

**REPORT ON  
BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT  
SINGLE AUDIT REPORT  
FISCAL YEAR ENDED JUNE 30, 2009**

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

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	<u>Page (s)</u>
<b>Introductory Section</b>	
Transmittal Letter .....	1
Letter to Governance/Management.....	2 - 6
Report Distribution List .....	7
<b>Financial Section</b>	
Independent Auditor's Report.....	8 - 9
Management's Discussion and Analysis .....	10 - 21
<b>Basic Financial Statements</b>	
District-wide Financial Statements:	
Statement of Net Assets .....	22
Statement of Activities.....	23
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	27 -28
Statement of Net Assets - Proprietary Funds .....	29
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds .....	30
Statement of Cash Flows - Proprietary Funds .....	31 - 32
Statement of Net Assets - Fiduciary Funds.....	33
Statement of Changes in Net Assets - Fiduciary Funds .....	34
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund .....	35

**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT**

**Single Audit Report**

**For the Fiscal Year Ended June 30, 2009**

**TABLE OF CONTENTS (continued)**

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	<b>Page (s)</b>
Notes to Basic Financial Statements.....	36- 64
<b>Required Supplemental Information</b>	
Schedule of Funding Progress .....	65
<b>Supplemental Information:</b>	
Combining Statement of Fiduciary Net Assets - Private Purpose Trust Funds.....	66
Combining Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Funds .....	67
General Fund - Schedule on Tax Collectors' Receipts .....	68
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance .....	69 – 71
Food Service Fund - Statement of Revenues and Expenses.....	72
1999 Construction Fund - Statement of Revenues and Expenditures .....	73
General Long-Term Debt:	
Schedule on General Obligation Notes - Series of 2002 .....	74
Schedule on General Obligation Bonds - Series of 2002 .....	74
Schedule on General Obligation Notes - Series of 2003 .....	75
Schedule on General Obligation Bonds - Series of 2006 .....	75
<b>Single Audit Section</b>	
Schedule of Expenditures of Federal Awards .....	76
Notes to the Schedule of Expenditures of Federal Awards .....	77
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards.....	78 - 79
Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in accordance with OMB Circular A-133 .....	80 - 81
Schedule of Findings and Questioned Costs .....	82 - 83

## INTRODUCTORY SECTION



# GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of  
American Institute of Certified Public Accountants  
Pennsylvania Institute of Certified Public Accountants  
Florida Institute of Certified Public Accountants

Board of School Directors  
Brandywine Heights Area School District  
200 West Weis Street  
Topton, PA 19562

We have performed the Single Audit of the Brandywine Heights Area School District for the fiscal year ended June 30, 2009, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of OMB Circular A-133, which entailed:

1. An audit of the basic financial statements, and our opinion thereon;
2. A review of compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with Governmental Auditing Standards, and our report thereon;
3. An examination of the Schedule of Expenditures of Federal Awards, and our report thereon; and,
4. An opinion on compliance with requirements applicable to each major program and a review of internal control over compliance in accordance with OMB Circular A-133, and our report thereon.

As part of our report, we have enclosed our management letter.

Respectfully submitted,

*Gorman & Associates, P.C.*

December 2, 2009



# GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of  
American Institute of Certified Public Accountants  
Pennsylvania Institute of Certified Public Accountants  
Florida Institute of Certified Public Accountants

Board of School Directors  
Dr. Martin D. Handler, Superintendent  
Brandywine Heights Area School District  
200 West Weis Street  
Topton, PA 19562

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Brandywine Heights Area School District for the year ended June 30, 2009, and have issued our report thereon dated December 2, 2009.

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether your financial statements are fairly presented, in all material respects, in conformity with the U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities, including having compensating controls in place to ensure our preparation of your financial statements and note disclosures are not materially misstated.

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matter on June 3, 2009.

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Brandywine Heights Area School District are described in the notes to the financial statements. No new accounting policies were adopted during this past year and the existing policies were properly applied. We did not discover any transactions entered into by the District that lacked authoritative guidance or consensus. In addition, there are no significant transactions affecting the financial statements that have been recognized incorrectly in the wrong year.

Accounting estimates, which are part of the significant accounting policies, are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events may differ significantly from those expected. The most sensitive estimate affecting the financial statements was depreciation taken on capital assets based upon the estimated useful life of each asset and calculated on the straight-line basis of depreciation. We have evaluated the factors and assumptions used to develop this estimate and have determined the estimate to be reasonable in relation to the financial statements taken as a whole.

We wish to inform you that the disclosures in your financial statements are neutral, consistent, and clear. From time to time, certain disclosures are more sensitive than others due to their significance to financial statement users. The most sensitive disclosures involve capital assets and long-term debt.

We have requested certain representations from management that are included in the management representation letter provided to us on December 2, 2009. We advise the governing body to request this letter from management for their review. In conjunction with their representations, we wish to inform you we did not encounter any significant difficulties in dealing with management and had no disagreements with your management. To our knowledge, management did not find a need to converse with any other independent accountant on any related accounting or auditing issue.

In addition, the representation letter provided to us, by management, confirmed there were no uncorrected misstatements. Management has recorded all of our adjusting journal entries, and has agreed to the conversion entries necessary to convert governmental funds and proprietary funds to governmental activities and business-type activities, respectively.

In accordance with auditing standards, generally accepted in the United States of America, we have acquired a sufficient understanding of the District and its environment, including its internal control, to assess the risk of material misstatements of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures that were necessary to express an opinion on the 2008-09 basic financial statements.

Our consideration of the District's internal control components was not designed for the purpose of making detailed recommendations and would not necessarily disclose all significant deficiencies within the components. Our audit procedures have been appropriately adjusted to compensate for any observed significant deficiencies. The following three paragraphs define the three different types of deficiencies that can occur:

**A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.**

**A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity's internal control.**

**A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.**

As the primary purpose of our audit is to form an opinion on the basic financial statements, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against errors and fraud which audit procedures may not disclose. The objective of internal control over financial reporting is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use and that financial records are reliable for preparing financial statements in accordance with generally accepted accounting principles and for maintaining the accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the related benefits; to operationalize this concept, management is required to formulate estimates and judgments of the cost/benefit ratios of alternative controls.

There are inherent limitations that should be recognized in considering the potential effectiveness of internal control over financial reporting. Errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, fatigue, and other personnel factors. Control procedures whose effectiveness depends upon the segregation of duties can be circumvented by collusion or by management. What's more, any projection of internal control evaluations to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or due to the deterioration of the degree of compliance with control procedures.

As an adjunct to our audit, we remained alert throughout for opportunities to enhance internal controls and operating efficiency. These matters were discussed with management as the audit progressed and have subsequently been reviewed in detail to formulate practical recommendations. We wish to thank your staff for their courtesies and cooperation, which facilitated the efficient performance of audit procedures. The remainder of this letter will explain any internal control deficiencies discovered during the audit, other auditor recommendations, and other information pertinent to the District.

A control deficiency is determined to be considered a material weakness or significant deficiency based upon the magnitude of the problem as it pertains to a particular opinion unit. In other words, what is considered a significant deficiency in one fund may only be a control deficiency in another fund of greater size.

**The following section in this governance/management letter is separated by categories based on importance, with any material weaknesses or significant deficiencies listed in the beginning:**

***OTHER INFORMATION***

**GASB Statement No. 53 – Derivatives**

During the 2008 calendar year, the Governmental Accounting Standards Board issued the latest accounting principle standard for all governments to follow. GASB Statement No. 53 is associated with the proper accounting and reporting of derivative instruments. The only derivative instruments to be acquired, in the Commonwealth of Pennsylvania, by governments are derivatives pertaining to debt; i.e. interest rate swaps, forward swaptions, constant maturity basis swaps, and etc.

Governments who use this type of financial instrument are now required to record the fair value of the derivative onto the government-wide financial statements reflected as an asset or liability. The recording of the net change in fair value depends on the effectiveness of the hedge. These types of financial instruments can potentially save governments money, but are as risky as adjustable rate mortgages versus fixed rate mortgages. If the District would like further clarification of this accounting standard, we will be happy to discuss it with you. The effective date of this standard is the 2009-10 fiscal year.

**GASB Statement No. 54 – Fund Balance Reporting**

In February 2009, the Governmental Accounting Standards Board issued Statement No. 54 redefining the various components of fund balance that is used in governmental funds (General Fund, Capital Reserve Fund, Athletic Fund, Capital Project Fund, and Debt Service Funds). This standard goes into effect for the 2010-11 fiscal year.

The new categories of fund balance are:

- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned

The ***Nonspendable*** fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” includes items not expected to be converted into cash, for example, inventories and prepaid amounts. The corpus (principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

The ***Restricted*** fund balance classification occurs when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws and regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to mandate payment of resources from external providers and includes a legally enforceable requirement that those resources be used for the specific purpose stipulated in the legislation.

The ***Committed*** fund balance classification is used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (legislation, ordinance, or resolution). The formal action of the government's highest level of decision-making authority that commits fund balance to a specific purpose should occur prior to the end of the reporting period, but the amount, if any, subject to the constraint, may be determined in the subsequent period.

The ***Assigned*** fund balance classification involves amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The authority to create an assigned amount does not require formal action of the governing body.

Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

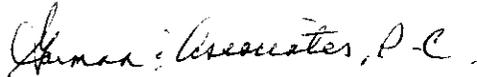
The ***Unassigned*** fund balance is the residual classification for the general fund. The general fund should be the only governmental fund that reports a positive unassigned fund balance account. In the other governmental funds, this account is only used to show negative fund balance amounts after all restricted, committed, and/or assigned amounts have been extinguished.

The management and governing body needs to formulate new accounting policies pertaining to these new classifications of fund balance. We are recommending the School Board adopt a policy establishing the person or persons responsible to assigning any portion of the fund balance. The policy could stipulate the superintendent, business manager, members of the governing body or any combination thereof, to authorize the assignment of fund balance. Unlike committed fund balance, assignments should not be approved by the entire governing body by formal resolution.

In addition, the policy should provide a pecking order of which category of fund balance should be eliminated before other categories. In other words, should committed fund balance be eliminated before assigned fund balance or vice versa? Should restricted fund balance be eliminated before committed or vice versa?

This letter is required by our standards and has been combined with, what we previously referred to as, the management letter. The intent of this letter is to communicate with those charged with governance on matters pertaining to the audit and includes information that we believe can help you correct or improve operating efficiency, under the limitations of staff availability, within the District.

Respectively submitted,



*Gorman & Associates, P.C.*

December 2, 2009

***REPORT DISTRIBUTION LIST***

The Brandywine Heights Area School District has distributed copies of the Single Audit Act Package to the following:

**ONE COPY TO:** FEDERAL AUDIT CLEARINGHOUSE  
**(Submitted Electronically)** BUREAU OF THE CENSUS

**ONE COPY TO:** COMMONWEALTH OF PENNSYLVANIA  
**(Submitted Electronically)** BUREAU OF AUDITS

**ONE COPY TO:** BERKS COUNTY INTERMEDIATE UNIT  
RIVER CHASE BUSINESS CENTER  
1111 COMMONS BOULEVARD  
PO BOX 16050  
READING, PA 19612-6050

## FINANCIAL SECTION



Board of School Directors  
Brandywine Heights Area School District  
200 West Weis Street  
Topton, PA 19562

### **INDEPENDENT AUDITOR'S REPORT**

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 the Brandywine Heights Area School District as of and for the year ended June 30, 2009, 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.

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 the Brandywine Heights Area School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles, generally accepted in the United States of America.

As discussed in Note 2-F to the financial statements, Brandywine Heights Area School District was required to implement GASB Statement No. 45 this fiscal year. The new accounting principle, generally accepted in the United States of America, is associated with Other Post Employment Benefits.

In accordance with Government Auditing Standards we have also issued our report dated December 2, 2009, on our consideration of the Brandywine Heights Area School District's internal control over financial reporting and on 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.

Management's Discussion and Analysis, on pages 10 - 21, and the Schedule of Funding Progress on page 65, 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.

Board of School Directors

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brandywine Heights Area School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the combining and individual fund financial statements and schedules, listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements of the Brandywine Heights Area School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted



Gorman & Associates, P.C.

December 2, 2009

**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT**  
**Topton, Pennsylvania**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Required Supplementary Information (RSI)**  
**(UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2009**

The discussion and analysis of Brandywine Heights Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

***FINANCIAL HIGHLIGHTS***

The District's overall financial position, as represented by total net assets of \$14,617,539, reflected an 9.69% increase over the prior year. The increase was due to the scheduled \$2,040,000 reduction in bonds payable offset by other changes in net assets.

The real estate tax increased 3.2% over the previous year which was 2.4% less than the published 5.6% Act 1 Index for Brandywine Heights Area School District.

In governmental funds, the total fund balance increased \$206,740 to \$4,526,108. The General Fund increase of \$236,668 was 130% less than the budgeted amount of \$788,576. The variance resulted primarily from an unanticipated increases in the beginning fund balance, historical low interest rates on variable rate debt, decline in fuel prices, over budgeting of salaries/benefits and the nonuse of the budget reserve appropriation. Actual total revenues were 100.1% of original budgeted revenues and actual total expenditures excluding budgetary reserve were 97.6% of original budgeted expenditures.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. For this District this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

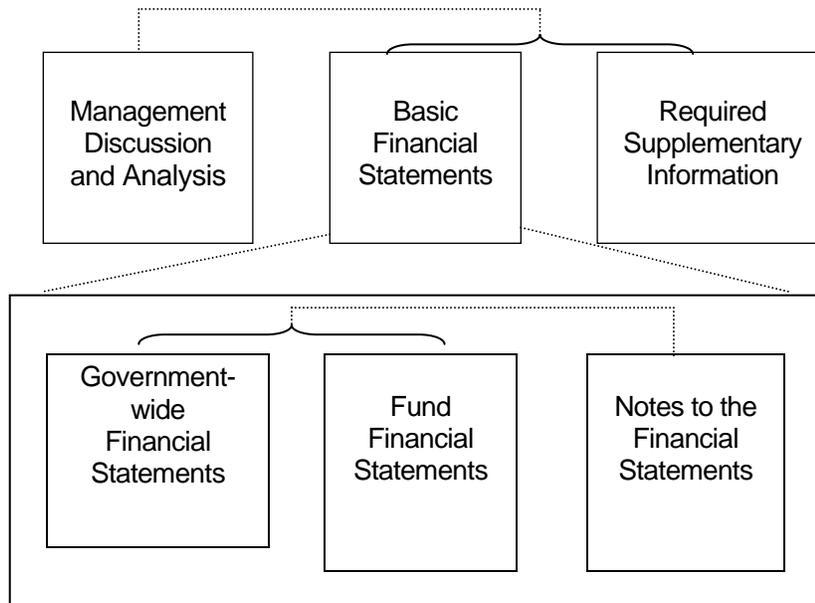
The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis**

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Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

**Figure A-1**  
**Required components of**  
**Brandywine Heights Area School District's**  
**Financial Report**



**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT  
Management's Discussion and Analysis**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2**  
Major Features of Brandywine Heights Area School District's  
Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that is not proprietary or fiduciary, such as education, bussing, administration and athletics.	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds Activity Fund
Required financial statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis**

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**OVERVIEW OF FINANCIAL STATEMENTS**

*Government-wide Statements*

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities – All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- Business type activities –The District operates a food service operation and charges fees to students and staff to help it cover the costs of the food service operation.

