BIG SPRING SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

Since 1955

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

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 aggregate remaining fund information of Big Spring School District as of and for the year ended June 30, 2007, 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, 2006 financial statements and, in our report dated October 31, 2006 we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 aggregate remaining fund information of Big Spring School District, as of June 30, 2007, 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 January 22, 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.

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

Board of 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.

January 22, 2008

Mechanicsburg, Pennsylvania

BIG SPRING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

This discussion and analysis provides an overview of the District's financial performance for the year ended June 2007. 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 2007, 2006 and 2005. The MD&A also includes comparisons of current year financial activities to the previous year. The 2006 and 2005 amounts have come from our prior year MD&A, and are otherwise not a part of the June 2007 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 2006-2007 increased by 10.5% from 2005-2006 and expenditures increased by 8.2% during the same period as the fund balance increased from $0.7 million to $1.2 million. The current fund balance is approximately 3.4% of the General Fund budget, within the 8.0% maximum required under state law for Districts of this size.

The District completed the final year of a three-year collective bargaining agreement with the professional staff association and has entered into negotiations for a renewal of that contract. The District has experienced continued moderation of health care costs as annual double-digit percentage increases have declined into the single-digit percentage range. The most recent plan renewal has been a 5.0% increase over the prior year, representing a welcome change in the budgeting process.

In the 2006-2007 fiscal year, the Big Spring School district completed its multi-year process of phasing in debt service related to three construction projects; new high School construction, renovation of the old High School into a Middle School, and renovation of the old Middle School into Mount Rock Elementary School. By June 2007, the District had substantially completed the Mount Rock Elementary School renovation work in anticipation of opening that building for the start of the next school year. Opening this school building represents the end of the District's current school construction and renovation program.

The District completed a majority of 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. Most of these upgrades were operational by June 2007 including all of the critical upgrades necessary to start the new school year.

In the 2006-2007 fiscal year, the District's debt service was approximately $4.3 million. The District will have two more fiscal years at approximately $4.7 million before reaching the first maturity in its debt service structure. The increase in the next two fiscal years should be offset by savings from the Guaranteed Energy Savings project.

District personnel implemented provisions of the new Local Tax Reform Act, commonly known as Act 1 of the Special Session of 2006. This law provides, subject to voter referendum, for homestead and farmstead exclusions which reduce the real estate taxes for eligible properties in exchange for an increase in the local Earned Income Tax (EIT). During the primary election in May 2007, voters rejected an increase in the EIT. Act 1 places a limit on future increases in the District's real estate tax rate. 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 has pursued real estate taxes above the "index" through exceptions related to debt service and retirements to the employees' retirement system, but has not pursued a public referendum for the purpose of increasing real estate taxes.

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 $15.7 million at June 2007, which is a increase of $1.9 million from June 2006 and a net increase of $1.6 million from June 2005. The following summarizes the Statement of Net Assets (page FS-1).

	Governmental Activities			Business-type Activities			Totals		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Current and other assets	$12.9	$ 8.9	$10.8	$ 0.2	$ 0.2	$ 0.1	$13.1	$ 9.1	$10.9
Capital assets	53.1	48.0	45.5	0.8	0.9	0.7	53.9	48.9	46.2
Total assets	$66.0	$56.9	$56.3	$ 1.0	$ 1.1	$ 0.8	$67.0	$58.0	$57.1
Current and other liabilities	$ 7.2	$ 2.7	$ 4.0	$ -	$ -	$ -	$ 7.2	$ 2.7	$ 4.0
Long-term liabilities	44.0	41.4	38.9	0.1	0.1	0.1	44.1	41.5	39.0
Total liabilities	51.2	44.1	42.9	0.1	0.1	0.1	51.3	44.2	43.0
Capital assets (net of related debt)	10.3	7.9	7.7	0.8	0.9	0.7	11.1	8.8	8.4
Restricted for capital projects	1.8	3.3	4.6	-	-	-	1.8	3.3	4.6
Unrestricted	2.7	1.6	1.1	0.1	0.1	-	2.8	1.7	1.1
Total net assets	14.8	12.8	13.4	0.9	1.0	0.7	15.7	13.8	14.1
Total liabilities and net assets	$66.0	$56.9	$56.3	$ 1.0	$ 1.1	$ 0.8	$67.0	$58.0	$57.1

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 2007 net assets, $12.9 million out of $15.7 million total, are invested in capital assets (net of related debt) or restricted for capital projects.

Statement of Activities

The following summarizes the Statement of Activities (page FS-2). It shows that total net assets increased by $1.9 million during 2007. Total net assets also decreased by $0.3 million during 2005, prior to the impact of the special item related to changes in the recorded value of capital assets.

