(1.5)
	$ 2.8	$ 3.6	$ 4.1	$ (0.8)	$ (0.5)
Total unrestricted	$ 2.8	$ 1.8	$ 0.8	$ 1.0	$ 1.0
Total restricted	-	1.8	3.3	(1.8)	(1.5)
	$ 2.8	$ 3.6	$ 4.1	$ (0.8)	$ (0.5)

Changes from 2007 to 2008

The General Fund budgeted no change in fund balance. The actual increase was $0.8 million, primarily because actual revenue exceeded budgeted revenue. This is summarized on page BCI – 1 (budgetary comparison information). The 2008 fund balance includes $0.5 million reserved for prepaid health insurance expenditures.

The Capital Reserve Fund increase of $0.2 million was due to $0.8 million transferred from the General Fund during the year less $0.6 million of expenditures to complete our construction projects. This increase is to fund anticipated but not yet authorized construction projects.

In 2008, the Capital Projects Fund was closed due to the completion of the conversion of the former middle school into Mount Rock Elementary School, and the Guaranteed Energy Savings project

Changes from 2006 to 2007

The General Fund budgeted no change in fund balance. The actual increase was $0.5 million, primarily because actual revenue exceeded budgeted revenue. The 2007 fund balance included $0.3 million reserved for prepaid health insurance expenditures.

The Capital Reserve Fund increase of $0.5 million was due to $0.5 million transferred from the General Fund during the year less very minimal expenditures. A portion of the 2007 fund balance was committed to completing the construction projects when the Capital Projects Fund had been fully expended.

The Capital Projects Fund decrease of $1.5 million was primarily due to two types of projects. Expenditures of approximately $3.1 million had substantially completed our building renovation projects. In addition, the district borrowed $5.2 million to fund the Guaranteed Energy Savings project, of which $3.6 million had been expended by June 2007.

General Fund Budget

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

	Final Budget		Actual Amount		Variance	
	2008	2007	2008	2007	2008	2007
Total revenues	$ 36.1	$ 34.8	$ 37.9	$ 35.7	$ 1.8	$ 0.9
Total expenditures	35.6	34.6	36.5	34.5	(0.9)	0.1
Excess revenues (expenditures)	0.5	0.2	1.4	1.2	0.9	1.0
Other financing sources (uses)	(0.5)	(0.2)	(0.6)	(0.7)	(0.1)	(0.5)
Net change in fund balance	$ -	$ -	$ 0.8	$ 0.5	$ 0.8	$ 0.5

In 2008, actual revenues exceeded the budgeted amount by $1.8 million. Actual expenditures were $0.9 million over the budgeted amount. The District authorized an additional transfer of $0.5 million to the Capital Reserve Fund to fund the anticipated but not yet authorized construction projects. This unbudgeted transfer was made possible from the additional revenues for the year. Additional details are on page BCI-1 (budgetary comparison information).

The 2007 positive revenue variance of $0.9 million also allowed a transfer of $0.5 million to the Capital Reserve Fund.

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 2008, two construction projects were completed, the conversion of the former middle school into Mount Rock Elementary School, and the Guaranteed Energy Savings project.

	Capital assets (net of depreciation)				
	2008	2007	2006	2007-2008 Change	2006-2007 Change
Governmental activities					
Land	$ 0.5	$ 0.5	$ 0.5	$ -	$ -
Construction in progress	-	6.7	0.1	(6.7)	6.6
Buildings and improvements	51.3	44.0	45.4	7.3	(1.4)
Furniture and equipment	1.3	0.6	0.7	0.7	(0.1)
Library books	0.2	0.2	0.2	-	-
Computer equipment	0.4	1.1	1.1	(0.7)	-
	$ 53.7	$ 53.1	$ 48.0	$ 0.6	$ 5.1
Business-type activities					
Furniture and equipment	$ 0.7	$ 0.8	$ 0.9	$ (0.1)	$ (0.1)

Capital assets in the governmental activities were $53.7 million at June 2008, $53.1 million at June 2007, and $48.0 million at June 2006. During 2008, there was $2.5 million of capital assets purchased and $1.9 million of depreciation expense. During 2007, the District purchased $7.3 million of capital assets and had depreciation expense of $2.2 million.