*Fund Financial Statements*

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The District is the trustee, or fiduciary, for some scholarship funds and student clubs and organizations. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total net assets were \$14,617,539 at June 30, 2009.

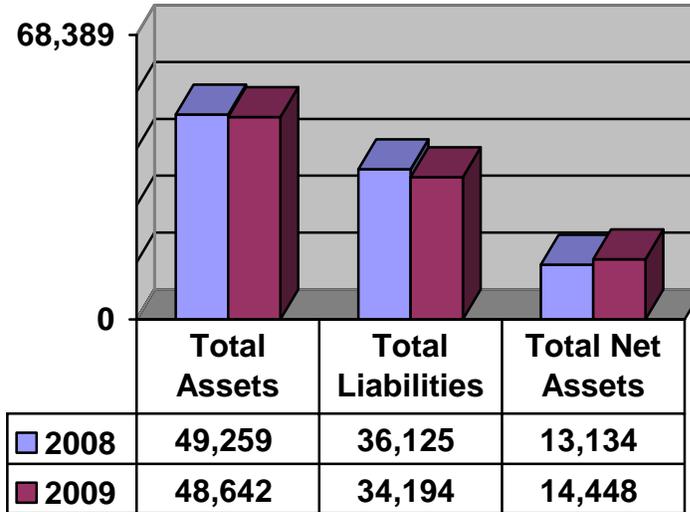
**Table A-1**  
**Net Assets**  
**As of June 30, 2009 and June 30, 2008**

	2009			2008		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 7,945,926	\$ 144,316	\$ 7,998,176	\$ 7,926,280	\$ 71,896	\$ 7,998,176
Non Current assets	<u>40,696,607</u>	<u>108,638</u>	<u>41,454,300</u>	<u>41,332,550</u>	<u>121,750</u>	<u>41,454,300</u>
<b>Total assets</b>	<b>\$ 48,642,533</b>	<b>\$ 252,954</b>	<b>\$ 48,895,487</b>	<b>\$ 49,258,830</b>	<b>\$ 193,646</b>	<b>\$ 49,452,476</b>
Current and other liabilities	\$ 4,824,834	\$ 80,248	\$ 4,905,082	\$ 4,640,750	\$ 2,053	\$ 4,642,803
Long-term liabilities	<u>29,369,558</u>	<u>3,308</u>	<u>29,372,866</u>	<u>31,483,861</u>	<u>-</u>	<u>31,483,861</u>
<b>Total Liabilities</b>	<b>34,194,392</b>	<b>83,556</b>	<b>34,277,948</b>	<b>36,124,611</b>	<b>2,053</b>	<b>36,126,664</b>
Net Assets						
Invested in capital assets, net of related debt	9,634,195	108,638	9,742,833	8,607,069	121,750	8,728,819
Restricted	260,216	-	260,216	230,128	-	230,128
Unrestricted	<u>4,553,730</u>	<u>60,760</u>	<u>4,614,490</u>	<u>4,297,022</u>	<u>69,843</u>	<u>4,366,865</u>
<b>Total Net Assets</b>	<b><u>\$ 14,448,141</u></b>	<b><u>\$ 169,398</u></b>	<b><u>\$ 14,617,539</u></b>	<b><u>\$ 13,134,219</u></b>	<b><u>\$ 191,593</u></b>	<b><u>\$ 13,325,812</u></b>

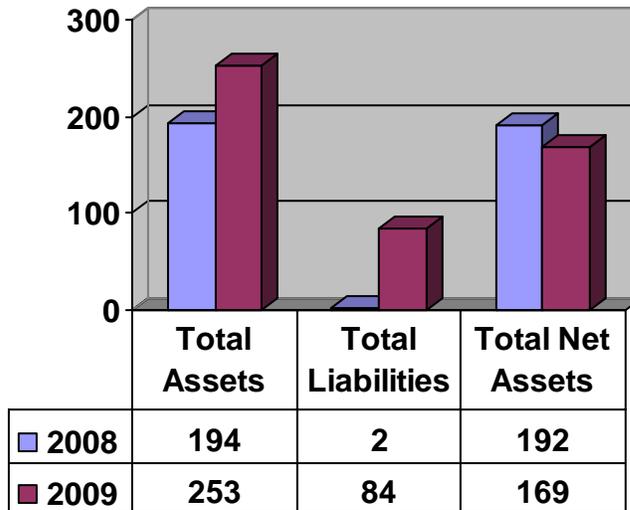
Most of the District's net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are combined of reserved and undesignated amounts.

Graph 1

**Net Assets Governmental Activities  
(In Thousands)**



**Net Assets Business-Type Activities  
(In Thousands)**



Graph 2

**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis**

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the local taxes assessed to community taxpayers and the Basic Education Subsidy provided by the State of Pennsylvania.

Table A-2 takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the year.

**Table A-2**  
**Changes in Net Assets**  
**Fiscal Years ended June 30, 2009 and June 30, 2008**

	<u>2009</u>			<u>2008</u>		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
<b>REVENUES</b>						
<i>Program revenues:</i>						
Charges for services	\$ 59,817	\$ 510,590	\$ 570,407	\$ 63,551	\$ 530,807	\$ 594,358
Operating grants and contributions	4,160,715	212,899	4,373,614	4,276,805	186,963	4,463,768
Capital grants and contributions	464,123	-	464,123	594,192	-	594,192
<i>General revenues:</i>						
Property taxes	16,048,889	-	16,048,889	16,166,779	-	16,166,779
Other taxes	1,649,027	-	1,649,027	1,676,705	-	1,676,705
Grants, subsidies and contributions, unrestricted	4,633,906	-	4,633,906	3,689,968	-	3,689,968
Other	381,415	50,395	431,810	497,122	60,944	558,066
<b>TOTAL REVENUES</b>	<u>\$ 27,397,892</u>	<u>\$ 773,884</u>	<u>\$ 28,171,776</u>	<u>\$ 26,965,122</u>	<u>\$ 778,714</u>	<u>\$ 27,743,836</u>
<b>EXPENSES</b>						
Instruction	\$ 15,158,601	\$ -	\$ 15,158,601	\$ 14,769,870	\$ -	\$ 14,769,870
Instructional student support	1,853,822	-	1,853,822	1,731,643	-	1,731,643
Administrative and financial support	2,135,829	-	2,135,829	2,199,580	-	2,199,580
Operation and maintenance of plant	2,507,751	-	2,507,751	2,367,597	-	2,367,597
Pupil transportation	1,746,713	-	1,746,713	1,806,272	-	1,806,272
Student activities	527,464	-	527,464	583,126	-	583,126
Community services	-	-	-	-	-	-
Interest on long-term debt	1,239,956	-	1,239,956	1,610,963	-	1,610,963
Unallocated depreciation expense	913,835	-	913,835	910,621	-	910,621
Food Services	-	796,079	796,079	-	751,389	751,389
<b>TOTAL EXPENSES</b>	<u>\$ 26,083,971</u>	<u>\$ 796,079</u>	<u>\$ 26,880,050</u>	<u>\$ 25,979,672</u>	<u>\$ 751,389</u>	<u>\$ 26,731,061</u>
<b>Increase (decrease) in net assets</b>	<u>\$ 1,313,921</u>	<u>\$ (22,195)</u>	<u>\$ 1,291,726</u>	<u>\$ 985,450</u>	<u>\$ 27,325</u>	<u>\$ 1,012,775</u>

**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis**

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

**Table A-3** shows the District's largest functions as well as each function's net cost, total cost less revenues generated by the activities. This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**Table A-3**  
**Governmental Activities**  
**Fiscal Years ended June 30, 2009 and June 30, 2008**

<b>Functions/Programs</b>	<b>2009</b>		<b>2008</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 15,158,601	\$ 12,506,328	\$ 14,769,870	\$ 12,033,355
Instructional Student Support	1,853,822	1,645,051	1,731,643	1,504,984
Administrative and Financial Support	2,135,829	2,055,951	2,199,580	2,106,183
Operation and Maintenance of Plant	2,507,751	2,458,963	2,367,597	2,312,102
Pupil Transportation	1,746,713	553,421	1,806,272	622,808
Student Activities	527,464	489,934	583,126	538,300
Community Services	-	-	-	-
Interest on Long-Term Debt	1,239,956	775,833	1,610,963	1,016,771
Unallocated Depreciation Expense	<u>913,835</u>	<u>913,835</u>	<u>910,621</u>	<u>910,621</u>
<b>Total Governmental Activities</b>	<b>\$ 26,083,971</b>	<b>\$ 21,399,316</b>	<b>\$ 25,979,672</b>	<b>\$ 21,045,124</b>
Less:				
Unrestricted grants, subsidies		<u>4,633,906</u>		<u>3,689,968</u>
<b>Total needs from local taxes and other revenues</b>		<b><u>\$ 16,765,410</u></b>		<b><u>\$ 17,355,156</u></b>

**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis**

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

**Table A-4**  
**Fiscal Years ended June 30, 2009 and June 30, 2008**  
**Business-type Activities**

<b>Functions/Programs</b>	<b>2009</b>		<b>2008</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Food Services	\$ 796,079	\$ 72,590	\$ 751,389	\$ 33,619
Less:				
Transfers In		50,000		61,970
Investment earnings and other		395		(1,026)
<b>Total cost of business-type activities</b>		<b>\$ 22,195</b>		<b>\$ (27,325)</b>

The Statement of Revenues, Expenses and Changes in Fund Net Assets for this proprietary fund will further detail the actual results of operations.

***THE DISTRICT FUNDS***

At June 30, 2009, the District governmental funds reported a combined fund balance of \$4,526,108, which is a increase of \$206,740. The major changes are:

*General Fund:*

The General Fund fund balance increased by \$236,668 to \$4,526,108. This is \$1,342,244 over the original budget's ending fund balance. The actual expenditures were \$993,904 or 2.4% under budget, the revenues were \$31,338 or 2.2% over budget and the beginning fund balance was \$317,002 or 8% over budget.

The expenditure variance represents the unused appropriations for general use budgetary reserve \$200,000, student transportation fuel \$240,000, interest on variable rate debt \$170,000, salaries/benefits \$210,000 plus variances within the other accounts.

Local tax revenue provides approximately 68% of the District's total revenues. These revenues are difficult to budget for because changing economic conditions directly impact both the basis and current collection rates. These revenues include real estate, interim real estate, delinquent real estate, earned income, and real estate transfer taxes.

The beginning fund balance variance resulted from the underestimation of interim and delinquent real estate tax revenues in addition to the over estimation of direct instructional expenses.

*Business Type Activity:*

The food service program reduced loss of \$72,195 at June 30, 2009, before a \$50,000 transfer from the General Fund. Prior year success in decreasing the operating loss to \$34,645 did not carry over to offset increases in food costs, salaries and benefits. For 2009-10 lunch prices were increased, staffing was reduced and a breakfast program started to reduce the food service program loss.

**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

*CAPITAL ASSETS*

At June 30, 2009, the District had \$40,571,468 invested in a broad range of capital assets, including land, buildings, furniture, equipment, and vehicles. This amount represents a net decrease (including additions, deletions and depreciation) of \$698,419, or 1.66% from last year.

**Table A-5**  
**Governmental Activities**  
**Capital assets - net of depreciation**

	<b>2009</b>	<b>2008</b>
Land & Land Improvements	\$ 711,166	\$ 737,124
Buildings	39,000,962	39,833,484
Furniture, Equipment, & Vehicles	859,340	883,692
Construction in Progress	-	-

***DEBT ADMINISTRATION***

**Table A-6**  
**Outstanding Debt**

	<b>2009</b>	<b>2008</b>
General Obligation Bonds:		
- Refunding Series of 2002	\$ 2,605,000	\$ 3,070,000
- Series of 2002	18,100,000	19,380,000
- Series of 2003	1,080,000	1,320,000
- Series of 2006	9,825,000	9,880,000

Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in the notes to the financial statements.

**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT**  
**Management Discussion and Analysis**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's general obligation bond rating dated October 2006 is a Moody's A1 enhanced and A3 underlying rating. The A1 enhanced rating is based upon the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default. Moody's cited that the A3 underlying rating reflects "the District's healthy reserve levels, modestly growing tax base and well above average debt burden".

The revenue budget for the 2009-2010 year is 966,403 more than the original budget for 2008-2009. This represents 3.5% increase in budgeted revenues. The District's real estate tax rate increase of 2.4% was levied to fund general operations totaling \$240,000 and establish seed funding of .3mills (\$160,000) for future Pennsylvania School Employee Retirement System increases projected to exceed by 25% by 2012..

The 2009-10 budget also includes \$526,000 in anticipated federal economic stimulus one time funding. These funds by law are restricted to specific purposes under Title 1 and IDEA. Title 1 funds must be spent on new programs in buildings that meet certain disadvantaged student criteria. The \$105,000 in Title 1 funding is appropriated to a new third and fourth grade reading program that will end upon expiration of this funding. IDEA funding is restricted to new special education initiatives and funding existing special education programs if specific criteria are met. To date \$100,000 was appropriated for additional psychological services, remedial reading textbooks and classroom services. An additional \$321,000 is available for appropriation from the budget reserve.

For the second consecutive year state gaming funds will be available to provide tax relief for qualified homestead and farmstead properties. The district received \$788,610 which was passed on to provide approximately \$224 in tax relief to 3,520 property owners.

The expenditure budget increased \$408,837 to \$28,578,824 inclusive of an average 4.4% increase in professional employee salaries and 9% increase in health insurance. In order to help control costs this budget reflects reductions totaling \$495,000. Declining enrollment provided the basis for reducing the elementary teaching staff by four positions \$220,000, closing Rockland Elementary School \$175,000 and elimination of an elementary principal position \$100,000. As a result Longswamp Elementary School was reconfigured as a kindergarten to grade 4 building.

The district is currently experiencing an on going decline in student enrollment and an increase in building maintenance costs. A consultant was engaged to examine building use, project capital repair costs, and estimate the remaining useful life on building systems to provide a basis for multi year financial planning. That report was completed and it is currently being evaluated by the administration and school board to confirm priorities prior to developing a plan for implementation.

Looking Forward

Financial planning for 2010-11 and beyond will become more challenging. The combined effects of economic conditions resulting in flat or declining tax revenues, historically low short term interest rates, and uncertain state funding along with projected increases in contracted salaries 4.4%, health benefits 9%, retirement system funding 25% and electric rates 30% may require a significant increase in real estate tax rates. The difficulty is that our current Act 1 tax increase limit of 3.7% (down from a high of 5.9%) will likely continue to decline to below 3% resulting in a need to apply for index exceptions or go to a public tax referendum

**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT**  
**Management Discussion and Analysis**

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The comparison of revenue and expenditure categories is as follows:

**Table A-7**  
**BUDGETED REVENUES**

	<b>2009-2010</b>	<b>2008-2009</b>
Local	65.77%	66.77%
State	30.40%	31.92%
Federal/Other	3.83%	1.31%

**BUDGETED EXPENDITURES**

	<b>2009-2010</b>	<b>2008-2009</b>
Instruction	54.10%	53.87%
Support Services	29.77%	30.87%
Non-Instruction/Community	2.14%	2.11%
Facilities Acquisition, Construction and Improvement	0.11%	0.11%
Fund Transfers/Debt/Reserve	13.88%	13.04%

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors 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 Steven Fischer, Business Administrator/Board Secretary at Brandywine Heights Area School District, 200 West Weis Street, Tipton Pa. 19562, 610-682-5141, [steve@bhasd.org](mailto:steve@bhasd.org).