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Program revenues						
Charges for services	$ 0.3	$ 0.2	$ 0.8	$ 0.7	$ 1.1	$ 0.9
Operating grants and contributions	6.7	5.9	0.3	0.3	7.0	6.2
Capital grants and contributions	1.2	1.0	-	-	1.2	1.0
General revenues						
Taxes	19.1	17.4	-	-	19.1	17.4
Earnings on investments	0.6	0.4	-	-	0.6	0.4
State general subsidies	8.3	7.9	-	-	8.3	7.9
Total revenues	36.2	32.8	1.1	1.0	37.3	33.8
Direct expenses	34.1	32.9	1.3	1.2	35.4	34.1
Excess revenues (expenses) before transfers	2.1	(0.1)	(0.2)	(0.2)	1.9	(0.3)
Transfers between activities	(0.1)	(0.4)	0.1	0.4	-	-
Change in net assets	$ 2.0	$ (0.5)	$ (0.1)	$ 0.2	$ 1.9	$ (0.3)

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

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

	Governmental Activities					
	Direct Expenses		Program Revenues		Net Expense	
	2007	2006	2007	2006	2007	2006
Instruction	$ 20.6	$ 20.0	$ 5.3	$ 4.3	$ 15.3	$ 15.7
Instructional student support	2.6	2.4	0.2	0.1	2.4	2.3
Administrative and financial support	2.6	2.5	0.1	0.1	2.5	2.4
Operation and maintenance of plant	3.8	3.6	0.1	0.1	3.7	3.5
Pupil transportation	2.1	2.1	1.6	1.4	0.5	0.7
Student activities	0.6	0.6	0.1	0.1	0.5	0.5
Community services	-	-	-	-	-	-
Interest on long-term debt	1.8	1.7	0.8	1.0	1.0	0.7
	$ 34.1	$ 32.9	$ 8.2	$ 7.1	25.9	25.8
Transfers to business-type activities					0.1	0.4
Net expenses - governmental activities					26.0	26.2
State general subsidies revenues					8.3	7.9
Total needs from taxes and other local sources					$ 17.7	$ 18.3

	Business-type Activities					
	Direct Expenses		Program Revenues		Net Expense	
	2007	2006	2007	2006	2007	2006
Food service	$ 1.3	$ 1.2	$ 1.1	$ 1.0	$ 0.2	$ 0.2
Transfers from governmental activities					(0.1)	(0.4)
Net expense (revenue)					$ 0.1	$ (0.2)

THE DISTRICT'S FUNDS

Governmental Funds – fund balances

	Governmental Fund Balances				
	2007	2006	2005	2006-2007 Change	2005-2006 Change
General Fund - unrestricted	$ 1.2	$ 0.7	$ 0.6	$ 0.5	$ 0.1
Capital Reserve Fund - unrestricted	0.6	0.1	-	0.5	0.1
Athletic Fund - unrestricted	-	-	-	-	-
Capital Projects Fund - restricted	1.8	3.3	4.6	(1.5)	(1.3)
	$ 3.6	$ 4.1	$ 5.2	$ (0.5)	$ (1.1)
Total unrestricted	$ 1.8	$ 0.8	$ 0.6	$ 1.0	$ 0.2
Total restricted	1.8	3.3	4.6	(1.5)	(1.3)
	$ 3.6	$ 4.1	$ 5.2	$ (0.5)	$ (1.1)

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. This is summarized on page BCI – 1 (budgetary comparison information). The 2007 fund balance includes $0.3 million reserved for prepaid health insurance expenditures.

The Capital Reserve Fund increase of $0.5 million was due to the funds transferred from the General Fund during the year. A portion of the 2007 fund balance is committed to completing the construction projects when the Capital Projects Fund has 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 have 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.

Changes from 2005 to 2006

The General Fund had budgeted a $0.7 million decrease in fund balance. The actual increase was $0.1 million. The $0.8 million variance was primarily because actual revenue exceeded budgeted revenue.

The Capital Reserve Fund increase of $0.1 million was due to the funds transferred from the General Fund during the year.

The Capital Projects Fund decrease of $1.3 million was primarily due to completing two major renovation projects, the former high school conversion to a middle school and the former annex conversion to administrative offices and a fitness facility. General obligation bonds of $4.5 million were issued primarily to fund the planned conversion of the former middle school to an elementary school.

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	
	2007	2006	2007	2006	2007	2006
Total revenues	$ 34.8	$ 31.8	$ 35.7	$ 32.3	$ 0.9	$ 0.5
Total expenditures	34.6	32.2	34.5	31.9	0.1	0.3
Excess revenues (expenditures)	0.2	(0.4)	1.2	0.4	1.0	0.8
Other financing sources (uses)	(0.2)	(0.3)	(0.7)	(0.3)	(0.5)	-
Net change in fund balance	$ (0.0)	$ (0.7)	$ 0.5	$ 0.1	$ 0.5	$ 0.8

In 2007, actual revenues exceeded the budgeted amount by $0.9 million. Actual expenditures were within $0.1 million of the budgeted amount. The District authorized a transfer of $0.5 million to the Capital Reserve Fund to fund the completion of the construction projects in progress. This unbudgeted transfer was made possible from the additional revenues for the year. Additional details are on page BCI-1 (budgetary comparison information).

The 2006 positive revenue variance of $0.5 million was primarily due to additional state revenues.

