

**REPORT ON
BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2011**

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2011

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BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2011

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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, 2011, 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 5, 2011



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, 2011, and have issued our report thereon dated December 5, 2011.

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 May 25, 2011.

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 estimates 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, and the Actuary's report on Other Post Employment Benefits. We have evaluated the factors and assumptions used to develop these estimates and have determined the estimates 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 5, 2011. 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 2010-11 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 in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

New Accounting Principles

As you may remember, this year's financial statements are prepared using revised fund balance categories and governmental fund definitions required by GASB Statement No. 54. These new categories and definitions are explained in the notes to the basic financial statements.

Since Statement No. 54 was issued, the Governmental Accounting Standards Board has issued nine new statements on governmental accounting principles that can potentially have a future effect on the District. GASB Statements 55 and 56 were effective immediately upon issuance and pertain to removing accounting literature from auditing standards and incorporating them under accounting literature. These new standards deal with the hierarchy of generally accepted accounting principles, related party transactions, subsequent events, and going concern issues.

GASB Statements 57, 59, and 61 pertain to corrections from previous issued standards dealing with Other Post Employment Benefits with agent employers, who belong to a agent multiple employer OPEB Plan, corrections associated with financial instruments, and clarifications dealing with component units and joint ventures. There are presently no transactions of the District that are affected by these corrections.

GASB Statement No. 58 was issued to help governments to properly report and account for filing Chapter 9 bankruptcy under the U.S. Bankruptcy Code. This Chapter of the Bankruptcy Code allows governments to file for bankruptcy protection from creditors by filing a petition.

GASB Statement 60 was issued to address the accounting and reporting issues involved in Service Concession Arrangements. Without getting into the specifics of the criteria needed for this Statement to affect governments, these arrangements occur when one government allows a third party operator to use a government's facilities to generate income. We cannot foresee this statement affecting the District in the future.

GASB Statement 62 was issued to incorporate previous accounting guidance found in the Financial Accounting Standards Board's statements in existence prior to September 1989, which governments are allowed to use as an election. You will notice in this year's financial statements this guidance being used as a result of a change in accounting principles that is described in the notes to the basic financial statements.

Last, but certainly not least, the newest GASB Statement No. 63, was issued in June 2011. This statement has far reaching changes in reporting the government-wide financial statements for all governments in the future. The effective date of this standard will be the 2012-13 fiscal year. This Statement will change the Statement of Net Assets on the government-wide financial statements to the Statement of Net Position. More importantly, it adds two new elements to what most people know as the Balance Sheet, deferred inflows of resources and deferred outflows of resources.

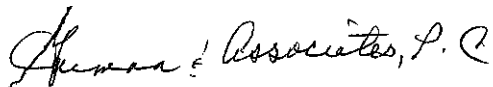
Deferred Outflows of Resources is a consumption of net assets by the government that is applicable to a future reporting period. Deferred Inflows of Resources is an acquisition of net assets by the government that is applicable to a future reporting period.

As a result of these new elements to the statement of financial position, the net position of the entire government at year end will equal total assets, plus total deferred outflows of resources, minus total liabilities and total deferred inflows of resources.

The Governmental Accounting Standards Board is presently having controversial discussions on changing the measurement focus for governmental funds, which determines when a government recognizes revenues and expenditures, along with discussions on changing the reporting of pension liabilities on governmental financial statements. As an ongoing service to our clients, we constantly stay abreast on these and other potential changes that can be positive or detrimental to you.

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,



December 5, 2011

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, 2011, 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, 2011, 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 implemented GASB Statement No. 54 this fiscal year. The new accounting principle is associated with revised classifications of fund balance for governmental funds and revised definitions of government funds.

In accordance with Government Auditing Standards we have also issued our report dated December 5, 2011, 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 9 - 20, and the Schedule of Funding Progress on page 68, 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.

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

Gannon & Associates, A.C.