**BASIC FINANCIAL STATEMENTS**

**Brandywine Heights Area School District**  
**Statement of Net Assets**  
**As of June 30, 2009**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 1,082,648	\$ 65,482	\$ 1,148,130
Investments	5,146,933	-	5,146,933
Receivables, net	1,043,192	-	1,043,192
Internal Balances	79,293	52	-
Due From Other Governments	464,911	34,774	499,685
Other Receivables	96,443	471	96,914
Inventories	20,581	43,537	64,118
Prepaid Expenses	11,925	-	11,925
Other Current Assets	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>7,945,926</b>	<b>144,316</b>	<b>8,010,897</b>
<b>NON-CURRENT ASSETS:</b>			
Land	388,388	-	388,388
Site Improvements (net of depreciation)	322,778	-	322,778
Building and Bldg. Improvements (net of depreciation)	39,000,962	-	39,000,962
Machinery and Equipment (net of depreciation)	750,702	108,638	859,340
Construction in Progress	-	-	-
Bond Issuance Costs (net of amortization)	233,777	-	233,777
<b>TOTAL NON-CURRENT ASSETS</b>	<b>40,696,607</b>	<b>108,638</b>	<b>40,805,245</b>
<b>TOTAL ASSETS</b>	<b>\$ 48,642,533</b>	<b>\$ 252,954</b>	<b>\$ 48,816,142</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Internal Balances	\$ 52	\$ 79,293	\$ -
Due to other governments	995	-	995
Accounts Payable	566,558	955	567,513
Current Portion of Long-Term Obligations	2,202,945	-	2,202,945
Accrued Salaries and Benefits	1,225,051	-	1,225,051
Payroll Deductions and Withholdings	555,614	-	555,614
Deferred Revenue	45,701	-	45,701
Other Current Liabilities	227,918	-	227,918
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,824,834</b>	<b>80,248</b>	<b>4,825,737</b>
<b>NON-CURRENT LIABILITIES:</b>			
Bonds Payable	28,927,411	-	28,927,411
Long-Term Portion of Compensated Absences	133,848	-	133,848
Net OPEB Obligation	103,724	3,308	107,032
Other Retirement Benefits	204,575	-	204,575
<b>TOTAL LIABILITIES</b>	<b>34,194,392</b>	<b>83,556</b>	<b>34,198,603</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	9,634,195	108,638	9,742,833
<b>Restricted for:</b>			
Retirement of Long-Term Debt	-	-	-
Capital Projects	-	-	-
Other Restrictions	260,216	-	260,216
Unrestricted (deficit)	4,553,730	60,760	4,614,490
<b>TOTAL NET ASSETS</b>	<b>14,448,141</b>	<b>169,398</b>	<b>14,617,539</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 48,642,533</b>	<b>\$ 252,954</b>	<b>\$ 48,816,142</b>

The Accompanying Notes are an integral part of these financial statements.

(1) Internal balances represent the amount owed to or from the two types of activities within the Primary Government. Since internal balances do not represent assets or liabilities of the total Primary Government, their balances are eliminated in the "total" column (GASB Statement No. 34, para. 58).

**Brandywine Heights Area School District**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES:</b>							
Instruction	\$ 15,158,601	\$ 35,147	\$ 2,617,126	\$ -	\$ (12,506,328)	\$ -	\$ (12,506,328)
Instructional Student Support	1,853,822	-	208,771	-	(1,645,051)	-	(1,645,051)
Admin. & Fin'l Support Services	2,135,829	-	79,878	-	(2,055,951)	-	(2,055,951)
Oper. & Maint. Of Plant Svcs.	2,507,751	-	48,788	-	(2,458,963)	-	(2,458,963)
Pupil Transportation	1,746,713	-	1,193,292	-	(553,421)	-	(553,421)
Student activities	527,464	24,670	12,860	-	(489,934)	-	(489,934)
Community Services	-	-	-	-	-	-	-
Interest on Long-Term Debt	1,239,956	-	-	464,123	(775,833)	-	(775,833)
Unallocated Depreciation Expense	913,835	-	-	-	(913,835)	-	(913,835)
<b>TOTAL GOVERNMENT ACTIVITIES</b>	<b>26,083,971</b>	<b>59,817</b>	<b>4,160,715</b>	<b>464,123</b>	<b>(21,399,316)</b>	<b>-</b>	<b>(21,399,316)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Food Services	796,079	510,590	212,899	-	-	(72,590)	(72,590)
Other Enterprise Funds	-	-	-	-	-	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 26,880,050</b>	<b>\$ 570,407</b>	<b>\$ 4,373,614</b>	<b>\$ 464,123</b>	<b>\$ (21,399,316)</b>	<b>\$ (72,590)</b>	<b>\$ (21,471,906)</b>
<b>GENERAL REVENUES:</b>							
<b>TAXES:</b>							
Property taxes. Levied for general purposes, net					\$ 16,048,889	\$ -	\$ 16,048,889
Taxes levied for specific purposes					1,649,027	-	1,649,027
Grants, subsidies, & contributions not restricted					4,633,906	-	4,633,906
Investment Earnings					384,714	395	385,109
Miscellaneous Income					46,451	-	46,451
Special item - Gain on sale of capital assets					250	-	250
Extraordinary Items					-	-	-
Transfers					(50,000)	50,000	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS</b>					<b>22,713,237</b>	<b>50,395</b>	<b>22,763,632</b>
<b>CHANGE IN NET ASSETS</b>					<b>1,313,921</b>	<b>(22,195)</b>	<b>1,291,726</b>
<b>NET ASSETS - BEGINNING</b>					<b>13,134,220</b>	<b>191,593</b>	<b>13,325,813</b>
<b>NET ASSETS - ENDING</b>					<b>\$ 14,448,141</b>	<b>\$ 169,398</b>	<b>\$ 14,617,539</b>

The Accompanying Notes are an integral part of these financial statements.

**Brandywine Heights Area School District  
Balance Sheet  
Governmental Funds  
As of June 30, 2009**

	<b>GENERAL</b>	<b>NON-MAJOR FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,082,648	\$ -	\$ 1,082,648
Investments	5,146,933	-	5,146,933
Taxes Receivable, net	805,792	-	805,792
Due from other funds	79,293	-	79,293
Due from Other Governments	464,911	-	464,911
Other Receivables	96,443	-	96,443
Prepaid Expenditures	11,925	-	11,925
Other Current Assets	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 7,687,945</b>	<b>\$ -</b>	<b>\$ 7,687,945</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES:</u></b>			
Due to Other Funds	\$ 52	\$ -	\$ 52
Due to Other Governments	995	-	995
Current Portion of Compensated Absences	49,404	-	49,404
Other Post Retirement Benefits	18,541	-	18,541
Accounts Payable	566,557	-	566,557
Accrued Salaries and Benefits	1,225,051	-	1,225,051
Payroll Deductions and Withholdings	555,614	-	555,614
Deferred Revenues	734,680	-	734,680
Other Current Liabilities	10,943	-	10,943
<b>TOTAL LIABILITIES</b>	<b>3,161,837</b>	<b>-</b>	<b>3,161,837</b>
<b><u>FUND BALANCES:</u></b>			
Reserve for Next Year Appropriations	232,010	-	232,010
Reserve for Prepaid Expenditures	11,925	-	11,925
Unreserved-Designated Fund Balances	700,000	-	700,000
Unreserved-Undesignated Fund Balances -			
- General Fund	3,582,173	-	3,582,173
- Capital Projects Fund	-	-	-
- Debt Service Fund	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>4,526,108</b>	<b>-</b>	<b>4,526,108</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,687,945</b>	<b>\$ -</b>	<b>\$ 7,687,945</b>

The Accompanying Notes are an integral part of these financial statements.

**Brandywine Heights Area School District  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets  
As of June 30, 2009**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 4,526,108

**Amounts reported for governmental activities in the statement  
of net assets are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$53,168,741 and the accumulated depreciation is \$12,705,911. 40,462,830

Additional receivables established that do not meet the availability criteria reflected in the fund financial statements. This amount represents the difference between the prior year receivables and the current year receivables established under the accrual basis of accounting. -

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 926,381

The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net assets uses the consumption method of inventory. 20,580

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds and Notes payable	\$ (30,828,636)	
Accrued interest on the bonds	(216,975)	
Compensated absences	(133,848)	
Net OPEB Obligation	(103,724)	
Other Post Retirement Benefits	(204,575)	(31,487,758)

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES** **\$ 14,448,141**

The Accompanying Notes are an integral part of these financial statements.

**Brandywine Heights Area School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2009**

	<u>GENERAL</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>			
Local Sources	\$ 18,548,643	\$ 3,701	\$ 18,552,344
State Sources	8,505,489	-	8,505,489
Federal Sources	349,924	-	349,924
<b>TOTAL REVENUES</b>	<u>27,404,056</u>	<u>3,701</u>	<u>27,407,757</u>
<b>EXPENDITURES</b>			
Instruction	15,079,734	-	15,079,734
Support Services	8,351,226	24,420	8,375,646
Operation of Non-Instructional Services	517,989	-	517,989
Capital Outlay	-	1,766	1,766
Debt Service	3,176,132	-	3,176,132
<b>TOTAL EXPENDITURES</b>	<u>27,125,081</u>	<u>26,186</u>	<u>27,151,267</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>278,975</u>	<u>(22,485)</u>	<u>256,490</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Proceeds	-	-	-
Interfund Transfers in	7,443	-	7,443
Sale/Compensation for Fixed Assets	250	-	250
Bond Discount	-	-	-
Payment to bond refunding escrow agent	-	-	-
Operating Transfers Out	(50,000)	(7,443)	(57,443)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(42,307)</u>	<u>(7,443)</u>	<u>(49,750)</u>
<b>SPECIAL/EXTRAORDINARY ITEMS</b>			
Special Items	-	-	-
Extraordinary Items	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	236,668	(29,928)	206,740
<b>FUND BALANCES - BEGINNING</b>	<u>4,289,440</u>	<u>29,928</u>	<u>4,319,368</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 4,526,108</u>	<u>\$ -</u>	<u>\$ 4,526,108</u>

The Accompanying Notes are an integral part of these financial statements.

**Brandywine Heights Area School District  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
For the Year Ended June 30, 2009**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 206,740

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

	Depreciation expense \$	1,003,179	
	less - capital outlays	<u>133,456</u>	(869,723)

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of fixed assets sold. -

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred revenues decreased by this amount this year. 39,882

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,040,000

In the statement of activities, certain operating expenses--compensated absences (vacations) and special termination benefits (early retirement)--are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. 1,103

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING** 1,418,002

**Brandywine Heights Area School District  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 to the Statement of Activities  
 For the Year Ended June 30, 2009**

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING** \$ 1,418,002  
**(cont'd)**

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This would include accumulated interest accreted on capital appreciation bonds. The additional interest accrued in the statement of activities over the amount due is shown here. (103,823)

In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, the amount shown here represents the difference between earned revenues and revenues that are earned, but not available. -

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Refunding bond issues becomes a use of current financial resources in governmental funds, but refundings represent payments of long-term debt in the statement of net assets. This figure represents the difference between bond proceeds and refunding payments made to paying agents. -

The governmental funds use the purchase method of inventory, where all items purchased are charged to expenditures. However, the statement of activities is reflected on the consumption method of recording inventory type items; therefore, this adjustment reflects the inventory difference. (258)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 1,313,921**

The Accompanying Notes are an integral part of these financial statements.

**Brandywine Heights Area School District**  
**Statement of Net Assets**  
**Proprietary Funds**  
**As of June 30, 2009**

	<b>FOOD SERVICE</b>	<b>NON-MAJOR FUNDS</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 65,482	\$ -	\$ 65,482
Investments	-	-	-
Due from other funds	52	-	52
Due From Other Governments	34,774	-	34,774
Other Receivables	471	-	471
Inventories	43,537	-	43,537
Prepaid expenses	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>144,316</b>	<b>-</b>	<b>144,316</b>
<b>NON-CURRENT ASSETS:</b>			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	108,638	-	108,638
Furniture and Fixtures (net)	-	-	-
Other Long-Term Receivables	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>108,638</b>	<b>-</b>	<b>108,638</b>
<b>TOTAL ASSETS</b>	<b>\$ 252,954</b>	<b>\$ -</b>	<b>\$ 252,954</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Due to Other Funds	\$ 79,293	\$ -	\$ 79,293
Due to Other Governments	-	-	-
Accounts Payable	955	-	955
Accrued Salaries and Benefits	-	-	-
Deferred Revenue	-	-	-
Other Current Liabilities	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>80,248</b>	<b>-</b>	<b>80,248</b>
<b>NON-CURRENT LIABILITIES:</b>			
Long-Term Portion of Compensated Absences	-	-	-
Net OPEB Obligation	3,308	-	3,308
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>3,308</b>	<b>-</b>	<b>3,308</b>
<b>TOTAL LIABILITIES</b>	<b>83,556</b>	<b>-</b>	<b>83,556</b>
<b>NET ASSETS</b>			
Invested in capital assets, with no related debt	108,638	-	108,638
Retirement of Long-Term Debt	-	-	-
Restricted for Legal Purposes	-	-	-
Unrestricted	60,760	-	60,760
<b>TOTAL NET ASSETS</b>	<b>169,398</b>	<b>-</b>	<b>169,398</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 252,954</b>	<b>\$ -</b>	<b>\$ 252,954</b>

The Accompanying Notes are an integral part of these financial statements.

**Brandywine Heights Area School District**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
<b>OPERATING REVENUES:</b>			
Food Service Revenue	\$ 492,265	\$ -	\$ 492,265
Charges for Services		-	-
Other Operating Revenues	18,325	-	18,325
<b>TOTAL OPERATING REVENUES</b>	<u>510,590</u>	<u>-</u>	<u>510,590</u>
	-----	-----	-----
<b>OPERATING EXPENSES:</b>			
Salaries	265,104	-	265,104
Employee benefits	129,191	-	129,191
Purchased Professional and Technical Services	433	-	433
Purchased Property Service	18,323	-	18,323
Other Purchased Services	977	-	977
Supplies	364,659	-	364,659
Depreciation	16,788	-	16,788
Dues and Fees	604	-	604
Other Operating Expenses	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<u>796,079</u>	<u>-</u>	<u>796,079</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(285,489)</u>	<u>-</u>	<u>(285,489)</u>
	-----	-----	-----
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Earnings on investments	395	-	395
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	41,813	-	41,813
Federal Sources	171,086	-	171,086
Interest Expenses	-	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>213,294</u>	<u>-</u>	<u>213,294</u>
	-----	-----	-----
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>		-	
Capital contributions	-	-	-
Transfers in (out)	50,000	-	50,000
<b>CHANGES IN NET ASSETS</b>	<u>(22,195)</u>	<u>-</u>	<u>(22,195)</u>
	-----	-----	-----
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>191,593</u>	<u>-</u>	<u>191,593</u>
	-----	-----	-----
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 169,398</u>	<u>\$ -</u>	<u>\$ 169,398</u>

The Accompanying Notes are an integral part of these financial statements.