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 2007, there were two construction projects in progress, the conversion of the former middle school into Mount Rock Elementary School, and the Guaranteed Energy Savings project.

	Capital assets (net of depreciation)				
	2007	2006	2005	2006-2007 Change	2005-2006 Change
Governmental activities					
Land	$ 0.5	$ 0.5	$ 0.5	$ -	$ -
Construction in progress	6.7	0.1	7.4	6.6	(7.3)
Buildings and improvements	44.0	45.4	35.1	(1.4)	10.3
Furniture and equipment	0.6	0.7	1.1	(0.1)	(0.4)
Library books	0.2	0.2	0.2	-	-
Computer equipment	1.1	1.1	1.2	-	(0.1)
	$ 53.1	$ 48.0	$ 45.5	$ 5.1	$ 2.5
Business-type activities					
Furniture and equipment	$ 0.8	$ 0.9	$ 0.7	$ (0.1)	$ 0.2

Capital assets in the governmental activities were $53.1 million at June 2007, $48.0 million at June 2006 and $45.5 million at June 2005. During 2007, there was $7.3 million of capital assets purchased and $2.2 million of depreciation expense. During 2006, the District purchased $5.1 million of capital assets and had depreciation expense of $2.6 million.

LONG-TERM LIABILITIES

The following summarizes the long-term liabilities note to financial statements (pages FS-22, 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.

	2007	2006	2005	2006-2007 Change	2005-2006 Change
Governmental activities					
General obligation bonds and notes	$ 43.7	$ 41.1	$ 38.1	$ 2.6	$ 3.0
Compensated absences	0.6	0.6	0.6	-	-
Unamortized bond costs	(0.3)	(0.3)	0.2	-	(0.5)
	$ 44.0	$ 41.4	$ 38.9	$ 2.6	$ 2.5

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 $2.6 million during 2007 and $2.2 million during 2006.

During 2007, the District issued notes payable of $5.2 million to finance the Guaranteed Energy Savings project. During 2006, the District issued bonds of $4.5 million and also advance refunded a portion of previous bonds which resulted in a net increase of $0.7 million.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

	Original Budget 2007-2008	2006-2007	Change
Total revenue	$ 35.4	$ 34.0	$ 1.4
Total expenditures	34.8	33.4	1.4
Excess revenues (expenditures)	0.6	0.6	-
Other financing sources (uses)	(0.6)	(0.6)	-
Net change in fund balance	$ 0.0	$ 0.0	$ -

The revenue budget for 2007-2008 represents a 4.1% increase. The real estate millage rate increases by 0.829 mills, from 13.365 to 14.194. The earned income tax rate remains at 1.65%.

The expenditure budget for 2007-2008 represents a 4.2% increase. Rate increases for health insurance and retirement are contributing factors to the increase, while selected one-time grants in the prior budget year limited the size of the overall increase.

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, 2007

(With Summarized Financial Information for June 30, 2006)

	Governmental Activities	Business-type Activities	Totals 2007	Totals 2006
Assets				
Cash and cash equivalents	$ 1,394,901	$ 84,030	$ 1,478,931	$ 1,152,898
Taxes receivable (net of allowance for uncollectibles)	2,210,000	-	2,210,000	2,120,000
Internal balances	1,527	(1,527)	-	-
Due from other governments	2,409,017	35,229	2,444,246	1,558,718
Other receivables	150,122	2,095	152,217	127,483
Inventories	-	30,936	30,936	35,118
Prepaid health insurance	275,000	-	275,000	-
Restricted cash and investments for construction	5,849,303	-	5,849,303	3,426,411
Unamortized bond issuance costs	626,320	-	626,320	712,879
Capital assets not being depreciated	7,217,151	-	7,217,151	572,746
Capital assets being depreciated (net of accumulated depreciation)	45,860,946	815,090	46,676,036	48,300,312
Total assets	$ 65,994,287	$ 965,853	$ 66,960,140	$ 58,006,565
Liabilities				
Accounts payable	$ 420,165	$ 2,463	$ 422,628	$ 452,023
Contracts payable	4,179,832	-	4,179,832	215,200
Payroll and benefits payable	2,073,197	-	2,073,197	1,703,160
Deferred revenues	59,914	8,505	68,419	8,093
Accrued interest on bonds payable	410,800	-	410,800	417,000
Long-term liabilities				
Due within one year	3,391,783	7,000	3,398,783	2,857,000
Due in more than one year	40,884,601	53,056	40,937,657	38,863,887
Unamortized bond discounts and refunding costs	(254,603)	-	(254,603)	(323,740)
Total liabilities	51,165,689	71,024	51,236,713	44,192,623
Net assets				
Invested in capital assets (net of related debt)	10,278,436	815,090	11,093,526	8,839,677
Restricted for capital projects	1,771,578	-	1,771,578	3,273,700
Unrestricted	2,778,584	79,739	2,858,323	1,700,565
Total net assets	14,828,598	894,829	15,723,427	13,813,942
Total liabilities and net assets	$ 65,994,287	$ 965,853	$ 66,960,140	$ 58,006,565