December 5, 2011

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Topton, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Fiscal Year Ended June 30, 2011

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, 2011. 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 \$18,127,392, reflected a 10.15% increase over the prior year. The increase was due to the scheduled \$3,850,000 reduction in bonds payable offset by other changes in net assets.

The real estate tax increased 1.8% over the previous year which was 1.9% less than the published 3.7% Act 1 Index for Brandywine Heights Area School District.

In governmental funds, the total general fund's fund balance increased \$1,506,768 to \$3,698,514. The General Fund budget included a \$1,960,603 decrease in fund balance for the fiscal year. The 453,835 variance between budget and actual resulted primarily from unanticipated increases in the beginning fund balance and the nonuse of the budget reserve appropriation. Actual total revenues were 98.3% of original budgeted revenues and actual total expenditures excluding budgetary reserve were 96.7% of original budgeted expenditures.

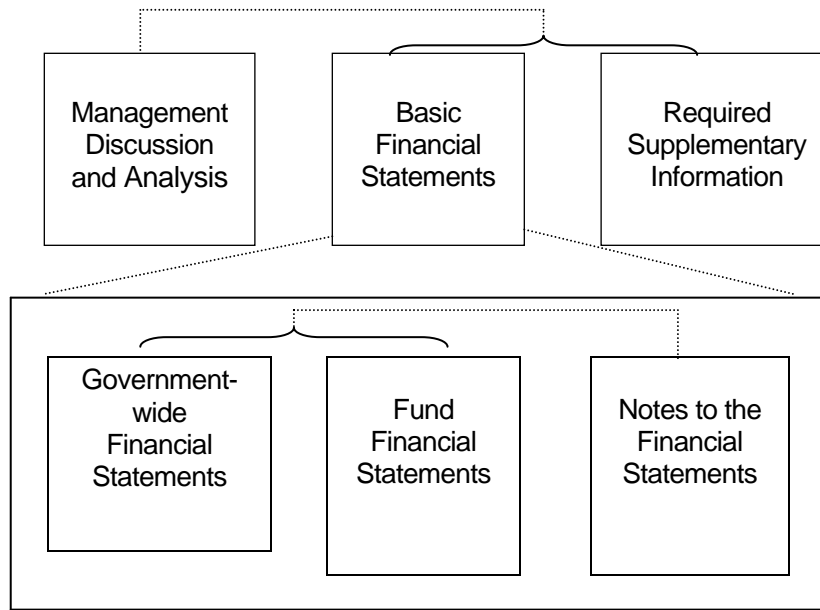
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future 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

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
Fund Statements

	Government-wide 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

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.

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net assets were \$18,127,392 at June 30, 2011.

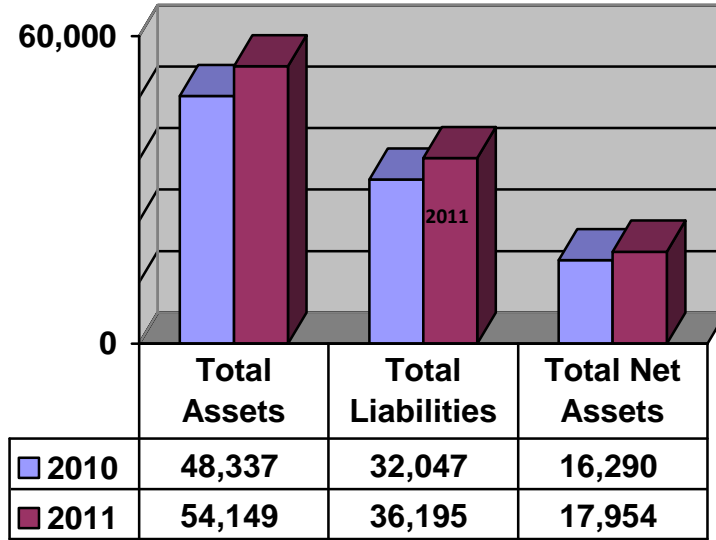
Table A-1
Net Assets
As of June 30, 2011 and June 30, 2010