**Brandywine Heights Area School District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**As of June 30, 2009**

	<b>FOOD SERVICE</b>	<b>NON-MAJOR FUNDS</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Users	\$ 493,239	\$ -	\$ 493,239
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	18,325	-	18,325
Cash Payments to Employees for Services	(390,987)	-	(390,987)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(259,226)	-	(259,226)
Cash Payments to Other Operating Expenses	(604)	-	(604)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>(139,253)</u>	<u>-</u>	<u>(139,253)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Local Sources	-	-	-
State Sources	39,390	-	39,390
Federal Sources	109,272	-	109,272
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	50,000	-	50,000
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	<u>198,662</u>	<u>-</u>	<u>198,662</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Equipment	(3,676)	-	(3,676)
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
Proceeds from Extended Term Financing	-	-	-
Capital Contributions	-	-	-
Interest paid on Financing Agreements	-	-	-
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(3,676)</u>	<u>-</u>	<u>(3,676)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Earnings on Investments	395	-	395
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Withdrawals from Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
Loans Received (Paid)	-	-	-
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<u>395</u>	<u>-</u>	<u>395</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	56,128	-	56,128
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>9,354</u>	<u>-</u>	<u>9,354</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 65,482</u>	<u>\$ -</u>	<u>\$ 65,482</u>

Brandywine Heights Area School District  
Statement of Cash Flows  
Proprietary Funds  
As of June 30, 2009

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
<b>OPERATING INCOME (LOSS)</b>	\$ (285,489)	\$ -	\$ (285,489)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>			
Depreciation and Net Amortization	16,788	-	16,788
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	46,895	-	46,895
<b>CHANGES IN ASSETS AND LIABILITIES:</b>			
(Increase) Decrease in Accounts Receivable	974	-	974
(Increase) Decrease in Inventories	428	-	428
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Other Current Assets	-	-	-
Increase (Decrease) in Accounts Payable	(1,450)	-	(1,450)
Increase (Decrease) in Advances to Other Funds	79,293	-	79,293
Increase (Decrease) in Accrued Salaries and Benefits	3,308	-	3,308
Increase (Decrease) in Other Current Liabilities	-	-	-
<b>TOTAL ADJUSTMENTS</b>	<u>146,236</u>	<u>-</u>	<u>146,236</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ (139,253)</u>	<u>\$ -</u>	<u>\$ (139,253)</u>

The Accompanying Notes are an integral part of these financial statements.

**Brandywine Heights Area School District**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**As of June 30, 2009**

	<b>PRIVATE PURPOSE TRUST</b>	<b>PENSION AND OTHER EMPLOYEE BENEFIT TRUST</b>	<b>AGENCY</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 41,765	\$ -	\$ 56,588
Investments	-	-	-
Due from Other Funds	-	-	-
Inventories	-	-	-
Prepaid Expenditures	-	-	-
Other Current Assets	-	-	-
Land	-	-	-
Site Improvements (net)	-	-	-
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 41,765</b>	<b>\$ -</b>	<b>\$ 56,588</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ 337
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Deferred Revenues	-	-	-
Other Current Liabilities	-	-	56,251
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>56,588</b>
<b>NET ASSETS</b>			
Invested in Capital Assets	-	-	-
Restricted	-	-	-
Unrestricted	41,765	-	-
<b>TOTAL NET ASSETS</b>	<b>\$ 41,765</b>	<b>\$ -</b>	<b>\$ -</b>

The Accompanying Notes are an integral part of these financial statements.

**Brandywine Heights Area School District**  
**Statement of Changes in Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2009**

	<b>PRIVATE- PURPOSE TRUST FUND</b>	<b>PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS</b>
<b>ADDITIONS</b>		
Contributions	\$ 16,975	\$ -
Transfers from other funds	-	-
<b>INVESTMENT EARNINGS:</b>		
Interest and Dividends	48	-
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
<b>TOTAL ADDITIONS</b>	17,023	-
	-----	-----
 <b>DEDUCTIONS</b>		
Transfers to other funds	-	-
Administrative charges	-	-
Scholarships	19,965	-
<b>TOTAL DEDUCTIONS</b>	19,965	-
 <b>CHANGE IN NET ASSETS</b>	(2,942)	-
 <b>NET ASSETS - BEGINNING OF YEAR</b>	44,707	-
 <b>NET ASSETS - END OF YEAR</b>	\$ 41,765	\$ -

The Accompanying Notes are an integral part of these financial statements.

**Brandywine Heights Area School District**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2009**

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE	BUDGET TO GAAP DIFFERENCE	ACTUAL
	ORIGINAL	FINAL		(NEGATIVE)		AMOUNTS GAAP BASIS
<b>REVENUES</b>						
Local Sources	\$ 18,282,885	\$ 18,282,885	\$ 18,548,643	\$ 265,758	\$ -	\$ 18,548,643
State Sources	8,740,226	8,740,226	8,505,489	(234,737)	-	8,505,489
Federal Sources	355,300	355,300	349,924	(5,376)	-	349,924
<b>TOTAL REVENUES</b>	<u>27,378,411</u>	<u>27,378,411</u>	<u>27,404,056</u>	<u>25,645</u>	<u>-</u>	<u>27,404,056</u>
<b>EXPENDITURES</b>						
Regular Instruction	10,789,865	10,738,540	10,592,261	146,279	-	10,592,261
Special Programs	3,521,869	3,676,746	3,589,039	87,707	-	3,589,039
Vocational Programs	737,000	720,875	719,356	1,519	-	719,356
Other Instructional Programs	76,784	117,316	110,395	6,921	-	110,395
Adult Education Programs	-	-	-	-	-	-
Community College Programs	50,000	68,683	68,683	-	-	68,683
Pupil Personnel Services	689,566	766,817	723,113	43,704	-	723,113
Instructional Staff Services	894,670	904,823	801,696	103,127	-	801,696
Administrative Services	1,506,942	1,565,641	1,470,206	95,435	-	1,470,206
Pupil Health	318,218	336,945	321,970	14,975	-	321,970
Business Services	529,086	500,507	482,796	17,711	-	482,796
Operation & Maintenance of Plant Services	2,476,698	2,562,399	2,500,895	61,504	-	2,500,895
Student Transportation Services	1,951,788	1,774,234	1,755,332	18,902	-	1,755,332
Central Support Services	309,295	298,421	273,537	24,884	-	273,537
Other Support Services	20,720	21,681	21,681	-	-	21,681
Student Activities	594,486	574,227	517,989	56,238	-	517,989
Facilities, Acquisition and Construction	30,000	-	-	-	-	-
Debt Service	3,307,000	3,176,132	3,176,132	-	-	3,176,132
<b>TOTAL EXPENDITURES</b>	<u>27,803,987</u>	<u>27,803,987</u>	<u>27,125,081</u>	<u>678,906</u>	<u>-</u>	<u>27,125,081</u>
Excess (deficiency) of revenues over expenditures	(425,576)	(425,576)	278,975	704,551	-	278,975
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Bonds	-	-	-	-	-	-
Proceeds From Extended Term Financing	-	-	-	-	-	-
Interfund Transfers In	-	-	7,443	7,443	-	7,443
Sale/Compensation for Fixed Assets	2,000	2,000	250	(1,750)	-	250
Interfund Transfers Out	(50,000)	(50,000)	(50,000)	-	-	(50,000)
Budgetary Reserve	(315,000)	(315,000)	-	315,000	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(363,000)</u>	<u>(363,000)</u>	<u>(42,307)</u>	<u>320,693</u>	<u>-</u>	<u>(42,307)</u>
Special Items (Write in)	-	-	-	-	-	-
Extraordinary Items (Write in)	-	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<u>(788,576)</u>	<u>(788,576)</u>	<u>236,668</u>	<u>1,025,244</u>	<u>-</u>	<u>236,668</u>
<b>FUND BALANCE - JULY 1, 2008</b>	<u>\$ 3,972,440</u>	<u>\$ 3,972,440</u>	<u>\$ 4,289,440</u>	<u>\$ 317,000</u>	<u>\$ -</u>	<u>\$ 4,289,440</u>
<b>FUND BALANCE - JUNE 30, 2009</b>	<u>\$ 3,183,864</u>	<u>\$ 3,183,864</u>	<u>\$ 4,526,108</u>	<u>\$ 1,342,244</u>	<u>\$ -</u>	<u>\$ 4,526,108</u>

The Accompanying Notes are an integral part of these financial statements.

**Brandywine Heights Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2009**

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**Note 1 - Description of the School District and Reporting Entity**

***School District***

The Brandywine Heights Area School District is located in Tipton, Pennsylvania. The District tax base consists of the Borough of Tipton and the Townships of District, Longswamp, and Rockland.

The Brandywine Heights Area School District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out, on the local level, the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the same (Article II; Act 150, July 8, 1968).

As specified under the School Law Code of the Commonwealth of Pennsylvania, this and all other school districts of the state "shall be and hereby are vested as, bodies corporate, with all necessary powers to carry out the provisions of this act." (Article II, Section 211).

***Board of School Directors***

The public school system of the Commonwealth shall be administered by a board of school directors, to be elected or appointed, as hereinafter provided. At each election of school directors, each qualified voter shall be entitled to cast one vote for each school director to be elected.

The Brandywine Heights Area School District is governed by a board of nine School Directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any schools herein provided, or to pay any school indebtedness which the school district is required to pay, or to pay any indebtedness that may at any time hereafter be created by the school district, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

***Administration***

The Superintendent of Schools shall be the executive officer of the Board of School Directors and, in that capacity shall administer the School District in conformity with Board policies and the School Laws of Pennsylvania. The Superintendent shall be directly responsible to, and therefore appointed by, the Board of School Directors. The Superintendent shall be responsible for the overall administration, supervision, and operation of the School District.

The Director of Business and Fiscal Affairs, recommended by the Superintendent and appointed by the Board of School Directors, shall supervise and coordinate all business aspects of the School District. In this capacity, he or she shall be responsible to insure that all work accomplished by him/her, or by persons under his/her supervision, is in the best interests of the Brandywine Heights Area School District. The Director of Business and Fiscal Affairs is directly responsible to the Superintendent.

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

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**Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Brandywine Heights Area School District, this includes general operations, food service, and student related activities of the School District.

Brandywine Heights Area School District is a municipal Corporation governed by an elected nine-member board. As required by generally accepted accounting principles, these financial statements are to present Brandywine Heights Area School District (the primary government) and organizations for which the primary government is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the School District in that the School District approved the budget, the issuance of debt, or the levying of taxes. The Brandywine Heights Area School District does not have any component units.

**Joint Ventures**

*Berks Vocational-Technical School d/b/a Berks Career and Technology Center*

The School District is a participating member of the Berks Career and Technology Center. The Berks Career and Technology Center is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the Berks Career and Technology Center's annual operating budget. Each participating district pays a pro-rata share of the District's operating costs based on the number of students attending the Center for each district. The District's share of the Center's operating costs for 2008-2009 was \$719,356. During the 1998-99 fiscal year, the by-laws of the Center were amended to state that any school district terminating their active participation in paying ongoing operating costs and debt, shall cease being a participating member district and shall have no further obligation to the Center.

On dissolution of the Berks Career and Technology Center, the net assets of the Center will be shared on a pro-rata basis of each participating district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have an equity interest in the Center as defined by GASB Statement No. 14 except a residual interest in the net assets upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the Center can be obtained from the District's administrative office at 1057 County Road, Leesport, PA 19533.

**Jointly Governed Organizations**

*Berks County Intermediate Unit*

The School District is a participating member of the Berks County Intermediate Unit (BCIU). The BCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the BCIU's annual operating budget. The BCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no on-going financial interest or responsibility in the BCIU. The BCIU contracts with participating districts to supply special education services, computer services, and serves as a conduit for certain federal programs.

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

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**Note 2 - Summary of significant accounting policies**

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for one business-type activity of the School District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's **major** governmental funds:

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

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*General Fund*

The General Fund is the general operating fund of the School District. It is used to account for all financial resources, except those required to be accounted for in another fund.

**Proprietary Funds** Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as enterprise funds.

**Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is:

*Food Service Fund* - This fund accounts for the financial transactions related to the food service operations of the School District.

**Fiduciary Funds** Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its enterprise activities.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

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**Revenues - Exchange and Non-Exchange Transactions.** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**E. Budgetary Process**

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

In accordance with Act 1 of 2006, the Board shall annually, but not later than the first business meeting of January, decide the budget option to be used for the following fiscal year. The Board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

**Accelerated Budget Process Option**

Under this option, a preliminary budget must be prepared 150 days prior to the primary election. Under this Option, the preliminary budget must be available for public inspection at least 110 days prior to the primary election. The Board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption. The adoption must occur at least 90 days prior to the primary election.

If the preliminary budget exceeds the increase authorized by the Index, an application for an exception may be filed with either a Court of Common Pleas with jurisdiction or PDE and made available for public inspection. The Board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The Board shall annually adopt the final budget by a majority vote of all members of the Board prior to June 30.

**Board Resolution Option**

Under the Board Resolution Option, the Board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the Board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The Board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The Board shall annually adopt the final budget by a majority vote of all members of the Board by June 30.

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

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Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the School Board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2008-09 budget transfers.

*Encumbrances*

Any encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The General Fund Budget is maintained on the modified accrual basis of accounting, except that budgetary basis expenditures include any encumbrances issued for goods or services not received at year-end and not terminated.

The actual results of operations are presented in accordance with GAAP and the District's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. Any encumbrances are presented as a reservation for encumbrances on the balance sheet of the General Fund. If budgetary encumbrances exist at year-end, they are included in the fund financial statements to reflect actual revenues and expenditures on a budgetary basis consistent with the District's legally adopted budget.

**F. Change in Accounting Principle**

During this past fiscal year, the District was required to implement the provisions of GASB Statement No. 45 on Other Post Employment Benefits. The Net OPEB Obligation and disclosures are more fully explained in Note 5.

**G. Use of Estimates**

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

**H. Assets, Liabilities, and Net Assets**

*Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, the Proprietary Fund type considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

*Investments*

In accordance with GASB Statement 31, investments are stated at fair value, except:

- a) Non-participating interest earning investment contracts are recorded at amortized cost;
- b) Money market investments and participating interest earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and,
- c) Investments held in 2a7-like pools (Pennsylvania Local Government Investment Trust, Pennsylvania Treasurer's Invest Program, and Pennsylvania School District Liquid Asset Fund) are recorded at the pool's share price.

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

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*Receivables and Payables*

Activities between funds that are representative of 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 government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

*Property Tax Levy*

Property taxes, which were levied during the fiscal year ended June 30, 2009, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

Property taxes that were levied during the current fiscal year, which are not estimated to be received within sixty (60) days after the fiscal year-end, are recorded as receivable and deferred revenue in the fund financial statements.

In the government-wide financial statements, all property taxes levied during the fiscal year are recognized as revenue, net of estimated uncollectible amount.

*Inventories*

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. A physical inventory taken at June 30, 2009, shows \$20,581 as an asset in the governmental activities column of the government-wide statement of net assets; a physical inventory taken at June 30, 2009, shows \$43,537 as an asset in the business-type activities column of the government-wide statement of net assets.

Inventory type items in governmental funds utilize the purchase method, that is, they are charged to expenditures when purchased; therefore, there is no inventory shown on the governmental funds balance sheet.

Inventory type items in Proprietary Funds use the consumption method, in which items are purchased for inventory and charged to expenses when used. The only Proprietary Fund of the District is the Food Service Fund. Inventory within this fund consists of donated commodities, which are valued at U.S.D.A.'s approximate costs, and purchased food. Inventories on hand at June 30, 2009, consist of:

Purchased Food		\$	7,210
Supplies			8,176
Donated Commodities			28,151
<b>TOTAL</b>		<b>\$</b>	<b>43,537</b>

*Prepaid Expenses*

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.