LONG-TERM LIABILITIES

The following summarizes the long-term liabilities note to financial statements (pages FS-23 and FS-24). 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.

	2008	2007	2006	2007-2008 Change	2006-2007 Change
Governmental activities					
General obligation bonds and notes	$ 40.5	$ 43.7	$ 41.1	$ (3.2)	$ 2.6
Compensated absences	0.4	0.6	0.6	(0.2)	-
Unamortized bond costs	(0.1)	(0.3)	(0.3)	0.2	-
	$ 40.8	$ 44.0	$ 41.4	$ (3.2)	$ 2.6

Each year, the District pays interest on the bonds and a portion of the outstanding bonds, referred to as redemption. The District made regularly scheduled redemptions of $3.2 million during 2008 and $2.6 million during 2007.

During 2007, the District issued notes payable of $5.2 million to finance the Guaranteed Energy Savings project.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

	Original Budget 2008-2009	Original Budget 2007-2008	Change
Total revenue	$ 38.2	$ 35.4	$ 2.8
Total expenditures	38.1	34.8	3.3
Excess revenues (expenditures)	0.1	0.6	(0.5)
Other financing sources (uses)	(0.1)	(0.6)	0.5
Net change in fund balance	$ -	$ -	$ -

The revenue budget for 2008-2009 represents a 7.9% increase. The real estate millage rate increases by 0.5261 mills, from 14.1943 to 14.7204. The earned income tax rate remains at 1.65%.

The expenditure budget for 2008-2009 represents a 9.5% increase. This increase represents an anticipated increase in fuel oil prices, additional funding for two new full time kindergarten positions and one math position, and additional debt service for an anticipated, but not yet authorized, elementary project.

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, 2008

(With Summarized Financial Information for June 30, 2007)

	Governmental Activities	Business-type Activities	Totals 2008	Totals 2007
Assets				
Cash and cash equivalents	$ 2,205,691	$ 103,799	$ 2,309,490	$ 1,478,931
Taxes receivable (net of allowance for uncollectibles)	2,490,000	-	2,490,000	2,210,000
Internal balances	(14,628)	14,628	-	-
Due from other governments	2,976,177	5,932	2,982,109	2,444,246
Other receivables	43,978	694	44,672	152,217
Inventories	-	30,736	30,736	30,936
Prepaid health insurance	500,000	-	500,000	275,000
Restricted cash and investments for construction	-	-	-	5,849,303
Unamortized bond issuance costs	543,764	-	543,764	626,320
Capital assets not being depreciated	501,824	-	501,824	7,217,151
Capital assets being depreciated (net of accumulated depreciation)	53,239,416	720,873	53,960,289	46,676,036
Total assets	$ 62,486,222	$ 876,662	$ 63,362,884	$ 66,960,140
Liabilities				
Accounts payable	$ 327,633	$ 3,738	$ 331,371	$ 422,628
Contracts payable	-	-	-	4,179,832
Payroll and benefits payable	2,710,127	1,775	2,711,902	2,073,197
Deferred revenues	139,477	13,213	152,690	68,419
Accrued interest on bonds payable	469,900	-	469,900	410,800
Long-term liabilities				
Due within one year	3,283,229	7,000	3,290,229	3,398,783
Due in more than one year	37,674,372	35,075	37,709,447	40,937,657
Unamortized bond discounts and refunding costs	(183,716)	-	(183,716)	(254,603)
Total liabilities	44,421,022	60,801	44,481,823	51,236,713
Net assets				
Invested in capital assets (net of related debt)	13,929,919	720,873	14,650,792	11,093,526
Restricted for capital projects	-	-	-	1,771,578
Unrestricted	4,135,281	94,988	4,230,269	2,858,323
Total net assets	18,065,200	815,861	18,881,061	15,723,427
Total liabilities and net assets	$ 62,486,222	$ 876,662	$ 63,362,884	$ 66,960,140

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

(With Summarized Financial Information for the Year Ended June 30, 2007)