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

(With Summarized Financial Information for the Year Ended June 30, 2006)

Functions/Programs	Direct Expenses	Program Revenues: Charges for Services	Program Revenues: Grants and Contributions: Operating	Program Revenues: Grants and Contributions: Capital	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Totals: 2007	Totals: 2006
Governmental activities								
Instruction	$ 20,593,429	$ 279,457	$ 4,700,514	$ 379,639	(15,233,819)	$ -	$ (15,233,819)	$ (15,729,888)
Instructional student support	2,616,052	-	174,901	-	(2,441,151)	-	(2,441,151)	(2,247,530)
Administrative and financial support	2,624,827	-	113,866	-	(2,510,961)	-	(2,510,961)	(2,446,433)
Operation and maintenance of plant	3,785,558	16,796	85,101	-	(3,683,661)	-	(3,683,661)	(3,489,892)
Pupil transportation	2,073,975	-	1,602,137	-	(471,838)	-	(471,838)	(724,497)
Student activities	591,635	51,725	21,030	-	(518,880)	-	(518,880)	(515,157)
Community services	22,139	-	1,238	-	(20,901)	-	(20,901)	(20,008)
Interest on long-term debt	1,780,365	-	-	853,787	(926,578)	-	(926,578)	(624,688)
Total governmental activities	34,087,980	347,978	6,698,787	1,233,426	(25,807,789)	-	(25,807,789)	(25,798,093)
Business-type activities								
Food service	1,321,089	778,636	333,389	-	-	(209,064)	(209,064)	(185,171)
Total school district	$ 35,409,069	$ 1,126,614	$ 7,032,176	$ 1,233,426	(25,807,789)	(209,064)	(26,016,853)	(25,983,264)
General revenues								
Taxes								
Real estate taxes					14,151,383	-	14,151,383	12,735,919
Earned income taxes					4,365,988	-	4,365,988	4,092,071
Personal taxes					178,975	-	178,975	170,957
Other taxes					388,219	-	388,219	390,015
Earnings on investments					583,782	2,293	586,075	429,616
State general subsidies					8,255,698	-	8,255,698	7,881,533
Total general revenues					27,924,045	2,293	27,926,338	25,700,111
Transfers between governmental and business-type activities					(117,000)	117,000	-	-
Total general revenues and transfers					27,807,045	119,293	27,926,338	25,700,111
Change in net assets					1,999,256	(89,771)	1,909,485	(283,153)
Net assets - beginning					12,829,342	984,600	13,813,942	14,097,095
Net assets - ending					$ 14,828,598	$ 894,829	$ 15,723,427	$ 13,813,942

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

BIG SPRING SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007
(With Summarized Financial Information for June 30, 2006)

	General	Capital Reserve	Athletic	Capital Projects	Totals 2007	Totals 2006
Assets						
Cash and cash equivalents	$ 1,377,686	$ 9,014	$ 8,201	$ 5,849,303	$ 7,244,204	$ 1,303,991
Investments	-	-	-	-	-	3,185,000
Taxes receivable (net of allowance for uncollectibles)	2,210,000	-	-	-	2,210,000	2,120,000
Due from other funds	3,908	582,867	-	-	586,775	73,524
Due from other governments	2,409,017	-	-	-	2,409,017	1,527,586
Other receivables	48,015	-	-	102,107	150,122	127,483
Prepaid health insurance	275,000	-	-	-	275,000	-
Total assets	$ 6,323,626	$ 591,881	$ 8,201	$ 5,951,410	$ 12,875,118	$ 8,337,584
Liabilities and fund balances						
Accounts payable	$ 420,165	$ -	$ -	$ -	$ 420,165	$ 448,133
Contracts payable	-	-	-	4,179,832	4,179,832	215,200
Payroll and benefits payable	2,073,197	-	-	-	2,073,197	1,703,160
Due to other funds	582,867	-	2,381	-	585,248	51,273
Deferred revenues	2,019,914	-	-	-	2,019,914	1,849,050
Total liabilities	5,096,143	-	2,381	4,179,832	9,278,356	4,266,816
Restricted for capital projects	-	-	-	1,771,578	1,771,578	3,273,700
Reserved for prepaid expenses	275,000	-	-	-	275,000	-
Unrestricted - undesignated						
General fund	952,483	-	-	-	952,483	706,733
Special revenue funds	-	591,881	5,820	-	597,701	90,335
Total fund balances	1,227,483	591,881	5,820	1,771,578	3,596,762	4,070,768
Total liabilities and fund balances	$ 6,323,626	$ 591,881	$ 8,201	$ 5,951,410	$ 12,875,118	$ 8,337,584

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, 2007

Total fund balances - Governmental funds		$ 3,596,762
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 $ 75,287,549, and the accumulated depreciation is $ 22,209,452.		53,078,097
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	$ (43,680,584)	
Compensated absences	(595,800)	
Long-term liabilities	(44,276,384)	
Accrued interest on bonds payable	(410,800)	(44,687,184)
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	626,320	
Bond discounts (premiums)	(111,997)	
Refunding costs	366,600	880,923
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	390,000	
Earned income taxes	1,560,000	
Personal taxes	10,000	1,960,000
Total net assets - Governmental activities		$ 14,828,598