**Brandywine Heights Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2009**

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*Capital Assets*

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand-five hundred (\$2,500) dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise funds is also capitalized.

All reported capital assets except land, certain land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<b>Description</b>	<b>Governmental Activities Estimated Lives</b>	<b>Business-Type Activities Estimated Lives</b>
Buildings and Improvements	20 -50 years	N/A
Furniture and Equipment	5 - 20 years	10 -15 years
Vehicles	Up to 10 years	N/A

*Compensated Absences*

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits for administrators are accrued as a liability using the termination method. An accrual for accumulated sick days is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

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*Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, bond issuance costs, and deferred amounts on refundings are deferred and amortized over the life of the bonds using modification of the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and any deferred amount on refundings. Bond issuance costs are reported 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 costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts and premiums on debt issuances are reported as other financing uses or sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

*Reclassification*

Certain amounts have been reclassified to conform to the June 30, 2009, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements reported on the modified accrual basis of accounting.

*Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

*Fund Balance Reserves*

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

*Contributions of Capital*

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during this fiscal year.

**Note 3 - Reconciliation of government-wide and fund financial statements**

- A.** *Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.*

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

The governmental fund balance sheet includes a reconciliation between "fund balance -total governmental funds" and "net assets - governmental activities" as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds".

The details of this \$31,487,758 difference are:

Bonds payable	\$ 31,610,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(512,451)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(233,776)
Less: Issuance discount (to be amortized as interest expense)	(58,629)
Add: Issuance premium (to be amortized as a contra to interest expense)	23,492
Accrued interest payable	216,975
Other Post Retirement Benefits	204,575
Net OPEB Obligation	103,724
Compensated absences	133,848
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	<b>\$ 31,487,758</b>

**B. Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities**

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories.

The amounts shown in the columns below represent:

- a) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities. The long-term expenses reported below recognize the change in vested employee benefits.
- b) Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording of depreciation expense on those items as recorded in the statement of activities.
- c) Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability; principal payments are recorded as a reduction of liabilities.

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

**Explanation of Differences between Governmental Fund Statements and District-Wide Statements**

	TOTAL GOVERN- MENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANS- ACTIONS	TOTAL FOR STATEMENT OF ACTIVITIES
<b>REVENUES AND OTHER SOURCES</b>					
<b>LOCAL SOURCES:</b>					
Property Taxes	\$ 16,017,346	\$ 31,543	\$ -	\$ -	\$ 16,048,889
Taxes levied for specific purposes	1,640,687	8,340	-	-	1,649,027
Interest and investment earnings	384,714	-	-	-	384,714
Miscellaneous	25,830	-	-	-	25,830
Contributions and Donations	20,621	-	-	-	20,621
Charges for Services	59,817	-	-	-	59,817
Grants, subsidies & contributions not restricted	4,633,906	-	-	-	4,633,906
Transfers in	-	-	-	-	-
Bond Issue Proceeds	-	-	-	-	-
Proceeds from Refunding of Bonds	-	-	-	-	-
<b>INTERMEDIATE SOURCES:</b>					
Charges for Services	-	-	-	-	-
Operating and Capital grants and contributions	-	-	-	-	-
<b>STATE SOURCES:</b>					
Operating and Capital grants and contributions	3,902,723	-	-	-	3,902,723
<b>FEDERAL SOURCES:</b>					
Operating and Capital grants and contributions	722,115	-	-	-	722,115
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>					
Gain or (Loss) on disposal of assets	250	-	-	-	250
<b>TOTAL REVENUES</b>	<b>27,408,009</b>	<b>39,883</b>	<b>-</b>	<b>-</b>	<b>27,447,892</b>
<b>EXPENDITURES/EXPENSES</b>					
Instruction	15,079,734	78,135	732	-	15,158,601
Instructional Student Support	1,846,779	9,677	(2,634)	-	1,853,822
Admin. & Fin'l Support Services	2,248,220	(96,980)	(15,411)	-	2,135,829
Oper. & Maint. Of Plant Svcs.	2,527,082	5,178	(24,509)	-	2,507,751
Pupil Transportation	1,755,332	1,217	(9,836)	-	1,746,713
Student activities	517,989	1,927	7,548	-	527,464
Community Services	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service	3,176,132	-	-	(1,936,176)	1,239,956
Transfers Out	50,000	-	-	-	50,000
Depreciation - unallocated	-	-	913,835	-	913,835
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>27,201,268</b>	<b>(846)</b>	<b>869,725</b>	<b>(1,936,176)</b>	<b>26,133,971</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ 206,741</b>	<b>\$ 40,729</b>	<b>\$ (869,725)</b>	<b>\$ 1,936,176</b>	<b>\$ 1,313,921</b>

**Note 4 - Stewardship, Compliance, and Accountability**

**A. Compliance with finance related legal and contractual provisions**

The District has no material violations of finance related legal and contractual provisions.

**B. Deficit fund balance or net assets of individual funds**

No individual fund contains a deficit fund balance or net assets at June 30, 2009.

**C. Excess of expenditures over appropriations in individual funds**

No individual fund, which had a legally adopted budget, had an excess of expenditures over appropriations.

**Brandywine Heights Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2009**

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**D. Budgetary compliance**

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2009. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

**Note 5 - Detailed notes on all funds and account groups**

**Assets**

*Cash*

*Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2009, \$4,369,825 of the District's bank balance of \$4,940,394 was exposed to custodial credit risk as:

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Uninsured and uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		-
Uninsured and collateral held by the pledging bank's trust department not in the District's name		4,369,825
<b>TOTAL</b>		<b>\$ 4,369,825</b>

*Reconciliation to Financial Statements*

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Uncollateralized Amount Above	\$	4,369,825
Plus: Insured Amount		570,569
Less: Outstanding Checks		(11,238)
Carrying Amount - Bank balances		4,929,156
Plus: Petty Cash		1,030
Deposits in Investment Pool Considered Cash Equivalents		1,186,122
Less: Certificates of Deposit considered Investment by School Code		(4,869,825)
<b>TOTAL CASH PER FINANCIAL STATEMENTS</b>		<b>\$ 1,246,483</b>

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*Investments*

Permitted investments for Pennsylvania School Districts are defined in the Public School Code of 1949 as:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;

**Brandywine Heights Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2009**

3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C; and,
4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

As of June 30, 2009, the District had the following investments:

<b><i>Investment</i></b>	<b>Maturities</b>	<b>Fair Value</b>
WSFS Bank - CD	1 day	\$ 2,869,825
PSDLAF Collateralized CD Pool Investment	varies	2,000,000
PA School District Liquid Asset Fund	N/A	1,186,122
National Penn Bank - REPO		277,108
<b>TOTAL</b>		<b>\$ 6,333,055</b>

**Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2009, the District's investment in the PA School District Liquid Asset Fund was rated AAA by Standard & Poor's.

**Concentration of Credit Risk**

The District places no limit on the amount the District may invest in any one issuer. The District did not have any investments subject to concentration of credit risk for the year ending June 30, 2009.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

**Reconciliation to Financial Statements**

Total Investments Above	\$ 6,333,055
Less: Deposits in Investment Pool Considered Cash Equivalents	(1,186,122)
<b>Total Investments Per Financial Statements</b>	<b>\$ 5,146,933</b>

**Brandywine Heights Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2009**

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*Property Taxes*

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$580,145,300. In accordance with Act 1 of 2006, the District received \$784,735 in property tax reduction funds for the 2008-09 fiscal year. The tax rate for the year was \$2.90 per \$100 of assessed valuation or 29.00 mills.

The property tax calendar is:

- July 1 - Full year tax assessed for current year.
- July 1 - August 31 - Discount period during which a 2% discount is allowed.
- September 1 - October 31 - Face amount of tax is due
- November 1 - January 15 - A 10% penalty is added to all payments.
- January 15 - All unpaid taxes become delinquent and are turned over to the County Tax Claim Bureau for Collection.

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements.

*Receivables*

Receivables, as of year end, for the government's individual major funds and non-major and fiduciary funds, in the aggregate, including the applicable allowances for uncollectible accounts, are:

	<b>GENERAL FUND</b>	<b>FOOD SERVICE FUND</b>	<b>NON- MAJOR FUNDS</b>	<b>FIDUCIARY FUNDS</b>	<b>TOTAL</b>
<b>RECEIVABLES:</b>					
Interest	\$ 94,190	\$ -	\$ -	\$ -	\$ 94,190
Taxes	805,792	-	-	-	805,792
Accounts	2,253	471	-	-	2,724
Intergovernmental	464,911	34,774	-	-	499,685
<b>GROSS RECEIVABLES</b>	<b>1,367,146</b>	<b>35,245</b>	<b>-</b>	<b>-</b>	<b>1,402,391</b>
Less: Allowance for Uncollectibles	-	-	-	-	-
<b>NET RECEIVABLES</b>	<b>\$ 1,367,146</b>	<b>\$ 35,245</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,402,391</b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were:

**Brandywine Heights Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2009**

**Schedule on Deferred Revenue - Unavailable and Unearned**

	<b>UNAVAILABLE</b>	<b>UNEARNED</b>
Delinquent Property Taxes - General Fund	\$ 688,979	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	45,701
<b>TOTAL</b>	<b>\$ 688,979</b>	<b>\$ 45,701</b>

*Capital Assets*

Capital asset balances and activity for the year ending June 30, 2009, were:

	<b>BEGINNING BALANCE</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>ENDING BALANCE</b>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital Assets not being depreciated:				
Land	\$ 388,388	\$ -	\$ -	\$ 388,388
Construction in Progress	-	-	-	-
Total Capital Assets not being depreciated	388,388	-	-	388,388
Capital Assets being depreciated:				
Site Improvements	1,076,027	-	-	1,076,027
Buildings and Building Improvements	49,419,784	51,228	-	49,471,012
Furniture and Equipment	2,151,083	82,231	-	2,233,314
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>52,646,894</b>	<b>133,459</b>	<b>-</b>	<b>52,780,353</b>
Less accumulated depreciation for:				
Site Improvements	(727,291)	(25,958)	-	(753,249)
Buildings and Building Improvements	(9,586,300)	(883,750)	-	(10,470,050)
Furniture and Equipment	(1,389,141)	(93,471)	-	(1,482,612)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(11,702,732)</b>	<b>(1,003,179)</b>	<b>-</b>	<b>(12,705,911)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION</b>	<b>40,944,162</b>	<b>(869,720)</b>	<b>-</b>	<b>40,074,442</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION</b>	<b>\$ 41,332,550</b>	<b>\$ (869,720)</b>	<b>\$ -</b>	<b>\$ 40,462,830</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 481,540	\$ 3,675	\$ -	\$ 485,215
Less accumulated depreciation	(359,790)	(16,787)	-	(376,577)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION</b>	<b>\$ 121,750</b>	<b>\$ (13,112)</b>	<b>\$ -</b>	<b>\$ 108,638</b>

**Brandywine Heights Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2009**

**\* DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:**

Regular Instruction	\$	28,744
Special Instruction		1,334
Vocational Instruction		-
Other Instruction		-
Adult Instruction		-
Community College Instruction		-
Pupil Services		-
Instructional Staff Svcs.		4,815
Administrative Services		-
Health Services		50
Business Services		-
Operation & Maintenance of Plant Svcs.		26,715
Pupil Transportation		17,164
Central Services		2,974
Other Support Services		-
Student Activities		7,548
Community Services		-
Depreciation - unallocated		913,835
<b>TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>1,003,179</b>

The governmental activities did not dispose any capital assets during the year

**Short-term debt**

*Interfund receivables and payables*

The following interfund receivables and payables existed on June 30, 2009:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 79,293	\$ 52
Enterprise (Food Service) Fund	52	79,293
Activity Fund	-	-
<b>TOTAL</b>	<b>\$ 79,345</b>	<b>\$ 79,345</b>

*Interfund Transfers*

The District made the following interfund transfers during the fiscal year ended June 30, 2009.

**Brandywine Heights Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2009**

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ 7,443	\$ 50,000
Food Service Fund	50,000	-
1999 Construction Fund	-	7,443
<b>TOTAL</b>	<b>\$ 57,443</b>	<b>\$ 57,443</b>

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2009, were:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
<b><i>General Obligation Debt:</i></b>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 33,025,611	\$ 85,557	\$ 2,048,757	\$ 31,062,411	\$ 2,135,000
Other than capital projects	-	-	-	-	-
Capital Leases	-	-	-	-	-
<b>Total general obligation debt</b>	<b>33,025,611</b>	<b>85,557</b>	<b>2,048,757</b>	<b>31,062,411</b>	<b>2,135,000</b>
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	119,693	19,067	-	138,760	49,404
Sick pay	48,903	-	4,411	44,492	-
Net OPEB Obligation	-	103,724	-	103,724	-
Retirement termination benefits	336,725	-	113,609	223,116	18,541
<b>Total other liabilities</b>	<b>505,321</b>	<b>122,791</b>	<b>118,020</b>	<b>510,092</b>	<b>67,945</b>
<b>TOTAL GOVERNMENTAL ACTIVITY</b>					
<b>LONG-TERM LIABILITIES</b>	<b>\$ 33,530,932</b>	<b>\$ 208,348</b>	<b>\$ 2,166,777</b>	<b>\$ 31,572,503</b>	<b>\$ 2,202,945</b>
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB Obligation	-	3,308	-	3,308	-
<b>TOTAL BUSINESS-TYPE ACTIVITY</b>					
<b>LONG-TERM LIABILITIES</b>	<b>\$ -</b>	<b>\$ 3,308</b>	<b>\$ -</b>	<b>\$ 3,308</b>	<b>\$ -</b>

Payments on bonds and notes are made by the general fund. Vested employee benefits will be liquidated by governmental and proprietary funds. The School District currently does not have any bonds or notes payable in business-type activities.

Total Interest paid and accrued during the year:

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

**GOVERNMENTAL ACTIVITIES:**

	<b>EXPENSE</b>	<b>PAID</b>
General obligation debt	\$ 1,224,501	\$ 1,120,677
Refund of Prior Year Receipts	<u>15,455</u>	<u>15,455</u>
<b>TOTAL INTEREST</b>	<b><u>\$ 1,239,956</u></b>	<b><u>\$ 1,136,132</u></b>

*General Obligation Notes - Series of 2002*

On July 1, 2002, the District issued \$21,150,000 of General Obligation Notes - Series of 2002. The purposes of this issue are to provide funds for: (i) the costs of the planning, acquiring, furnishing, and equipping of alterations, additions, renovations, and improvements to various public school facilities including, but not limited to the construction of the new Brandywine Heights Area High School and the renovation of the former High School facility; (ii) payment of interest during construction; (iii) current refunding of the General Obligation Note - Series A of 2000, and (iv) payment of the costs to issue the Participant Note. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The notes mature from January 25, 2004, to January 25, 2019. Interest is a variable weekly rate not to exceed 15% per annum determined by the Municipal Swap Index for each week as provided by the Municipal Swap Index Calculation agent. The outstanding debt service requirements using the interest 1.95% at June 30, 2009, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2009-10	\$ 1,345,000	\$ 341,740
2010-11	1,410,000	314,971
2011-12	1,485,000	287,592
2012-13	1,560,000	257,269
2013-14	1,630,000	226,265
2014-19	<u>10,670,000</u>	<u>477,378</u>
<b>Sub-Total</b>	<b>\$ 18,100,000</b>	<b><u>\$ 1,905,215</u></b>
Unamortized Deferred Amt.	<u>(27,961)</u>	
<b>TOTAL OUTSTANDING</b>	<b><u>\$ 18,072,039</u></b>	

***Interest Rate Swap***

*Objective of the interest rate swap.* As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in July 1, 2002, the School District entered into an interest rate swaps in connection with its \$21,150,000, Series of 2002 variable-rate general obligation bonds. The intention of the swaps was to effectively change the School District's variable interest rate on the bonds to a synthetic fixed rate.