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: 2008	Net (Expense) Revenue and Changes in Net Assets: Totals: 2007
Governmental activities								
Instruction	$ 20,812,503	$ 320,344	$ 4,478,371	$ 415,052	(15,598,736)	$ -	$ (15,598,736)	$ (15,233,819)
Instructional student support	2,729,830	-	244,562	-	(2,485,268)	-	(2,485,268)	(2,441,151)
Administrative and financial support	2,473,880	-	114,928	-	(2,358,952)	-	(2,358,952)	(2,510,961)
Operation and maintenance of plant	4,319,619	45,405	92,215	-	(4,181,999)	-	(4,181,999)	(3,683,661)
Pupil transportation	2,168,867	-	1,620,425	-	(548,442)	-	(548,442)	(471,838)
Student activities	639,292	53,907	23,950	-	(561,435)	-	(561,435)	(518,880)
Community services	16,656	-	942	-	(15,714)	-	(15,714)	(20,901)
Interest on long-term debt	1,777,720	-	-	1,392,128	(385,592)	-	(385,592)	(926,578)
Total governmental activities	34,938,367	419,656	6,575,393	1,807,180	(26,136,138)	-	(26,136,138)	(25,807,789)
Business-type activities								
Food service	1,429,095	848,772	399,174	-	-	(181,149)	(181,149)	(209,064)
Total school district	$ 36,367,462	$ 1,268,428	$ 6,974,567	$ 1,807,180	(26,136,138)	(181,149)	(26,317,287)	(26,016,853)
General revenues								
Taxes								
Real estate taxes					15,446,928	-	15,446,928	14,151,383
Earned income taxes					4,752,943	-	4,752,943	4,365,988
Personal taxes					171,051	-	171,051	178,975
Other taxes					357,727	-	357,727	388,219
Earnings on investments					323,203	921	324,124	586,075
State general subsidies					8,422,148	-	8,422,148	8,255,698
Total general revenues					29,474,000	921	29,474,921	27,926,338
Transfers between governmental and business-type activities					(101,260)	101,260	-	-
Total general revenues and transfers					29,372,740	102,181	29,474,921	27,926,338
Change in net assets					3,236,602	(78,968)	3,157,634	1,909,485
Net assets - beginning					14,828,598	894,829	15,723,427	13,813,942
Net assets - ending					$ 18,065,200	$ 815,861	$ 18,881,061	$ 15,723,427

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

BIG SPRING SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2008

(With Summarized Financial Information for June 30, 2007)

	General	Capital Reserve	Athletic	Capital Projects	Totals 2008	Totals 2007
Assets						
Cash and cash equivalents	$ 1,972,687	$ 223,285	$ 9,719	$ -	$ 2,205,691	$ 7,244,204
Taxes receivable (net of allowance for uncollectibles)	2,490,000	-	-	-	2,490,000	2,210,000
Due from other funds	4,460	582,543	-	-	587,003	586,775
Due from other governments	2,976,177	-	-	-	2,976,177	2,409,017
Other receivables	43,978	-	-	-	43,978	150,122
Prepaid health insurance	500,000	-	-	-	500,000	275,000
Total assets	$ 7,987,302	$ 805,828	$ 9,719	$ -	$ 8,802,849	$ 12,875,118
Liabilities and fund balances						
Accounts payable	$ 327,633	$ -	$ -	$ -	$ 327,633	$ 420,165
Contracts payable	-	-	-	-	-	4,179,832
Payroll and benefits payable	2,710,127	-	-	-	2,710,127	2,073,197
Due to other funds	597,171	-	4,460	-	601,631	585,248
Deferred revenues	2,329,477	-	-	-	2,329,477	2,019,914
Total liabilities	5,964,408	-	4,460	-	5,968,868	9,278,356
Restricted for capital projects	-	-	-	-	-	1,771,578
Reserved for prepaid expenses	500,000	-	-	-	500,000	275,000
Unrestricted - undesignated						
General fund	1,522,894	-	-	-	1,522,894	952,483
Special revenue funds	-	805,828	5,259	-	811,087	597,701
Total fund balances	2,022,894	805,828	5,259	-	2,833,981	3,596,762
Total liabilities and fund balances	$ 7,987,302	$ 805,828	$ 9,719	$ -	$ 8,802,849	$ 12,875,118