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, 2007
(With Summarized Financial Information for the Year Ended June 30, 2006)

	General	Capital Reserve	Athletic	Capital Projects	Totals 2007	Totals 2006
Revenues						
Local sources - taxes	$ 18,969,565	$ -	$ -	$ -	$ 18,969,565	$ 17,083,962
Local sources - other	1,280,246	590	51,725	269,284	1,601,845	1,140,412
State sources	14,939,745	-	-	-	14,939,745	13,736,408
Federal sources	578,856	-	-	-	578,856	573,264
Total revenues	35,768,412	590	51,725	269,284	36,090,011	32,534,046
Expenditures						
Instruction	19,496,937	-	-	-	19,496,937	18,248,976
Support services	10,418,703	20,367	-	141,012	10,580,082	10,720,077
Noninstructional services	446,149	-	127,449	-	573,598	643,759
Capital outlay	-	-	-	6,688,781	6,688,781	4,422,074
Debt service (principal and interest)	4,165,231	-	-	102,197	4,267,428	3,922,753
Refunds of prior years revenues	775	-	-	-	775	341
Total expenditures	34,527,795	20,367	127,449	6,931,990	41,607,601	37,957,980
Excess (deficiency) of revenues over expenditures	1,240,617	(19,777)	(75,724)	(6,662,706)	(5,517,590)	(5,423,934)
Other financing sources (uses)						
Bond and note proceeds	-	-	-	5,160,584	5,160,584	4,500,000
Refunding bond proceeds	-	-	-	-	-	9,995,000
Debt service (refunded bonds)	-	-	-	-	-	(9,824,034)
Transfers from other funds	-	532,867	70,000	-	602,867	154,000
Transfers to other funds	(719,867)	-	-	-	(719,867)	(566,000)
Net change in fund balances	520,750	513,090	(5,724)	(1,502,122)	(474,006)	(1,164,968)
Fund balances - beginning	706,733	78,791	11,544	3,273,700	4,070,768	5,235,736
Fund balances - ending	$ 1,227,483	$ 591,881	$ 5,820	$ 1,771,578	$ 3,596,762	$ 4,070,768

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, 2007

Total net change in fund balances - Governmental funds		$ (474,006)
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	7,321,645	
Depreciation expense	(2,199,263)	5,122,382
Payments of bond and note principal are presented as expenditures in the governmental funds. The principal repayment reduces the liability for bonds and notes payable in the statement of net assets.		2,550,000
Bond and note proceeds are presented as other financing sources in the governmental funds. They are shown as liabilities in the statement of net assets. During the year, the 2006 Series of notes were issued.		(5,160,584)
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	(155,696)	(155,696)
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	30,000	
Earned income taxes	80,000	
Personal taxes	5,000	115,000
Payments of interest are presented as expenditures in the governmental funds when the payment is due. In the statement of activities, the expense is measured by the amount accrued during the year. The liability for accrued interest on bonds payable decreased during the year.		6,200
Payments of compensated absences are presented as expenditures in the governmental funds. In the statement of activities, the expense is measured by the amount earned by employees during the year. The liability for compensated absences increased during the year.		(4,040)
Change in net assets - Governmental activities		$ 1,999,256

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2007

(With Summarized Financial Information for June 30, 2006)

	Food Service	
	2007	2006
Assets		
Cash and cash equivalents	$ 84,030	$ 90,318
Due from other governments	35,229	31,132
Other receivables	2,095	-
Inventories	30,936	35,118
Total current assets	152,290	156,568
Furniture and equipment (net of accumulated depreciation)	815,090	917,343
Total assets	$ 967,380	$ 1,073,911
Liabilities		
Accounts payable	$ 2,463	$ 3,890
Due to other funds	1,527	22,251
Deferred revenues	8,505	4,043
Current portion of compensated absences	7,000	7,000
Total current liabilities	19,495	37,184
Long-term portion of compensated absences	53,056	52,127
Total liabilities	72,551	89,311
Net assets		
Invested in capital assets (net of related debt)	815,090	917,343
Unrestricted	79,739	67,257
Total net assets	894,829	984,600
Total liabilities and net assets	$ 967,380	$ 1,073,911

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, 2007
(With Summarized Financial Information for the Year Ended June 30, 2006)