*Terms.* The bonds and the related swap agreements mature on January 25, 2019, and the swap's notional amount is \$21,150,000. The swap was entered into on October 20, 2004. Starting on January 25, 2005, the notional value of the swap and the principal amount of the associated debt begin to decline. Under the swap, the School District pays a fixed rate of 3.456% to Delaware Valley Authority. The derivative is embedded in the rate versus the Bond Market Association Municipal Swap Index (BMA) at any point in time.

**Brandywine Heights Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2009**

*Fair Value.* The swaps have a negative fair value of \$1,601,311 as of June 30, 2009. The swap's negative fair value may be countered by an decrease in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated by the counterparty.

*Credit Risk.* As of June 30, 2009, the School District was exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the School District would not be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aa2 by Moody's, AA- by Standard & Poor's and AA by Fitch.

*Basis Risk.* The swap exposes the government to basis risk should the relationship between fixed and BMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2009. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized. As of June 30, 2009, the BMA rate was 1.981%, whereas the fixed rate was 3.456%.

*Termination Risk.* The School District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the School District, if the counterparty's short-term debt credit rating is withdrawn or reduced to a rating below P-1 for Moody's and the rating by S&P is withdrawn or reduced to a rating that is below A-1. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap's fair value.

*Swap payments and associated debt.* Using rates as of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

<b>VARIABLE RATE BONDS</b>				
<b>FISCAL YEAR</b>	<b>INTEREST RATE</b>			
<b>6/30</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>SWAPS, NET</b>	<b>TOTAL</b>
2009-10	\$ 1,345,000	\$ 341,740	\$ 280,157	\$ 1,966,897
2010-11	1,410,000	314,971	164,757	1,889,728
2011-12	1,485,000	287,592	150,893	1,923,485
2012-13	1,560,000	257,269	135,788	1,953,057
2013-18	1,630,000	226,265	120,950	1,977,215
2018-21	10,670,000	477,378	285,197	11,432,575
<b>TOTAL OUTSTANDING</b>	<b>\$ 18,100,000</b>	<b>\$ 1,905,215</b>	<b>\$ 1,137,742</b>	<b>\$ 21,142,957</b>

*General Obligation Bonds - Series of 2002*

On December 4, 2002, the District issued \$5,355,000 of General Obligation Bonds - Series of 2002. The purpose of this issue is to provide funds for: (a) the advance refunding of the General Obligation Bonds - Series of 1998, and (b) paying the costs of issuing and insuring the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 15, 2003, to February 15, 2014. Interest rates range from 1.60% to 4.50%.

The outstanding debt service requirements at June 30, 2009, are:

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

FISCAL YEAR	PRINCIPAL	INTEREST
2009-10	\$ 480,000	\$ 107,255
2010-11	500,000	90,455
2011-12	520,000	65,455
2012-13	540,000	46,215
2013-14	565,000	25,425
<b>Sub-Total</b>	2,605,000	<b>\$ 334,805</b>
Unamortized Premium	21,260	
Unamortized Discount	(3,684)	
Unamortized Deferred Amt.	(100,112)	
<b>TOTAL OUTSTANDING</b>	<b>\$ 2,522,464</b>	

*General Obligation Notes - Series of 2003*

On May 1, 2003, the District issued \$11,345,000 of General Obligation Notes - Series of 2003. The purposes of this issue are to provide funds for: (a) the current refunding of the General Obligation Notes - Series B of 2000; (b) provide funds to complete the High School project; (c) provide funds for various capital projects of the School District; and, (d) pay related costs of issuing and insuring the notes. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The note matures from February 1, 2005, to February 1, 2021. Interest rates range from 1.50% to 5.00%.

On October 25, 2006, the District advance refunded a portion of the Series of 2003 General Obligation Notes (\$9,225,000) with interest rates ranging from 2.3% to 5.00% with new debt in the amount of \$9,995,000, interest rates ranging from 3.45% to 4.05%. The new debt is dated October 15, 2006.

The remaining debt service requirements at June 30, 2009, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2009-10	\$ 250,000	\$ 38,400
2010-11	255,000	30,275
2011-12	265,000	21,350
2012-13	275,000	11,677
2013-14	35,000	1,365
<b>Sub-Total</b>	1,080,000	<b>\$ 103,067</b>
Unamortized Premium	2,232	
<b>TOTAL OUTSTANDING</b>	<b>\$ 1,082,232</b>	

*General Obligation Bonds – Series of 2006*

On October 15, 2006, the District issued \$9,995,000 of the General Obligation Bonds – Series of 2006. The purpose of this issue is to advance refund a portion of the General Obligation Notes – Series of 2003, and to pay the costs and expenses of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 1, 2007 to February 1, 2021. Interest rates range from 3.45% to 4.0% with total interest indebtedness of \$4,861,271.92. The outstanding debt service requirements at June 30, 2009, are:

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

FISCAL YEAR	PRINCIPAL	INTEREST
2009-10	\$ 60,000	\$ 382,445
2010-11	60,000	380,345
2011-12	65,000	378,215
2012-13	65,000	375,907
2013-14	325,000	373,567
2014-19	3,165,000	1,721,360
2019-21	6,085,000	364,415
<b>Sub-Total</b>	9,825,000	<b>\$ 3,976,254</b>
Unamortized Discount	(54,944)	
Unamortized Deferred Amt.	(384,380)	
<b>TOTAL OUTSTANDING</b>	<b>\$ 9,385,676</b>	

Lease Rental Debt

On November 15, 1998, the Berks County Vocational Technical School Authority issued \$34,850,000 in revenue bonds, Series of 1998. The Bonds are being issued under the Municipality Authorities Act of 1945, as amended, and pursuant to the provisions of a Trust Indenture, dated as of November 15, 1998, between the Authority and Bank of Pennsylvania, a division of Dauphin Deposit Bank and Trust Company, as trustee. Under the Indenture, the Authority has pledged and assigned to the Trustee the sublease rentals to be paid pursuant to a Lease and Sublease, dated as of November 15, 1998, between the Authority, as lessee and sublessor, and Berks Vocational Technical School, a/k/a Berks Career and Technology Center (BCTC), as lessor and sublessee.

The governing body of the Authority is its Board consisting of seventeen (17) members appointed to staggered terms of five years by the Antietam School District, with the advice of the joint operating committee of BCTC.

BCTC was created and operates under Articles of Agreement by and among sixteen participating school districts located in Berks County and portions of Montgomery and Chester Counties, Pennsylvania.

Under the Articles of Agreement, dated June 1, 1965, between BCTC and the participating school districts, the annual operating expenses of BCTC are allocated to and paid by the participating school districts in proportion to the three-year average daily number of students enrolled by each in BCTC computed at the end of each school year. Lease rental payments (including payments under the Sublease) or capital outlays are shared in proportion to each participating school district's market valuation of taxable real estate to the total valuation of all participating school districts. As a result of this debt, the participating school districts amended Section 11 of the BCTC's By-Laws to read: The obligations of each of the participating school districts to pay its proportionate share of the rentals shall be subject to an annual appropriation by each school district. Any school district that does not budget, appropriate and pay its proportionate share of the rentals payable hereunder shall lose all of its rights as a participating school district, including the right to send students to the Center. It is the intent of Brandywine Heights Area School District to continue to participate.

The proceeds to be realized by the Authority will be used to finance certain capital projects of BCTC, including renovations, alterations, and additions to the East Campus and West Campus of the Berks Career and Technology Center, to pay capitalized interest on the Bonds, to fund a debt service reserve fund and to pay the costs of issuance of the Bonds.

**Brandywine Heights Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2009**

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The lease rental debt owed by BCTC to the Authority is equal to the bond principal and interest of the Authority's revenue bonds. This debt is not considered general obligation debt of the School District. The bonds mature from June 1, 2005, to June 1, 2019, at interest rates between 3.6% and 5.0%.

Since market values fluctuate year to year, the District's future share of the lease rental debt, as shown below, is an estimate using current market values:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>
2009-10	\$ 107,291
2010-11	107,006
2011-12	107,299
2012-13	107,363
2013-14	107,383
2014-19	536,814
<b>TOTAL OUTSTANDING</b>	<b>\$ 1,073,156</b>

**Brandywine Heights Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2009**

*Combined Long-Term Debt*

The combined general long-term debt obligations, except for compensated absences, for subsequent years are:

**Summary of Principal Requirements**

<u>FISCAL YEAR</u>	<u>G.O.N. SERIES 2002</u>	<u>G.O.B. SERIES 2002</u>	<u>G.O.N. SERIES 2003</u>	<u>G.O.B. SERIES 2006</u>	<u>TOTAL PAYMENTS</u>
2009-10	\$ 1,345,000	\$ 480,000	\$ 250,000	\$ 60,000	\$ 2,135,000
2010-11	1,410,000	500,000	255,000	60,000	2,225,000
2011-12	1,485,000	520,000	265,000	65,000	2,335,000
2012-13	1,560,000	540,000	275,000	65,000	2,440,000
2013-14	1,630,000	565,000	35,000	325,000	2,555,000
2014-19	10,670,000	-	-	3,165,000	13,835,000
2019-21	-	-	-	6,085,000	6,085,000
<b>TOTAL</b>	<b>18,100,000</b>	<b>2,605,000</b>	<b>1,080,000</b>	<b>9,825,000</b>	<b>31,610,000</b>
LESS PAYABLE WITHIN ONE YEAR	<u>1,345,000</u>	<u>480,000</u>	<u>250,000</u>	<u>60,000</u>	<u>2,135,000</u>
<b>LONG-TERM PRINCIPAL DUE AFTER ONE YEAR</b>	<b><u>\$ 16,755,000</u></b>	<b><u>\$ 2,125,000</u></b>	<b><u>\$ 830,000</u></b>	<b><u>\$ 9,765,000</u></b>	<b><u>\$ 29,475,000</u></b>

**Summary of Principal and Interest Requirements**

<u>FISCAL YEAR</u>	<u>G.O.N. SERIES 2002</u>	<u>G.O.B. SERIES 2002</u>	<u>G.O.N. SERIES 2003</u>	<u>G.O.B. SERIES 2006</u>	<u>TOTAL PAYMENTS</u>
2009-10	\$ 1,686,740	\$ 587,255	\$ 288,400	\$ 442,445	\$ 3,004,840
2010-11	1,724,971	590,455	285,275	440,345	3,041,046
2011-12	1,772,592	585,455	286,350	443,215	3,087,612
2012-13	1,817,269	586,215	286,677	440,907	3,131,068
2013-14	1,856,265	590,425	36,365	698,567	3,181,622
2014-19	11,147,378	-	-	4,886,360	16,033,738
2019-21	-	-	-	6,449,415	6,449,415
<b>TOTAL</b>	<b><u>\$ 20,005,215</u></b>	<b><u>\$ 2,939,805</u></b>	<b><u>\$ 1,183,067</u></b>	<b><u>\$ 13,801,254</u></b>	<b><u>\$ 37,929,341</u></b>

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

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***Compensated Absences***

*Sick-Pay*

Under the District's administrative regulations, professional employees, cafeteria workers, custodians, aides and secretaries accumulate unused sick days from year to year. These accumulated sick days are cumulative with no limitation. Upon retirement, employees are not eligible for remuneration for unused sick days, except for administrators covered under the Administrator Evaluation Plan, Non-Union support staff and the superintendent. Administrators shall receive severance pay of \$75 for each unused sick day accumulated up to 130 days. Non-union support staff receive \$20 per day up to \$4,500. To be eligible for severance pay a minimum of 120 days notice must be given prior to leaving.

The District maintains records on the eligible accumulated unused sick days. In accordance with GASB Statement No. 16, the District has recorded a long-term liability within the governmental activities column of the government-wide statement of net assets of \$44,492, which includes the employer's share of FICA tax (net of reimbursement). Based on an historical analysis, management has determined that this liability will not use currently available financial resources; therefore, no liability for the compensated absence is recorded in the General Fund.

*Vacation Leave*

Unused vacation leave is paid upon an employee's termination. The District maintains records of each employee's accumulated vacation days. In accordance with GASB Statement No 16, the amount recorded for vacation leave earned as of June 30, 2009, in the General Fund that will use currently available financial resources is \$49,404, which includes the employer's share of FICA tax and retirement contributions (net of reimbursement). This amount is shown as current portion of long-term debt in the governmental activities column of the government-wide statement of net assets. The remaining balance of vacation leave, earned at June 30, 2009, of \$89,356, which includes the employer's share of FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net assets.

***Defined benefit pension plans***

*Plan Description*

Name of plan: The Public School Employees' Retirement System (the System).

Type of Plan: Governmental cost sharing multiple-employer defined benefit plan.

Benefits: Retirement and disability legislatively mandated ad hoc cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 PA C.S. 8101-8535).

Annual Financial Report: 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 Barbara D. Flurie, Office of Financial Management, Public School Employees' Retirement System, P. O. Box 125, Harrisburg, PA 17108-0125. The report is also available in the publications section of the PSERS website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

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Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth.

Contribution Rates

Member Contributions: Active members, who joined the System prior to July 22, 1983, contributed at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2009, the rate of employer contribution was 4.76 percent of covered payroll. The 4.76 percent rate is comprised of a contribution rate of 4.00 percent for pension benefits and 0.76 percent for healthcare insurance premium assistance.

The employer's current year covered payroll was \$12,456,534 and total payroll was \$13,240,621.

The total employee and employer contributions for this current year were \$938,048 and \$569,617 respectively.

**Other Post Retirement Benefits**

*Retirement Termination Benefit*

All professional employees of the District are entitled at retirement with a minimum of ten years service with the District, to receive \$140 per year up to a maximum of \$6,000. Employees must submit their intention to retire prior to March 1, however, if notice is received after March 1, employees are only entitled to \$80 per year, up to a maximum of \$2,500.

In accordance with GASB Statement No. 16, an employer that provides severance benefits shall recognize a liability when that benefit has been earned. The portion of the liability that will use currently available financial resources of \$18,541, including the employer's share of FICA tax (net of reimbursement), is recorded in the General Fund and as a current portion of long-term debt in governmental activities column of the government-wide statement of net assets. The remaining estimate of severance benefits in the amount of \$204,575, including the employer's share of FICA tax (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net assets.

**Other Post Employment Benefits**

*Plan Description.* Brandywine Heights Area School District has one single-employer defined benefit plan.

1. In accordance with the PA School Code of 1949, as amended, medical coverage is provided to eligible retirees and spouses with the retiree paying the full active premium rate for coverage until age 65. This benefit has an implicit rate subsidy based upon GASB Statement No. 45, since the retiree pays the premium at the insurance carrier's global rate charged to the School District versus age-adjusted rate, as defined in the GASB Statement.