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, 2008

Total fund balances - Governmental funds		$ 2,833,981
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 $ 78,382,713, and the accumulated depreciation is $ 24,641,473.		53,741,240
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	$ (40,538,801)	
Compensated absences	(418,800)	
Long-term liabilities	(40,957,601)	
Accrued interest on bonds payable	(469,900)	(41,427,501)
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	543,764	
Bond discounts (premiums)	(94,900)	
Refunding costs	278,616	727,480
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	485,000	
Earned income taxes	5,000	
Personal taxes	1,700,000	2,190,000
Total net assets - Governmental activities		$ 18,065,200

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, 2008
(With Summarized Financial Information for the Year Ended June 30, 2007)

	General	Capital Reserve	Athletic	Capital Projects	Totals 2008	Totals 2007
Revenues						
Local sources - taxes	$ 20,498,649	$ -	$ -	$ -	$ 20,498,649	$ 18,969,565
Local sources - other	1,296,863	227	53,907	51,114	1,402,111	1,601,845
State sources	15,577,957	-	-	-	15,577,957	14,939,745
Federal sources	567,512	-	-	-	567,512	578,856
Total revenues	37,940,981	227	53,907	51,114	38,046,229	36,090,011
Expenditures						
Instruction	19,887,147	-	-	-	19,887,147	19,496,937
Support services	11,416,741	15,824	-	-	11,432,565	10,580,082
Noninstructional services	494,638	-	119,468	-	614,106	573,598
Capital outlay	-	521,676	-	1,462,740	1,984,416	6,688,781
Debt service (principal and interest)	4,689,394	-	-	100,122	4,789,516	4,267,428
Refunds of prior years revenues	-	-	-	-	-	775
Total expenditures	36,487,920	537,500	119,468	1,562,862	38,707,750	41,607,601
Excess (deficiency) of revenues over expenditures	1,453,061	(537,273)	(65,561)	(1,511,748)	(661,521)	(5,517,590)
Other financing sources (uses)						
Bond and note proceeds	-	-	-	-	-	5,160,584
Transfers from other funds	259,830	759,830	65,000	-	1,084,660	602,867
Transfers to other funds	(917,480)	(8,610)	-	(259,830)	(1,185,920)	(719,867)
Net change in fund balances	795,411	213,947	(561)	(1,771,578)	(762,781)	(474,006)
Fund balances - beginning	1,227,483	591,881	5,820	1,771,578	3,596,762	4,070,768
Fund balances - ending	$ 2,022,894	$ 805,828	$ 5,259	$ -	$ 2,833,981	$ 3,596,762

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 BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Total net change in fund balances - Governmental funds		$ (762,781)
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	2,599,477	
Depreciation expense	(1,936,334)	663,143
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.		3,141,783
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, no bonds or notes payable were issued.		-
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	(153,443)	(153,443)
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	95,000	
Earned income taxes	140,000	
Personal taxes	(5,000)	230,000
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 increased during the year.		(59,100)
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 decreased during the year.		177,000
Change in net assets - Governmental activities		$ 3,236,602

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2008

(With Summarized Financial Information for June 30, 2007)

	Food Service	
	2008	2007
Assets		
Cash and cash equivalents	$ 103,799	$ 84,030
Due from other funds	14,628	-
Due from other governments	5,932	35,229
Other receivables	694	2,095
Inventories	30,736	30,936
Total current assets	155,789	152,290
Furniture and equipment (net of accumulated depreciation)	720,873	815,090
Total assets	$ 876,662	$ 967,380
Liabilities		
Accounts payable	$ 3,738	$ 2,463
Payroll and benefits payable	1,775	-
Due to other funds	-	1,527
Deferred revenues	13,213	8,505
Current portion of compensated absences	7,000	7,000
Total current liabilities	25,726	19,495
Long-term portion of compensated absences	35,075	53,056
Total liabilities	60,801	72,551
Net assets		
Invested in capital assets (net of related debt)	720,873	815,090
Unrestricted	94,988	79,739
Total net assets	815,861	894,829
Total liabilities and net assets	$ 876,662	$ 967,380