	2011			2010		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Current and other assets	\$ 12,973,490	\$ 212,921	\$ 12,973,490	\$ 8,475,472	\$ 96,764	\$ 8,567,431
Non Current assets	41,465,438	77,150	41,465,438	39,861,046	83,195	39,944,241
Total assets	\$ 54,438,928	\$ 290,071	\$ 54,438,928	\$ 48,336,518	\$ 179,959	\$ 48,511,672
Current and other liabilities	\$ 7,148,557	\$ 108,409	\$ 7,148,557	\$ 4,748,260	\$ 7,887	\$ 4,751,342
Long-term liabilities	29,162,979	8,522	29,162,979	27,298,511	5,520	27,304,031
Total Liabilities	36,311,536	116,931	36,311,536	32,046,771	13,407	32,055,373
Net Assets						
Invested in capital assets, net of related debt	13,905,541	77,150	13,982,691	10,860,969	83,195	10,944,164
Restricted	-	-	-	413,156	-	413,156
Unrestricted	4,048,711	95,990	4,144,701	5,015,622	83,357	5,098,979
Total Net Assets	\$ 17,954,252	\$ 173,140	\$ 18,127,392	\$ 16,289,747	\$ 166,552	\$ 16,456,299

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.

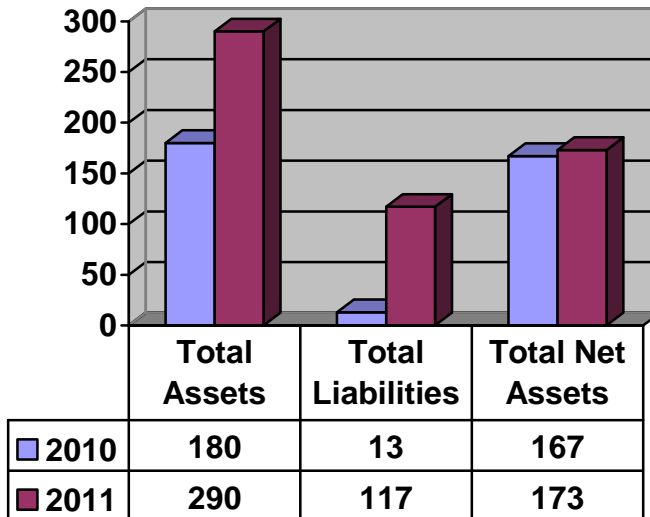
Graph 1

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



Graph 2

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



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, 2011 and June 30, 2010

	<u>2011</u>			<u>2010</u>		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
REVENUES						
<i>Program revenues:</i>						
Charges for services	\$ 57,242	\$ 446,442	\$ 503,684	\$ 67,300	\$ 482,534	\$ 549,834
Operating grants and contributions	4,806,540	250,257	5,056,797	5,012,977	265,008	5,277,985
Capital grants and contributions	415,895	-	415,895	417,509	-	417,509
<i>General revenues:</i>						
Property taxes	16,748,388	-	16,748,388	16,571,141	-	16,571,141
Other taxes	1,656,953	-	1,656,953	1,661,044	-	1,661,044
Grants, subsidies and contributions, unrestricted	4,073,660	-	4,073,660	4,249,583	-	4,249,583
Other	107,413	50,059	157,472	140,629	28,213	168,842
TOTAL REVENUES	<u>\$ 27,866,091</u>	<u>\$ 746,758</u>	<u>\$ 28,612,849</u>	<u>\$ 28,120,183</u>	<u>\$ 775,755</u>	<u>\$ 28,895,938</u>
EXPENSES						
Instruction	\$ 15,073,785	\$ -	\$ 15,073,785	\$ 15,227,478	\$ -	\$ 15,227,478
Instructional student support	2,047,236	-	2,047,236	2,064,426	-	2,064,426
Administrative and financial support	2,298,755	-	2,298,755	2,081,752	-	2,081,752
Operation and maintenance of plant	2,638,899	-	2,638,899	2,531,692	-	2,531,692
Pupil transportation	1,670,696	-	1,670,696	1,760,198	-	1,760,198
Student activities	521,220	-	521,220	547,138	-	547,138
Community services	-	-	-	-	-	-
Interest on long-term debt	1,057,370	-	1,057,370	1,163,364	-	1,163,364
Unallocated depreciation expense	893,625	-	893,625	902,529	-	902,529
Food Services	-	740,170	740,170	-	778,602	778,602
TOTAL EXPENSES	<u>\$ 26,201,586</u>	<u>\$ 740,170</u>	<u>\$ 26,941,756</u>	<u>\$ 26,278,577</u>	<u>\$ 778,602</u>	<u>\$ 27,057,179</u>
Increase (decrease) in net assets	<u>\$ 1,664,505</u>	<u>\$ 6,588</u>	<u>\$ 1,671,093</u>	<u>\$ 1,841,606</u>	<u>\$ (2,847)</u>	<u>\$ 1,838,759</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, 2011 and June 30, 2010