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

*Funding Policy and Annual OPEB Cost.* This benefit is state mandated via the School Code statute. The District's annual other post-employment (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an the amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost, each year, and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's annual OPEB cost for the current year and the related information as follows:

<b>Contribution Rates:</b>	
	<b>OPEB Benefit Actuarially Determined</b>
Interest Rate	4.5%
Plan Members	254
Annual Required Contribution	\$ 200,633
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	200,633
Contributions made	(93,601)
Increase in net OPEB obligation	107,032
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$ 107,032</u>

The following table shows the benefit separated by fund:

	<b>Actuarial Valuation by Fund</b>		
	<b>Other Post Employment Benefit Plan</b>		
	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
<b>Demographic Information:</b>			
Active Participants	217	9	226
Retired Participants	28	0	28
Total	<u>245</u>	<u>9</u>	<u>254</u>
Annual Payroll of Active Participants	\$11,159,596	\$151,083	\$11,310,679
Annual Required Contributions	\$ 197,325	\$ 3,308	\$ 200,633
Interest on Net OPEB Obligation	-	-	-
Adjustment to Annual Required Contribution	-	-	-
Annual OPEB Cost	197,325	- 3,308	200,633
Contributions made	(93,601)	-	(93,601)
Increase in Net OPEB Obligation	103,724	- 3,308	107,032
Net OPEB Obligation - beginning of year	-	-	-
Net OPEB Obligation - end of year	<u>\$ 103,724</u>	<u>\$ 3,308</u>	<u>\$ 107,032</u>

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

Since this is the first year of the implementation for GASB Statement 45, prior year data has been omitted for the two proceeding years. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation of the fiscal year ending 6/30/09 for the benefits were as follows:

<b>Year ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2009	\$ 200,633	46.7%	\$ 107,032
6/30/2008	-	0.0%	-
6/30/2007	-	0.0%	-

*Funding Status and Funding Process.* The funded status of the benefits as of June 30, 2009, was as follows:

	<b>State-mandated Healthcare Benefit</b>	<b>State-mandated Healthcare Benefit</b>
	<b><u>Governmental Activity</u></b>	<b><u>Business-Type Activity</u></b>
Actuarial accrued liability (a)	\$ 1,625,990	\$ 30,947
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 1,625,990</u>	<u>\$ 30,947</u>
Funded Ratio (b) / (a)	0.0%	0.0%
Covered payroll	\$ 11,159,596	\$ 151,083
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	14.6%	20.5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the benefits and the annual required contributions of the employer are subject to continual revision actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the district and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

**Brandywine Heights Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2009**

	<b>State-mandated Healthcare Benefit</b>
Actuarial Valuation Date	1/1/2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar method over a 30 year period
Remaining amortization period	29 years
Asset Valuation Method	pay as you go basis
Actuarial Assumptions:	
Investment rate of return	4.5%
Projected salary increases	4.25% to 7.25%
Healthcare inflation rate	
2008	8.5%
2009	8.0%
2010	7.5%
2011	7.0%
2012	6.5%
2013	6.0%
2014	5.5%
2015	5.0%
2016 +	5.0%

**Note 6 - Risk Management**

The District is subject to risk of loss from employee acts, property damage, personal injury auto accidents, theft, etc. The District covers those risks through the purchase of commercial insurance. The Brandywine Heights Area School District is a participating member of a Workers' Compensation Consortium. The Consortium is comprised of 81 member School Districts which jointly self-assume their workers' compensation liabilities. Each District is required to make contributions to the Consortium based on formulae set forth in the contract. Each member school district individually retains sole liability up to a retention level, which is fixed annually by multiplying its Experience Modification Factor times the last audited fiscal year payroll of the member. The result is then multiplied by a contribution rate, which is the same for all members. Even though the member school districts contribute to a central fund, they remain individually liable for any workers' compensation claims.

Above the level of retention, the Consortium pays claims up to the level of coverage of \$100,000 for the year ended June 30, 2009, provided by an excess insurance policy. Claims above the maximum coverage of excess insurance are paid by the members of the Consortium through additional assessments against members.

The members of the Consortium are required to participate in deficiencies and are subject to periodic assessments by the Executive Committee, as required.

**Brandywine Heights Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2009**

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At June 30, 2009, the most recent available financial statements, the consortium did not have a deficit, in which the ultimate responsibility to pay for a deficit belongs to the member districts.

**Note 7 - Fund Balance Reserves/Designations**

*Reserved Fund Balance*

The fund balance reserves in the general fund of \$232,010, represent the portion of June 30, 2009, fund balance assigned for 2008-09 appropriations, and \$11,925 is reserved for prepaid expenditures.

*Designated Fund Balance*

Management has designated \$300,000 for technology and \$400,000 for future capital projects in fund balance at June 30, 2009.

**Note 8 - Restricted Net Assets**

*Invested in Capital Assets, Net of Related Debt*

The components of this restriction are total capital assets of \$40,462,829, with related debt of \$30,828,634, which includes unamortized bonds discounts, premiums, issuance costs and deferred refunding charges. The business-type activities column reflects \$108,638 invested in capital assets with no related debt.

*Other Restrictions*

At year end, the District has \$260,216 restricted in governmental activities for federal grants.

**Note 9 - Contingencies**

*Grants*

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2009.

*Litigation*

The School District is currently a party to legal proceedings; however, management believes the outcome of these notes will not materially affect the financial position of the school district.

**REQUIRED  
SUPPLEMENTAL INFORMATION**

**Brandywine Heights Area School District  
Schedule of Funding Progress  
For the Year Ended June 30, 2009**

<b>State mandated healthcare benefit</b>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2008	\$ -	\$ 1,656,937	\$ 1,656,937	0.0%	\$ 11,310,679	14.65%
1/1/2006	-	-	-	0.0%	-	0.00%
1/1/2004	-	-	-	0.0%	-	0.00%

**S U P P L E M E N T A L I N F O R M A T I O N S E C T I O N**

**Brandywine Heights Area School District**  
**Combining Statement of Fiduciary Net Assets**  
**Private-Purpose Trust Funds**  
**As of June 30, 2009**

	<u>ALUMNI FUND</u>	<u>BORDNER FUND</u>	<u>KLINE FUND</u>	<u>LAVENDOSKI FUND</u>	<u>REIFINGER FUND</u>	<u>MARY SENG FUND</u>	<u>SCHWOYER FUND</u>	<u>ZACHARY SMITH FUND</u>	<u>MOSSER FUND</u>	<u>SCHOL. FUND</u>	<u>CHRIS M. COLE FUND</u>	<u>KYLE BLEILER FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>													
Cash and Cash Equivalents	\$ 2,850	\$ 549	\$ 2,679	\$ 8,397	\$ 795	\$ 5,868	\$ 4,631	\$ 3,419	\$ 532	\$ 11,045	\$ 1,000	\$ -	\$ 41,765
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,850</b>	<b>\$ 549</b>	<b>\$ 2,679</b>	<b>\$ 8,397</b>	<b>\$ 795</b>	<b>\$ 5,868</b>	<b>\$ 4,631</b>	<b>\$ 3,419</b>	<b>\$ 532</b>	<b>\$ 11,045</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ 41,765</b>
<b>LIABILITIES</b>													
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund Payables	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>													
Held in Trust for future recipients	2,850	549	2,679	8,397	795	5,868	4,631	3,419	532	11,045	1,000	-	41,765
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 2,850</b>	<b>\$ 549</b>	<b>\$ 2,679</b>	<b>\$ 8,397</b>	<b>\$ 795</b>	<b>\$ 5,868</b>	<b>\$ 4,631</b>	<b>\$ 3,419</b>	<b>\$ 532</b>	<b>\$ 11,045</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ 41,765</b>

**Brandywine Heights Area School District**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Private-Purpose Trust Funds**  
**For the Year Ended June 30, 2009**

	<u>ALUMNI FUND</u>	<u>BORDNER FUND</u>	<u>KLINE FUND</u>	<u>LAVENDOSKI FUND</u>	<u>REIFINGER FUND</u>	<u>MARY SENG FUND</u>	<u>SCHWOYER FUND</u>	<u>ZACHARY SMITH FUND</u>	<u>MOSSER FUND</u>	<u>SCHOL. FUND</u>	<u>CHRIS M. COLE FUND</u>	<u>KYLE BLEILER FUND</u>	<u>TOTAL</u>
<b>ADDITIONS:</b>													
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50	\$ 200	\$ 100	\$ -	\$ 14,625	\$ 1,000	\$ 1,000	\$ 16,975
Interfund Transfers In							-			-	-	-	-
<b>INVESTMENT EARNINGS:</b>													
Interest and dividends	5	1	4	11	1	8	6	4	1	7	-	-	48
<b>TOTAL ADDITIONS</b>	<u>5</u>	<u>1</u>	<u>4</u>	<u>11</u>	<u>1</u>	<u>58</u>	<u>206</u>	<u>104</u>	<u>1</u>	<u>14,632</u>	<u>1,000</u>	<u>1,000</u>	<u>17,023</u>
<b>DEDUCTIONS:</b>													
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-
Awards	700	50	250	500	150	1,000	500	500	200	15,115	-	1,000	19,965
<b>TOTAL DEDUCTIONS</b>	<u>700</u>	<u>50</u>	<u>250</u>	<u>500</u>	<u>150</u>	<u>1,000</u>	<u>500</u>	<u>500</u>	<u>200</u>	<u>15,115</u>	<u>-</u>	<u>1,000</u>	<u>19,965</u>
<b>CHANGES IN NET ASSETS</b>	(695)	(49)	(246)	(489)	(149)	(942)	(294)	(396)	(199)	(483)	1,000	-	(2,942)
<b>NET ASSETS - BEGINNING OF YEAR</b>	3,545	598	2,925	8,886	944	6,810	4,925	3,815	731	11,528	-	-	44,707
<b>NET ASSETS - END OF THE YEAR</b>	<u>\$ 2,850</u>	<u>\$ 549</u>	<u>\$ 2,679</u>	<u>\$ 8,397</u>	<u>\$ 795</u>	<u>\$ 5,868</u>	<u>\$ 4,631</u>	<u>\$ 3,419</u>	<u>\$ 532</u>	<u>\$ 11,045</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 41,765</u>

**Brandywine Heights Area School District  
Schedule on Tax Collectors' Receipts  
For the Year Ended June 30, 2009**

	<b>DISTRICT TOWNSHIP</b>	<b>LONGSWAMP TOWNSHIP</b>	<b>ROCKLAND TOWNSHIP</b>	<b>BOROUGH OF TOPTON</b>	<b>TOTAL</b>
<b>CURRENT REAL ESTATE TAXES</b>					
Assessed Value	\$ 72,306,700	\$ 236,472,100	\$ 192,918,000	\$ 78,448,500	\$ 580,145,300
Millage Rate	0.02900	0.02900	0.02900	0.02900	0.02900
<b>Total</b>	2,096,894	6,857,691	5,594,622	2,275,007	16,824,214
<b>Less: Act 1 Deduction</b>	90,665	327,410	255,392	111,187	784,654
<b>TOTAL TAXABLE DUPLICATE</b>	2,006,229	6,530,281	5,339,230	2,163,820	16,039,560
PLUS - Additions	133	16,629	19,727	1,668	38,157
- Penalties	3,977	13,213	9,561	7,034	33,785
- Prior Year Unpaid Additions	-	6,885	-	-	6,885
<b>TOTAL TAXES TO BE COLLECTED</b>	2,010,339	6,567,008	5,368,518	2,172,522	16,118,387
LESS - Discounts	33,147	108,571	87,662	36,474	265,854
- Reductions	464	8,106	5,113	58	13,741
- Refunds	142	500	1,796	3,585	6,023
- Returned to County	64,058	316,331	207,562	78,942	666,893
- Outstanding	-	-	117	-	117
<b>NET CURRENT REAL ESTATE TAXES COLLECTED</b>	<b>\$ 1,912,528</b>	<b>\$ 6,133,500</b>	<b>\$ 5,066,268</b>	<b>\$ 2,053,463</b>	<b>\$ 15,165,759</b>
<b>INTERIM REAL ESTATE TAXES COLLECTED</b>	<b>\$ 20,023</b>	<b>\$ 55,714</b>	<b>\$ 35,066</b>	<b>\$ 3,441</b>	<b>\$ 114,244</b>
<b>CURRENT PER CAPITA TAXES</b>					
No. of Persons Assessed	942	3,586	2,725	1,250	8,503
Tax Rate	10	10	10	10	10
<b>TAXABLE VALUATION</b>	<b>\$ 9,420</b>	<b>\$ 35,860</b>	<b>\$ 27,250</b>	<b>\$ 12,500</b>	<b>\$ 85,030</b>
PLUS - Additions	20	60	450	-	530
- Penalties	33	173	87	58	351
<b>TOTAL TAXES TO BE COLLECTED</b>	9,473	36,093	27,787	12,558	85,911
LESS - Discounts	131	495	391	176	1,193
- Exonerations	600	10	990	330	1,930
- Reductions	-	10	-	-	-
- Refunds	-	-	-	-	-
- Outstanding	840	5,960	2,520	1,400	10,720
<b>NET CURRENT PER CAPITA TAXES COLLECTED</b>	<b>\$ 7,902</b>	<b>\$ 29,628</b>	<b>\$ 23,886</b>	<b>\$ 10,652</b>	<b>\$ 72,068</b>

**Brandywine Heights Area School District**  
**General Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2009**

**REVENUES**

**LOCAL SOURCES:**

Current Real Estate Taxes	\$ 15,165,759	
Interim Real Estate Taxes	114,244	
Public Utility	23,073	
Payment in Lieu of Taxes	169	
Current Per Capita Taxes - 511	36,034	
Current Per Capita Taxes - 679	36,034	
Occupational Privilege Tax	14,230	
Earned Income Tax	1,411,539	
Real Estate Transfer Tax	116,122	
Amusement Taxes	-	
Delinquent Real Estate Taxes	737,343	
Delinquent Per Capita Taxes - 511	1,743	
Delinquent Per Capita Taxes - 679	1,743	
Interest	384,434	
Admissions	10,135	
Student Activities	14,535	
Revenue from Local Governmental Units	-	
I/U Services - State	30,000	
I/U Services - Federal	373,330	
Rentals	6,918	
Contributions	20,621	
Summer School	365	
Receipts from Other LEA's	34,782	
Services Provided Other LEA's	-	
Miscellaneous	15,490	
Refund of Prior Year Expenditures	-	
<b>TOTAL LOCAL SOURCE REVENUE</b>	-	<b>\$ 18,548,643</b>

**STATE SOURCES:**

Basic Subsidy - ESBE	3,849,171
Charter Schools	79,354
School Performance	-
Orphan Tuition	23,437
Educational Empowerment	1,584
Homebound	473
Migratory Children	-
Driver Education	-
Special Education	987,040
Transportation	1,182,829
Rentals	464,123
Health Services	35,597
State Property Tax Reduction Allocation	784,735
Extra Grants	304,125
<b>SUB-TOTAL</b>	<b>7,712,468</b>

**Brandywine Heights Area School District**  
**General Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2009**

**REVENUE (CONT'D)**

<b>SUB-TOTAL (carried forward)</b>	\$	7,712,468	
FICA Revenue		441,865	
Retirement Revenue		307,151	
Classrooms for the Future		44,005	
<b>TOTAL STATE SOURCE REVENUE</b>		8,505,489	\$ 8,505,489
 <b>FEDERAL SOURCES:</b>			
Title I		195,720	
Title IIA and II		82,567	
Title V		-	
Medical Assistance Reimb.		71,637	
<b>TOTAL FEDERAL SOURCE REVENUE</b>		349,924	349,924
<b>TOTAL REVENUE</b>			27,404,056