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, 2008
(With Summarized Financial Information for the Year Ended June 30, 2007)

	Food Service	
	2008	2007
Operating revenues - Food service revenue	$ 848,772	$ 778,636
Operating expenses		
Salaries	457,565	415,033
Employee benefits	231,324	197,423
Purchased property service	60,000	65,598
Food and milk	561,670	516,429
Other expenses	15,709	24,353
Depreciation	102,827	102,253
Total operating expenses	1,429,095	1,321,089
Operating income (loss)	(580,323)	(542,453)
Nonoperating revenues		
Earnings on investments	921	2,293
State sources - social security and retirement subsidies	35,750	28,180
State sources - meal subsidies	40,241	29,200
Federal sources - meal subsidies	257,193	212,563
Federal sources - donated commodities	65,990	63,446
Total nonoperating revenues	400,095	335,682
Income (loss) before transfers	(180,228)	(206,771)
Transfers from other funds	101,260	117,000
Change in net assets	(78,968)	(89,771)
Net assets - beginning	894,829	984,600
Net assets - ending	$ 815,861	$ 894,829

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, 2008
(With Summarized Financial Information for the Year Ended June 30, 2007)

	Food Service	
	2008	2007
Operating activities		
Cash received from users	$ 854,881	$ 781,003
Cash payments to employees for services	(705,095)	(607,345)
Cash payments to suppliers for goods and services	(569,914)	(544,361)
Net cash provided by (used for) operating activities	(420,128)	(370,703)
Non-capital financing activities		
State sources	79,207	57,173
Federal sources	283,274	208,673
General fund advances (Due to other funds)	(16,155)	(20,724)
General fund contributed services	101,260	117,000
Net cash provided by (used for) non-capital financing activities	447,586	362,122
Capital and related financing activities		
Cash payments for equipment	(8,610)	-
Net cash provided by (used for) capital and related financing activities	(8,610)	-
Investing activities		
Earnings on investments	921	2,293
Net cash provided by (used for) investing activities	921	2,293
Net change in cash and cash equivalents	19,769	(6,288)
Cash and cash equivalents - beginning	84,030	90,318
Cash and cash equivalents - ending	$ 103,799	$ 84,030
Reconciliation of operating income (loss) to net cash used for operating activities		
Operating income (loss)	$ (580,323)	$ (542,453)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation	102,827	102,253
Donated commodities	65,990	63,446
Net change in other assets and other liabilities		
Other receivable	1,401	(2,095)
Inventories	200	4,182
Accounts payable	1,275	(1,427)
Payroll and benefits payable	1,775	-
Deferred revenues	4,708	4,462
Compensated absences	(17,981)	929
Total adjustments	160,195	171,750
Net cash provided by (used for) operating activities	$ (420,128)	$ (370,703)

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2008

(With Summarized Financial Information for June 30, 2007)

	Student Activities	
	2008	2007
Assets		
Cash and cash equivalents	$ 163,880	$ 145,100
Total assets	$ 163,880	$ 145,100
Liabilities		
Due to student groups	$ 163,880	$ 145,100
Total liabilities	163,880	145,100
Net assets	-	-
Total liabilities and net assets	$ 163,880	$ 145,100

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 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 Governmental Accounting Standards Board 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) report 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 Governmental Accounting Standards Board.

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 $ 721,240.

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 Capital Projects Fund accounts for bond proceeds and expenditures of those funds for capital outlays.

The District presents the following proprietary fund:

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

The District presents the following fiduciary funds:

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Taxes and taxes receivable

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

Receivables and payables between funds

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due 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

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Capital assets (Cont'd.)