Functions/Programs	<u>2011</u>		<u>2010</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 15,073,785	\$ 11,665,400	\$ 15,227,477	\$ 11,822,075
Instructional Student Support	2,047,236	1,773,231	2,064,427	1,750,521
Administrative and Financial Support	2,298,755	2,222,426	2,081,752	2,006,195
Operation and Maintenance of Plant	2,638,899	2,590,585	2,531,692	2,481,759
Pupil Transportation	1,670,696	666,685	1,760,198	572,213
Student Activities	521,220	468,282	547,138	499,644
Community Services	-	-	-	-
Interest on Long-Term Debt	1,057,370	641,675	1,163,364	745,855
Unallocated Depreciation Expense	893,625	893,625	902,529	902,529
Total Governmental Activities	\$ 26,201,586	\$ 20,921,909	\$ 26,278,577	\$ 20,780,791
Less:				
Unrestricted grants, subsidies		4,073,660		4,249,583
Total needs from local taxes and other revenues		\$ 16,848,249		\$ 16,531,208

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

Table A-4
Fiscal Years ended June 30, 2011 and June 30, 2010
Business-type Activities

Functions/Programs	<u>2011</u>		<u>2010</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	\$ 740,170	\$ 43,471	\$ 778,602	\$ 31,060
Less:				
Transfers In		50,000		40,000
Gain (Loss) on sale of capital assets		-		(11,872)
Investment earnings and other		59		85
Total cost of business-type activities		\$ (6,588)		\$ 2,847

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, 2011, the District governmental funds reported a combined fund balance of \$7,190,364, which is a increase of \$1,985,082. The major changes are:

General Fund:

The General Fund balance decreased by \$1,506,768 to \$3,698,514. This is \$804,706 over the original budget's ending fund balance. The actual expenditures were \$750,358 or 2.6% under budget, the revenues were \$495,353 or 1.7% under budget and the beginning fund balance was \$350,871 or 7.2% over budget.

The expenditure variance represents the unused budgetary reserve \$200,000 and unused appropriations for salaries/benefits \$444,000, interest on variable rate debt \$68,000 plus variances within the accounts.

Local tax revenue provides approximately 64% 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, real estate transfer, per capita, delinquent per capita, and occupation privilege taxes.

The beginning fund balance variance resulted from the overestimation of rates on variable rate debt, overestimation of fuel prices, and overestimation of salary/benefit expenses in the prior year.

Business Type Activity:

The food service program reduced loss of \$43,412 at June 30, 2011, before a \$50,000 transfer from the General Fund. The loss is similar to the food service program loss for 2010-11. The District explored contracted food service during 2010-11. The support staff union matched the savings offered by the food service management company through a salary freeze, benefits reductions, and staffing cuts. The closure of one elementary school and staffing/benefit reductions in 2011-12 should reduce or eliminate food service program losses.

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2011, the District had \$41,157,107 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 \$1,412,408, or 3.05% from last year.