	Food Service	
	2007	2006
Operating revenues - Food service revenue	$ 778,636	$ 753,817
Operating expenses		
Salaries	415,033	425,340
Employee benefits	197,423	163,165
Purchased property service	65,598	64,365
Food and milk	516,429	460,283
Other expenses	24,353	10,598
Depreciation	102,253	92,519
Total operating expenses	1,321,089	1,216,270
Operating income (loss)	(542,453)	(462,453)
Nonoperating revenues		
Earnings on investments	2,293	2,712
State sources - social security and retirement subsidies	28,180	26,000
State sources - meal subsidies	29,200	24,372
Federal sources - meal subsidies	212,563	180,364
Federal sources - donated commodities	63,446	46,546
Total nonoperating revenues	335,682	279,994
Income (loss) before transfers	(206,771)	(182,459)
Transfers from other funds	117,000	412,000
Change in net assets	(89,771)	229,541
Net assets - beginning	984,600	755,059
Net assets - ending	$ 894,829	$ 984,600

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, 2007
(With Summarized Financial Information for the Year Ended June 30, 2006)

	Food Service	
	2007	2006
Operating activities		
Cash received from users	$ 781,003	$ 757,959
Cash payments to employees for services	(607,345)	(574,488)
Cash payments to suppliers for goods and services	(544,361)	(508,675)
Net cash provided by (used for) operating activities	(370,703)	(325,204)
Non-capital financing activities		
State sources	57,173	47,406
Federal sources	208,673	158,597
General fund advances (Due to other funds)	(20,724)	22,251
General fund contributed services	117,000	120,000
Net cash provided by (used for) non-capital financing activities	362,122	348,254
Capital and related financing activities		
Cash payments for equipment	-	-
Net cash provided by (used for) capital and related financing activities	-	-
Investing activities		
Earnings on investments	2,293	2,712
Net cash provided by (used for) investing activities	2,293	2,712
Net change in cash and cash equivalents	(6,288)	25,762
Cash and cash equivalents - beginning	90,318	64,556
Cash and cash equivalents - ending	$ 84,030	$ 90,318
Reconciliation of operating income (loss) to net cash used for operating activities		
Operating income (loss)	$ (542,453)	$ (462,453)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation	102,253	92,519
Donated commodities	63,446	46,546
Net change in other assets and other liabilities		
Other receivable	(2,095)	3,564
Inventories	4,182	4,423
Accounts payable	(1,427)	(2,147)
Payroll and benefits payable	-	(4,655)
Deferred revenues	4,462	578
Compensated absences	929	(3,579)
Total adjustments	171,750	137,249
Net cash provided by (used for) operating activities	$ (370,703)	$ (325,204)

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

BIG SPRING SCHOOL DISTRICT

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2007

(With Summarized Financial Information for June 30, 2006)

	Student Activities	
	2007	2006
Assets		
Cash and cash equivalents	$ 145,100	$ 155,066
Total assets	$ 145,100	$ 155,066
Liabilities		
Due to student groups	$ 145,100	$ 155,066
Total liabilities	145,100	155,066
Net assets	-	-
Total liabilities and net assets	$ 145,100	$ 155,066

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Jointly-governed organizations (Cont'd.)

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.

Basis of presentation - Fund financial statements

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

Fund accounting (Cont'd.)

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.

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 $ 813,001.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

Fund accounting (Cont'd.)

The 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental Activities	Business-type Activities
Buildings	50	-
Interior renovations	25	-
Site improvements	15 to 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 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Long-term liabilities (Cont'd.)

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.

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, 2006, 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 statements which will have the greatest impact on the District are GASB 43 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and GASB 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The purpose of these two statements is to set new accounting standards for state and local government employers that offer retiree health benefits and other non-pension postemployment benefits. In particular, these statements require the accrual of liabilities and expenses of other postemployment benefits (OPEB) over the working career of plan members. The effective date of GASB 43 for the District is the June 2008 fiscal year. GASB 45 comes into effect one year after GASB 43. The requirements of these statements are under review by the District and management is evaluating the impact these pronouncements 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, 2007, the District's deposits totaled $ 254,517 and the depository institution balances totaled $ 1,060,087. Of the depository institution balances, $ 200,000 was covered by federal depository insurance and $ 860,087 was collateralized. The pledged collateral is held by the Federal Reserve Bank, but is not titled in the District's name.

The District also has cash equivalents with the UMB Corporate Trust Services (UMB) and Pennsylvania School District Liquid Asset Fund (PSDLAF). UMB uses an investment pool of short-term U.S. government obligations. PSDLAF is a common law trust established pursuant to the Intergovernmental Cooperation Act and the Pennsylvania Public School Code for the purpose of pooling investments. It is a fundamental policy of PSDLAF 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 may only purchase securities which are permitted under PA law. As of June 30, 2007, the District's deposits in UMB and PSDLAF totaled $ 5,163,484 and $ 2,055,333, 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 is generally less than 60 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 were rated "AAAm" by Standard & Poor's.