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

Long-term liabilities

In the district-wide financial statement, and proprietary fund types in the fund financial statements, bonds and notes payable and compensated absences 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Comparative information

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with current year's presentation. However, presentations of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

New accounting policies

The Governmental Accounting Standards Board (GASB) has issued several statements which will become effective in future reporting years. The statement which will have the greatest impact on the District is GASB 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The statement sets new accounting standards for state and local government employers that offer retiree health benefits and other non-pension postemployment benefits. It will require the accrual of liabilities and expenses of other postemployment benefits (OPEB) over the working career of plan members. This GASB statement will impact future district-wide financial statements, but will have no impact on the fund financial statements which use the modified accrual basis of accounting. The effective date of GASB 45 for the District is the June 2009 fiscal year. The requirements of this statement are under review by the District and management is evaluating the impact this pronouncement will have on the District's financial statements.

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, 2008, the District's deposits totaled $ 381,272 and the depository institution balances totaled $ 1,025,837. Of the depository institution balances, $ 200,000 was covered by federal depository insurance and $ 825,837 was collateralized. The pledged collateral is held by the Federal Reserve Bank, but is not titled in the District's name.

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

The District also has cash equivalents with the UMB Corporate Trust Services (UMB), Pennsylvania School District Liquid Asset Fund (PSDLAF) and Pennsylvania Local Government Investment Trust (PLGIT). UMB uses an investment pool of short-term U.S. government obligations. 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, 2008, the District's deposits in UMB, PSDLAF and PLGIT totaled $ 177,288, $ 1,850,500 and $ 44,311, 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 are as follows:

Governmental activities	$ 2,205,691
Business-type activities	103,799
Fiduciary funds	163,880
	$ 2,473,370

TAXES RECEIVABLE

Taxes receivable are as follows:

	Taxes Receivable (Gross)	Allowance for Uncollectibles	Taxes Receivable (Net)	Deferred Tax Revenue
Real estate taxes	$ 787,443	$ (2,443)	$ 785,000	$ 485,000
Earned income taxes	1,700,000	-	1,700,000	1,700,000
Personal taxes	22,638	(17,638)	5,000	5,000
General Fund	2,510,081	(20,081)	2,490,000	2,190,000
Full accrual adjustment	-	-	-	(2,190,000)
Governmental activities	$ 2,510,081	$ (20,081)	$ 2,490,000	$ -

DUE FROM/TO OTHER FUNDS AND INTERFUND TRANSFERS

Interfund balances are as follows:

Assets		Liabilities	
General Fund	$ 4,460	$ 4,460	Athletic Fund
Capital Reserve Fund	582,543	582,543	General Fund
Food Service Fund	14,628	14,628	General Fund

Interfund transfers were as follows:

Other financing sources		Other financing uses	
General Fund	$ 259,830	$ 259,830	Capital Projects Fund
Capital Reserve Fund	759,830	759,830	General Fund
Athletic Fund	65,000	65,000	General Fund
Food Service Fund	92,650	92,650	General Fund
Food Service Fund	8,610	8,610	Capital Reserve Fund

DUE FROM OTHER GOVERNMENTS

Due from other governments are as follows:

	Governmental Activities	Business-type Activities
Local sources – earned income taxes	$ 818,278	$ -
Local sources – IDEA - B grant	435,482	-
Local sources – other districts	435,032	-
Local sources – other items	85,786	-
State sources	894,810	785
Federal sources	306,789	5,147
	$ 2,976,177	$ 5,932

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	6,715,327	2,139,660	(8,854,987)	-
	7,217,151	2,139,660	(8,854,987)	501,824
Capital assets being depreciated				
Buildings and improvements	59,549,612	8,854,987	-	68,404,599
Furniture and equipment	3,260,256	44,765	-	3,305,021
Library books	2,308,721	-	-	2,308,721
Computer equipment	3,447,496	415,052	-	3,862,548
	68,566,085	9,314,804	-	77,880,889
Accumulated depreciation				
Buildings and improvements	(15,410,180)	(1,646,426)	-	(17,056,606)
Furniture and equipment	(1,852,974)	(160,641)	-	(2,013,615)
Library books	(2,077,848)	-	-	(2,077,848)
Computer equipment	(3,364,137)	(129,267)	-	(3,493,404)
	(22,705,139)	(1,936,334)	-	(24,641,473)
Capital assets being depreciated, net	45,860,946	7,378,470	-	53,239,416
Governmental activities capital assets, net	$ 53,078,097	$ 9,518,130	$ (8,854,987)	$ 53,741,240
Business-type activities				
Capital assets being depreciated				
Furniture and equipment	$ 1,541,234	$ 8,610	$ -	$ 1,549,844
Accumulated depreciation				
Furniture and equipment	(726,144)	(102,827)	-	(828,971)
Capital assets being depreciated, net	815,090	(94,217)	-	720,873
Business-type activities capital assets, net	$ 815,090	$ (94,217)	$ -	$ 720,873

CAPITAL ASSETS (Cont'd.)