**EXPENDITURES**

Regular Programs - Elem./Secondary		10,592,261	
Special Education		966,609	
Life Skills Support - Public		133,803	
Sensory Support		250,288	
Emotional Support - Public		323,481	
Learning Support - Public		1,445,108	
Gifted Support		257,013	
Early Intervention Support		-	
Other Support		212,737	
Other Vocational Education Programs		719,356	
Summer School		10,546	
Homebound Instruction		1,516	
Adjudicated/Court Placed Programs		98,333	
Other Federal Programs		-	
Community College Programs		68,683	
Support Services - Pupil Personnel		-	
Guidance Services		613,148	
Attendance Services		-	
Psychological Services		109,965	
Other Pupil Personnel Services		-	
School Library Services		414,855	
Instructional & Curriculum Dev. Service		357,848	
Instructional Staff Development Services		28,993	
Board Services		23,645	
Tax Assessment & Collection Service		56,638	
Legal Services		68,213	
Office of the Superintendent Services		244,181	
Office of the Principal Services		1,025,412	
Other Administrative Services		52,117	
Support Services - Pupil Health		321,970	
<b>SUB-TOTAL</b>		<b>18,396,719</b>	

**Brandywine Heights Area School District**  
**General Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2009**

<b>SUB-TOTAL (carried forward)</b>	\$	18,396,719	
Support Services - Business		482,796	
Operation & Maintenance of Plant		2,500,895	
Operation of Building Services		-	
Student Transportation Services		1,755,332	
System-wide Technology Services		265,119	
Information Services		8,418	
Staff Services		-	
State & Federal Agency Liaison Services		-	
Other Support Services		21,681	
Student Activities		26,377	
School Sponsored Athletics		491,612	
Architecture and Engineering Services		-	
Building Acquisition and Construction		-	
Building Improvement		-	
Debt Service		3,160,677	
Refund of Prior Yr. Receipts		15,455	
<b>TOTAL EXPENDITURES</b>		3,160,677	<b>\$ 27,125,081</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			278,975
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Proceeds from Extended Term Financing		-	
Transfer from Capital Projects		7,443	
Debt Service Fund Transfers		-	
Sale of Fixed Assets		250	
Special Revenue Fund Transfers		-	
Capital Projects Funds Transfers		-	
Food Service Fund Transfers		(50,000)	
Activity Fund Transfers		-	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		(42,307)	
<b>Special Items</b>		-	
<b>Extraordinary Items</b>		-	(42,307)
<b>NET CHANGE IN FUND BALANCE</b>		-	236,668
<b>FUND BALANCE - JULY 1, 2008</b>			4,289,440
<b>FUND BALANCE - JUNE 30, 2009</b>			<b>\$ 4,526,108</b>

**Brandywine Heights Area School District**  
**Food Service Fund**  
**Statement of Revenues and Expenses**  
**For the Year Ended June 30, 2009**

**OPERATING REVENUES**

Sales to Students	\$	464,075	
Sales to Adults		28,190	
State Social Security Reimbursement		10,059	
State Retirement Reimbursement		6,316	
State Subsidies		25,438	
Federal Subsidies		122,322	
Value of Donated Commodities Received		48,764	
Special Functions		12,467	
Transfer from General Fund		50,000	
Miscellaneous Revenue		5,858	
Capital Contributions		-	
Gain or (Loss) from Sale of Fixed Assets		-	
Interest		395	
		<u>395</u>	\$ 773,884

**COST OF GOODS SOLD**

Beginning Inventory - Food and Commodities - July 1, 2008	42,096	
Food and Milk (Purchases)	277,937	
Supplies	39,333	
Donated Commodities Received	48,764	
<b>LESS</b> -Ending Inventory-Food and Commodities - June 30, 2009	<u>(43,537)</u>	<u>364,593</u>

**GROSS PROFIT**

409,291

**OPERATING EXPENSES**

Salaries	265,104	
Employees Insurance	90,715	
Social Security	20,053	
Retirement	12,592	
Unemployment Comp.	-	
Workmen's Compensation	2,523	
Other Employee Benefits	3,308	
HS Administrative	433	
Repairs and Maintenance	18,323	
Travel	977	
Meals and Refreshments	66	
Equipment	-	
Dues and Fees	604	
Depreciation	<u>16,788</u>	<u>431,486</u>

**CHANGES IN NET ASSETS**

(22,195)

**FUND NET ASSETS - JULY 1, 2008**

191,593

**FUND NET ASSETS - JUNE 30, 2009**

**\$ 169,398**

**Brandywine Heights Area School District  
1999 Construction Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2009**

<b>FUND BALANCE - JULY 1, 2008</b>		\$ 29,928
 <b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Transfer from General Fund	\$ -	
Refund of Prior Year Expenditures	3,422	
Interest Earnings	<u>279</u>	<u>3,701</u>
 <b>TOTAL FUNDS AVAILABLE</b>		 33,629
 <b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>INSTRUCTIONAL:</b>		
Supplies	-	
<b>SUPPORT SERVICES:</b>		
Professional Services	-	
Repairs and Maintenance	24,420	
Insurance	-	
Equipment	-	
<b>NON-INSTRUCTIONAL SERVICES:</b>		
Equipment	-	
<b>CAPITAL OUTLAY</b>		
Professional Services	1,766	
Construction costs	-	
Repairs and Maintenance	-	
Equipment	-	
Fees	-	
<b>OTHER FINANCING USES</b>		
Transfer to General Fund	7,443	
Transfer to Other Funds	<u>-</u>	<u>33,629</u>
 <b>FUND BALANCE - JUNE 30, 2009</b>		 <b><u>\$ -</u></b>

**Brandywine Heights Area School District**  
**Schedule on General Obligation Notes - Series of 2002**  
**As of June 30, 2009**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2009-10	\$ 341,740	\$ 1,345,000
2010-11	314,971	1,410,000
2011-12	287,592	1,485,000
2012-13	257,269	1,560,000
2013-14	226,265	1,630,000
2014-15	188,771	2,315,000
2015-16	142,987	2,430,000
2016-17	94,285	2,550,000
2017-18	38,844	2,675,000
2018-19	12,491	700,000
<b>TOTAL OUTSTANDING - JUNE 30, 2009</b>	<b><u>\$ 1,905,215</u></b>	<b><u>\$ 18,100,000</u></b>

**Schedule on General Obligation Bonds - Series of 2002**  
**As of June 30, 2009**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2009-10	\$ 107,255	\$ 480,000
2010-11	90,455	500,000
2011-12	65,455	520,000
2012-13	46,215	540,000
2013-14	25,425	565,000
<b>TOTAL OUTSTANDING - JUNE 30, 2009</b>	<b><u>\$ 334,805</u></b>	<b><u>\$ 2,605,000</u></b>

**Brandywine Heights Area School District  
Schedule on General Obligation Notes - Series of 2003  
As of June 30, 2009**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2009-10	\$ 38,400	\$ 250,000
2010-11	30,275	255,000
2011-12	21,350	265,000
2012-13	11,677	275,000
2013-14	1,365	35,000
<b>TOTAL OUTSTANDING - JUNE 30, 2009</b>	<b><u>\$ 103,067</u></b>	<b><u>\$ 1,080,000</u></b>

**Schedule on General Obligation Bonds - Series of 2006  
For the Year Ended June 30, 2009**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2009-10	\$ 382,445	\$ 60,000
2010-11	380,345	60,000
2011-12	378,215	65,000
2012-13	375,907	65,000
2013-14	373,567	325,000
2014-15	361,705	225,000
2015-16	353,380	230,000
2016-17	344,755	240,000
2017-18	335,635	250,000
2018-19	325,885	2,220,000
2019-20	240,415	2,985,000
2020-21	124,000	3,100,000
<b>TOTAL OUTSTANDING - JUNE 30, 2009</b>	<b><u>\$ 3,976,254</u></b>	<b><u>\$ 9,825,000</u></b>

**S I N G L E   A U D I T   S E C T I O N**

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NO.	PASS THROUGH GRANTOR NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) 7/1/2008	REVENUE	EXPEND.	ACCRUED OR (DEFERRED) 6/30/2009	FOOTNOTES
<b>U.S. DEPT. OF EDUCATION</b>											
<b>PASSED THROUGH THE PA</b>											
<b>DEPARTMENT OF EDUCATION</b>											
ESEA - TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-080046	7/1/07 - 9/30/08	\$ 62,781	\$ 16,739	\$ 16,739	\$ -	\$ -	\$ -	
ESEA - TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-090046	7/1/08 - 9/30/09	\$ 202,430	189,317	-	193,720	193,720	4,403	
ESEA - TITLE I ACADEMIC ACHIEVEMENT	I	84.010	077-090046	7/1/08 - 9/30/09	\$ 2,000	667	-	2,000	2,000	1,333	
ESEA - TITLE IIA IMP TEACHER QUALITY	I	84.367	020-080046	7/1/07 - 9/30/08	\$ 74,947	4,996	4,996	-	-	-	
ESEA - TITLE IIA IMP TEACHER QUALITY	I	84.367	020-090046	7/1/08 - 9/30/09	\$ 82,567	82,567	-	82,567	82,567	-	
<b>PASSED THROUGH THE</b>											
<b>BERKS COUNTY I.U.</b>											
IDEA - B	I	84.027	N/A	7/1/07 - 6/30/08	\$ 371,688	185,844	185,844	-	-	-	1
IDEA - B	I	84.027	N/A	7/1/08 - 6/30/09	\$ 367,964	183,982	-	367,964	367,964	183,982	1
DRUG FREE SCHOOLS	I	84.186	N/A	7/1/07 - 6/30/08	\$ 1,606	1,606	-	1,606	1,606	-	1
DRUG FREE SCHOOLS	I	84.186	N/A	7/1/08 - 6/30/09	\$ 3,760	3,760	-	3,760	3,760	-	
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>						669,478	207,579	651,617	651,617	189,718	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>											
<b>PASSED THROUGH THE PA.</b>											
<b>PUBLIC DEPARTMENT OF WELFARE</b>											
ESEA - TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/07 - 9/30/08	N/A	1,139	-	1,139	1,139	-	
<b>TOTAL U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>						1,139	-	1,139	1,139	-	
<b>U. S. DEPARTMENT OF AGRICULTURE</b>											
<b>PASSED THROUGH THE PA DEPT.</b>											
<b>OF EDUCATION:</b>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/07 - 6/30/08	N/A - F	15,310	15,310	-	-	-	2
NATIONAL SCHOOL LUNCH	S	N/A	N/A	7/1/07 - 6/30/08	N/A	2,854	2,854	-	-	-	
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/08 - 6/30/09	N/A - F	87,585	-	114,504	114,504	26,919	2
NATIONAL SCHOOL LUNCH	S	N/A	N/A	7/1/08 - 6/30/09	N/A	16,541	-	21,314	21,314	4,773	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/07 - 6/30/08	N/A - F	692	692	-	-	-	
BREAKFAST PROGRAM	S	N/A	N/A	7/1/07 - 6/30/08	N/A	86	86	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/08 - 6/30/09	N/A - F	5,684	-	7,818	7,818	2,134	2
BREAKFAST PROGRAM	S	N/A	N/A	7/1/08 - 6/30/09	N/A	665	-	892	892	227	
<b>PASSED THROUGH THE PA DEPT.</b>											
<b>OF AGRICULTURE:</b>											
U.S.D.A. COMMODITIES	I	10.550	N/A	7/1/08 - 6/30/09	N/A	48,764	(26,282)	46,895	46,895	(28,151)	3 & 4
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						178,181	(7,340)	191,423	191,423	5,902	
<b>TOTAL AWARDS</b>					\$ 848,798	\$ 200,239	\$ 844,179	\$ 844,179	\$ 195,620		
<b>LESS - STATE SHARE</b>					(20,146)	(2,940)	(22,206)	(22,206)	(5,000)		
<b>TOTAL FEDERAL AWARDS</b>					\$ 828,652	\$ 197,299	\$ 821,973	\$ 821,973	\$ 190,620		

SOURCE: D -DIRECT; I -INDIRECT; F -FEDERAL; S -STATE SHARE

**Brandywine Heights Area School District  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2009**

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**Note 1 - Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting for all federal awards charged to governmental funds and on the accrual basis of accounting for all federal awards charged to proprietary funds, as contemplated by accounting principles, generally accepted in the United States of America.

**Note 2 - Organization and Scope**

The District recognized 2.4% of its total general fund revenue in federal awards, and 21.9% of its total enterprise fund revenue.

**Note 3 - Program Disclosure – Footnotes**

***U.S. Department of Education***

1. The federal awards passed through the Berks County Intermediate Unit are part of a consortium of participating school districts and are reflected as local source revenue on the basic financial statements.

***U. S. Department of Agriculture***

2. The National School Lunch, Breakfast Program, and USDA Commodities are considered a cluster program in accordance with OMB Circular A-133 Compliance Supplement.
3. The District received non-monetary assistance of \$48,764 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2008-09 fiscal year, the District used \$46,895 in commodities and established a year-end inventory of \$28,151 at June 30, 2009.
4. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards represents the commodities used versus the commodities received which are recognized as revenue in the financial statements.

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**FINANCIAL STATEMENT RECONCILIATION**

General Fund Federal Source Revenues	\$	349,924
Federal Grants in Local Sources		373,330
Food Service Fund Federal Revenue		<u>171,086</u>
<b>Total Federal Revenue, per financial statements</b>		<b>894,340</b>
Less - Medical Access		(70,498)
Less - Change in Donated Commodities		<u>(1,869)</u>
<b>Total Federal Revenue Reported on SEFA</b>	<b>\$</b>	<b><u>821,973</u></b>

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Board of School Directors  
Brandywine Heights Area School District  
200 West Weis Street  
Topton, PA 19562

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund of Brandywine Heights Area School District as of and for the year ended June 30, 2009, which collectively comprise Brandywine Heights Area School District's basic financial statements and have issued our report thereon dated December 2, 2009. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America, and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Brandywine Heights Area School District

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### ***Compliance and Other Matters***

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

We noted certain matters that we reported to management of Brandywine Heights Area School District in a separate letter dated December 2, 2009.

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

Respectfully submitted,



December 2, 2009



Board of School Directors  
Brandywine Heights Area School District  
200 West Weis Street  
Topton, PA 19562

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Compliance**

We have audited the compliance of Brandywine Heights Area School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A -133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Brandywine Heights Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Brandywine Heights Area School District's management. Our responsibility is to express an opinion on Brandywine Heights Area School District's compliance based on our audit.

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

In our opinion, Brandywine Heights Area School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**Internal Control over Compliance**

The management of Brandywine Heights Area School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Brandywine Heights Area School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

## Brandywine Heights Area School District

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A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program, that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Respectfully submitted,



December 2, 2009

**Brandywine Heights Area School District  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2009**

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**Section I - Summary of Auditor Results**

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**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) Identified?  yes  no
- Significant Deficiencies identified that are not considered to be material weaknesses?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) Identified?  yes  no
- Significant Deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of **OMB** Circular A-133?  yes  no

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
84.027	IDEA

Percentage of program tested to total awards 44.8%

Dollar threshold used to distinguish between type A and type B program: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

**Brandywine Heights Area School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009**

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**Section II - Financial Statement Findings**

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There were no findings discovered, relating to the financial statements, which are required to be reported in accordance with generally accepted government auditing standards.

**Section III - Findings and Questioned Costs for Federal Awards**

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There were no findings discovered, relating to federal awards, which are required to be reported in accordance with OMB Circular A-133, Section 510.

*Audit Follow-Up Procedures*

We did not perform any follow-up procedures since there were no findings from the previous year.