Cash and cash equivalents are as follows:

Governmental activities (includes restricted)	$ 7,244,204
Business-type activities	84,030
Fiduciary funds	145,100
	$ 7,473,334

TAXES RECEIVABLE

Taxes receivable are as follows:

	Taxes Receivable (Gross)	Allowance for Uncollectibles	Taxes Receivable (Net)	Deferred Tax Revenue
Real estate taxes	$ 642,034	$ (2,034)	$ 640,000	$ 390,000
Earned income taxes	1,560,000	-	1,560,000	1,560,000
Personal taxes	12,078	(2,078)	10,000	10,000
General Fund	2,214,112	(4,112)	2,210,000	1,960,000
Full accrual adjustment	-	-	-	(1,960,000)
Governmental activities	$ 2,214,112	$ (4,112)	$ 2,210,000	$ -

DUE FROM OTHER GOVERNMENTS

Due from other governments are as follows:

	Governmental Activities	Business-type Activities
Local sources – earned income taxes	$ 849,589	$ -
Local sources – IDEA - B grant	395,208	-
Local sources – other districts	246,403	-
Local sources – other items	137,399	-
State sources	671,030	4,001
Federal sources	109,388	31,228
	$ 2,409,017	$ 35,229

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	70,922	6,644,405	-	6,715,327
	572,746	6,644,405	-	7,217,151
Capital assets being depreciated				
Buildings and improvements	57,124,612	-	-	57,124,612
Furniture and equipment	3,328,556	65,333	-	3,393,889
Library books	2,207,008	-	-	2,207,008
Computer equipment	4,732,982	611,907	-	5,344,889
	67,393,158	677,240	-	68,070,398
Accumulated depreciation				
Buildings and improvements	(11,728,414)	(1,370,314)	-	(13,098,728)
Furniture and equipment	(2,605,879)	(175,490)	-	(2,781,369)
Library books	(2,045,956)	(23,712)	-	(2,069,668)
Computer equipment	(3,629,940)	(629,747)	-	(4,259,687)
	(20,010,189)	(2,199,263)	-	(22,209,452)
Capital assets being depreciated, net	47,382,969	(1,522,023)	-	45,860,946
Governmental activities capital assets, net	$ 47,955,715	$ 5,122,382	$ -	$ 53,078,097
Business-type activities				
Capital assets being depreciated				
Furniture and equipment	$ 1,541,234	$ -	$ -	$ 1,541,234
Accumulated depreciation				
Furniture and equipment	(623,891)	(102,253)	-	(726,144)
Capital assets being depreciated, net	917,343	(102,253)	-	815,090
Business-type activities capital assets, net	$ 917,343	$ (102,253)	$ -	$ 815,090

CAPITAL ASSETS (Cont'd.)

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Instruction	$ 1,770,452
Instructional student support	194,318
Administrative and financial support	86,363
Operation and maintenance of plant	107,954
Student activities	40,176
	$ 2,199,263
Business-type activities - Food service	$ 102,253

As of June 30, 2007 there were two construction projects in progress. The conversion of the former middle school to an elementary school was essentially completed in August 2007. The energy savings project is scheduled for completion in late 2007. The June 30, 2007 Capital Projects Fund is fully committed to funding these projects. To complete these construction projects, the District anticipates paying approximately $ 250,000 to $ 300,000 from the Capital Reserve Fund.

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 $ 2,019,914 consists of $ 1,960,000 of taxes receivable not received within 2 months of the end of the fiscal period, $ 39,398 of deferred federal grants, and $ 20,516 of resources that have been received but not yet earned.

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

LONG-TERM LIABILITIES

Changes in all long-term liabilities were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds and notes payable	$ 41,070,000	$ 5,160,584	$ (2,550,000)	$ 43,680,584	$ 3,141,783
Compensated absences	591,760	252,980	(248,940)	595,800	250,000
	$ 41,661,760	$ 5,413,564	$ (2,798,940)	$ 44,276,384	$ 3,391,783
Business-type activities					
Compensated absences	$ 59,127	$ 10,551	$ (9,622)	$ 60,056	$ 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	$ 1,550,000	$ -	$ (490,000)	$ 1,060,000
1999 Series	3,720,000	-	(240,000)	3,480,000
2001 Series	3,915,000	-	(485,000)	3,430,000
2003 Series	17,390,000	-	(930,000)	16,460,000
2005 Series	4,500,000	-	(380,000)	4,120,000
2006 Series	9,995,000	-	(25,000)	9,970,000
2006 Notes	-	5,160,584	-	5,160,584
	$ 41,070,000	$ 5,160,584	$ (2,550,000)	$ 43,680,584

	Interest Rates	Maturity Date	Callable Date	Due Within One Year
1997 Series	5.075%	March 2009	Not callable	$ 515,000
1999 Series	(1)	December 2017	45 days notice	250,000
2001 Series	4.10% to 5.10%	February 2021	August 2011	660,000
2003 Series	3.05% to 4.40%	April 2023	April 2013	945,000
2005 Series	3.10% to 4.50%	June 2016	December 2010	395,000
2006 Series	3.30% to 4.05%	March 2021	August 2011	75,000
2006 Notes	3.95%	December 2021	Annually, with fees	301,783
				$ 3,141,783

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 2007 the "weekly rate" was 3.74%.