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Instruction	$ 1,553,483
Instructional student support	170,504
Administrative and financial support	75,780
Operation and maintenance of plant	94,725
Student activities	41,842
	$ 1,936,334
Business-type activities - Food service	$ 102,827

As of June 2007 there were two construction projects in progress, the conversion of the former middle school to an elementary school and an energy savings project. Both projects were completed during the year ended June 2008.

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 $ 2,329,477 consists of $ 2,190,000 of taxes receivable not received within 2 months of the end of the fiscal period, $ 132,608 of deferred federal grants, and $ 6,869 of resources that have been received but not yet earned.

Deferred revenue in the proprietary funds and the district-wide financial statements represents deferred federal grants and 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	$ 43,680,584	$ -	$ (3,141,783)	$ 40,538,801	$ 3,083,229
Compensated absences	595,800	235,000	(412,000)	418,800	200,000
	$ 44,276,384	$ 235,000	$ (3,553,783)	$ 40,957,601	$ 3,283,229
Business-type activities					
Compensated absences	$ 60,056	$ 10,000	$ (27,981)	$ 42,075	$ 7,000

Bonds and notes payable

Changes in bonds and notes payable were as follows:

	Beginning Balance	New Issue	Scheduled Redemptions	Ending Balance
1997 Series	$ 1,060,000	$ -	$ (515,000)	$ 545,000
1999 Series	3,480,000	-	(250,000)	3,230,000
2001 Series	3,430,000	-	(660,000)	2,770,000
2003 Series	16,460,000	-	(945,000)	15,515,000
2005 Series	4,120,000	-	(395,000)	3,725,000
2006 Series	9,970,000	-	(75,000)	9,895,000
2006 Notes	5,160,584	-	(301,783)	4,858,801
	$ 43,680,584	$ -	$ (3,141,783)	$ 40,538,801

	Interest Rates	Maturity Date	Callable Date	Due Within One Year
1997 Series	5.075%	March 2009	Not callable	$ 545,000
1999 Series	(1)	December 2017	45 days notice	265,000
2001 Series	4.20% to 5.00%	February 2021	August 2011	685,000
2003 Series	3.05% to 5.00%	April 2023	April 2013	980,000
2005 Series	3.10% to 4.50%	June 2016	December 2010	405,000
2006 Series	3.35% to 4.05%	March 2021	August 2011	75,000
2006 Notes	3.95%	December 2021	Annually, with fees	128,229
				$ 3,083,229

LONG-TERM LIABILITIES (Cont'd.)

(1) The 1999 Series pays interest at a variable rate of .55% above the "weekly rate", not to exceed 25.00%. At June 2008 the "weekly rate" was 1.47%.

During the year ended June 2008, $ 100,122 of debt service was paid from the Capital Projects Fund. Scheduled debt service requirements, payable by the General Fund are as follows:

Year Ending June	Principal	Interest	Total
2009	$ 3,083,229	$ 1,558,569	$ 4,641,798
2010	2,667,592	1,431,782	4,099,374
2011	2,783,890	1,342,454	4,126,344
2012	2,912,251	1,237,393	4,149,644
2013	3,072,805	1,113,506	4,186,311
2014-2018	16,609,502	3,762,925	20,372,427
2019-2023	9,409,532	1,007,532	10,417,064
	$ 40,538,801	$ 11,454,161	$ 51,992,962

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, 2008 $ 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 $ 11,500 for all other employees):

1. Number of full years of service in the District multiplied by $ 180 (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

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 2008 the employer contribution rate was 7.13 percent of covered payroll, composed of 6.44 percent for pension benefits and 0.69 percent for healthcare insurance premium assistance. The District's contributions to the system for the years ended June 2008, 2007 and 2006 were $ 1,204,162, $ 1,055,160, $ 735,469, respectively. Those amounts are equal to the required contributions for each year.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Under the negotiations agreement with Big Spring Education Association, the District shall provide for continuance of health care insurance after retirement until age 65. The retiree will pay the monthly premiums, except that employees who retire after thirty 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. During the year ended June 2008, there were a total of 77 retirees covered for health insurance.

The District finances this benefit on a pay-as-you-go basis. For the year ended June 2008, the estimated net cost to the District was $ 235,000 ($ 641,000 estimated claims paid plus plan costs for the retirees less $ 406,000 estimated premiums paid by the retirees). Please refer to the new accounting policies note on page FS-18 for additional information on Postemployment Benefits Other Than Pension Benefits.

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). District transactions with the Trust were as follows:

Amount available in the trust, beginning		$ 1,261,748
Payments to the trust		3,608,925
Claims paid by the trust	$ (3,011,399)	
Administrative and other fees, net of interest earned	(246,895)	
Stop loss premiums and commissions	(117,592)	
		(3,375,886)
Amount available in the trust, ending		$ 1,494,787

The amount available in the trust was as follows:

Accrual for claims incurred	$ 525,787
Accrual for administrative and other fees	46,500
Accrual for health insurance coverage on payroll payable	422,500
Amount available for accrued costs, ending	994,787
Prepaid health insurance	500,000
Amount available in the trust, ending	$ 1,494,787

There are various methodologies for estimating claims that have been incurred but not reported (IBNR). District management has selected the methodology of '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.

The District is in the process of reviewing and prioritizing possible future construction projects. The largest project under consideration is a new elementary building with a preliminary cost estimate of approximately $ 14,000,000. No decisions on construction or financing have been made as of the date of this report.

BIG SPRING SCHOOL DISTRICT

BUDGETARY COMPARISON INFORMATION - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual Amount	Variance With Final Budget Positive (Negative)
Revenues				
Local sources - taxes	$ 19,579,683	$ 19,579,683	$ 20,498,649	$ 918,966
Local sources - other	994,500	1,122,863	1,296,863	174,000
State sources	14,220,798	14,712,446	15,577,957	865,511
Federal sources	556,000	657,229	567,512	(89,717)
Total revenues	35,350,981	36,072,221	37,940,981	1,868,760
Expenditures				
Regular programs	13,708,527	14,524,787	14,524,787	-
Special programs	4,516,175	4,724,093	4,721,235	2,858
Vocational programs	587,764	513,644	513,643	1
Other instructional programs	150,505	127,505	127,482	23
Pupil personnel	1,023,266	829,966	829,949	17
Instructional staff	1,246,820	1,348,727	1,348,726	1
Administration	1,732,806	1,691,906	1,691,829	77
Pupil health	427,674	392,904	392,901	3
Business	536,638	571,411	571,078	333
Operation and maintenance of plant	3,800,837	3,808,806	4,373,488	(564,682)
Student transportation	1,898,652	1,898,652	2,168,867	(270,215)
Central services	-	16,051	16,050	1
Other support services	36,713	23,853	23,853	-
Student activities	373,100	477,983	477,982	1
Community services	-	16,657	16,656	1
Capital outlay	333,858	-	-	-
Debt service (principal and interest)	4,408,911	4,645,020	4,689,394	(44,374)
Total expenditures	34,782,246	35,611,965	36,487,920	(875,955)
Excess (deficiency) of revenues over expenditures	568,735	460,256	1,453,061	992,805
Other financing sources (uses)				
Transfers from other funds	-	-	259,830	259,830
Transfers to other funds	(460,256)	(460,256)	(917,480)	(457,224)
Budgetary reserve	(108,479)	-	-	-
Net change in fund balances	-	-	795,411	795,411
Fund balance - beginning	706,733	706,733	1,227,483	520,750
Fund balance - ending	$ 706,733	$ 706,733	$ 2,022,894	$ 1,316,161