During the year ended June 2007, $ 102,197 of debt service was paid from the Capital Projects Fund. Scheduled debt service requirements, payable by the General Fund, except for six monthly interest payments on the 2006 Notes totaling $ 100,122 payable by the Capital Projects Fund, are as follows:

Year Ending June	Principal	Interest	Total
2008	$ 3,141,783	$ 1,665,473	$ 4,807,256
2009	3,083,229	1,639,642	4,722,871
2010	2,667,592	1,506,204	4,173,796
2011	2,783,890	1,409,973	4,193,863
2012	2,912,251	1,297,633	4,209,884
2013-2017	16,378,578	4,547,454	20,926,032
2018-2022	11,913,261	1,492,196	13,405,457
2023	800,000	35,200	835,200
	$ 43,680,584	$ 13,593,775	$ 57,274,359

In December 2006 the District borrowed $ 5,160,584 (2006 Notes) to finance an energy savings project for selected District facilities. There are future annual savings guarantees related to the project costs. If the guaranteed energy savings are not achieved, the District will be reimbursed for any short fall in energy savings.

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, 2007 $ 9,135,000 of defeased bonds remain outstanding and are scheduled to be called in August 2011.

LONG-TERM LIABILITIES (Cont'd.)

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 (with at least 10 years service in the District) or their beneficiaries shall choose one of the following options (subject to a maximum of $ 12,000 for administrators and $ 9,500 for all other employees):

1. Accumulated unused sick leave days times $ 50 per day

2. Number of full years of service in the District times $ 160 per year

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.

PENSION PLAN (Cont'd.)

Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 2007 the employer contribution rate was 6.46 percent of covered payroll, composed of 5.72 percent for pension benefits and .74 percent for healthcare insurance premium assistance. The District's contributions to the system for the years ended June 2007, 2006 and 2005 were $ 1,055,160, $ 735,469, $ 648,394, 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 2007, there were a total of 58 retirees covered for health insurance.

The District finances this benefit on a pay-as-you-go basis. For the year ended June 2007, the estimated net cost to the District was $ 200,550 ($ 587,702 estimated plan costs paid for the retirees less $ 387,152 estimated premiums paid by the retirees).

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 for accrued costs, beginning		$ 941,052
Payments to the trust	$ 3,679,958	
Change in prepaid/accrued to the trust	(425,000)	
		3,254,958
Claims paid by the trust	(2,921,252)	
Administrative and other fees, net of interest earned	(183,454)	
Stop loss premiums and commissions	(104,556)	
		(3,209,262)
Amount available for accrued costs, ending		$ 986,748

RISK MANAGEMENT (Cont'd.)

The amount available in the trust was as follows:

Accrual for claims incurred	$ 523,248
Accrual for administrative and other fees	34,000
Accrual for health insurance coverage on payroll payable	429,500
Amount available for accrued costs, ending	986,748
Prepaid health insurance	275,000
Amount available in the trust, ending	$ 1,261,748

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.

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 expired in June 2007. As of the date of this report, a contract is still being negotiated.

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.

COMMITMENTS AND CONTINGENCIES (Cont'd.)

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.

BIG SPRING SCHOOL DISTRICT

BUDGETARY COMPARISON INFORMATION - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance With Final Budget Positive (Negative)
Revenues				
Local sources - taxes	$ 18,628,898	$ 18,628,898	$ 18,969,565	$ 340,667
Local sources - other	1,010,000	1,127,162	1,280,246	153,084
State sources	13,778,142	14,345,201	14,939,745	594,544
Federal sources	605,465	734,245	578,856	(155,389)
Total revenues	34,022,505	34,835,506	35,768,412	932,906
Expenditures				
Regular programs	13,299,792	14,361,973	14,361,957	16
Special programs	4,471,235	4,480,186	4,480,186	-
Vocational programs	570,856	508,856	508,622	234
Other instructional programs	90,676	146,176	146,172	4
Pupil personnel	843,811	747,811	747,113	698
Instructional staff	1,297,104	1,267,190	1,259,127	8,063
Administration	1,923,736	1,848,736	1,815,094	33,642
Pupil health	412,719	413,019	401,433	11,586
Business	526,570	526,570	514,418	12,152
Operation and maintenance of plant	3,554,958	3,594,458	3,579,583	14,875
Student transportation	1,788,339	2,074,339	2,073,975	364
Central services	-	4,000	4,000	-
Other support services	36,713	24,713	23,960	753
Student activities	423,023	424,023	424,010	13
Community services	-	22,140	22,139	1
Debt service (principal and interest)	4,184,692	4,183,692	4,165,231	18,461
Refunds of prior years revenues	-	1,000	775	225
Total expenditures	33,424,224	34,628,882	34,527,795	101,087
Excess (deficiency) of revenues over expenditures	598,281	206,624	1,240,617	1,033,993
Other financing sources (uses)				
Transfers to other funds	(489,802)	(206,624)	(719,867)	(513,243)
Budgetary reserve	(108,479)	-	-	-
Net change in fund balances	-	-	520,750	520,750
Fund balance - beginning	1,625,817	1,625,817	706,733	(919,084)
Fund balance - ending	$ 1,625,817	$ 1,625,817	$ 1,227,483	$ (398,334)