Table A-4
Governmental Activities
Capital assets - net of depreciation

	<u>2011</u>	<u>2010</u>
Land & Land Improvements	\$ 775,087	\$ 689,022
Buildings	37,252,279	38,123,100
Furniture, Equipment, & Vehicles	727,848	826,128
Construction in Progress	2,401,893	106,449

DEBT ADMINISTRATION

Table A-5
Outstanding Debt

	<u>2011</u>	<u>2010</u>
General Obligation Bonds:		
- Refunding Series of 2002	\$ 1,625,000	\$ 2,125,000
- Series of 2002	15,345,000	16,755,000
- Series of 2003	575,000	830,000
- Series of 2006	155,000	9,765,000
- Refunding of Series A of 2011	9,995,000	-
- Series B of 2011	3,850,000	-

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's general obligation bond rating dated April 2011 is a Standard and Poor's AA+ (Stable Outlook) and A+ Stable underlying rating. The AA+ rating is based upon the additional security for bonds provided by a policy by AGM guaranteeing the payment when due of principal and interest on 2011 bonds issued.

The revenue budget for the 2010-2011 year is \$773,784 less than the original budget for 2010-2011. This represents 2.7% decrease in budgeted revenues. The District's real estate tax rate increase of 1.8% was levied to offset reductions in state funding due to difficult economic times and the end of the federal stimulus programs.

For the fourth consecutive year state gaming funds will be available to provide tax relief for qualified homestead and farmstead properties. The district received \$788,237 which was passed on to provide approximately \$217 in tax relief to 3,639 property owners.

The expenditure budget decreased \$2,095,606 to \$28,304,800 inclusive of no pay increase for administrators and support staff (currently negotiating), teacher and support staff position cuts, and average of 4.8% increase in professional employee salaries (2011-12 final contract year), 2% increase in health insurance, and 53% increase in retirement system funding. The District was also able to close one elementary building due to modestly declining enrollment

During 2010-11 the District transferred \$2,263,000 to a capital project fund and issued \$3,850,000 in bonds for a significant capital project consisting of deferred maintenance and improvements to District facilities. The District also refunded a portion of the 2006 bond issue reducing debt service by more than \$100,000.

Looking Forward

Financial planning for 2012-13 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 declining state and federal funding along with projected increases in health benefits 9+%, retirement system funding 12.19% and potential increases in salaries may require a significant increase in real estate tax rates. The difficulty is that our current Act 1 tax increase limit of 1.8% (down from a high of 5.9%) will likely continue at that rate or lower resulting in a need to use index exceptions, if available, or go to a public tax referendum.. The district is currently negotiating with unionized support staff and will begin professional staff negotiations in January 2012. The results of those negotiations will impact future budgets. The comparison of revenue and expenditure categories is as follows:

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management Discussion and Analysis

Table A-6
BUDGETED REVENUES

	<u>2011-2012</u>	<u>2010-2011</u>
Local	70.21%	66.35%
State	28.40%	29.87%
Federal/Other	1.39%	3.78%

BUDGETED EXPENDITURES

	<u>2011-2012</u>	<u>2010-2011</u>
Instruction	53.61%	50.92%
Support Services	29.59%	28.15%
Non-Instruction/Community	2.17%	1.92%
Facilities Acquisition, Construction and Improvement	0.00%	0.00%
Fund Transfers/Debt/Reserve	14.63%	19.01%

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 Nancy Krauss, Business Administrator/Board Secretary at Brandywine Heights Area School District, 200 West Weis Street, Topton Pa. 19562, 610-682-5141, nankra@bhasd.org.

BASIC FINANCIAL STATEMENTS

Brandywine Heights Area School District
Statement of Net Assets
As of June 30, 2011

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 2,503,490	\$ 116,729	\$ 2,620,219
Investments	8,167,147	-	8,167,147
Receivables, net	1,154,809	-	1,154,809
Internal Balances	104,827	-	-
Due From Other Governments	797,300	45,024	842,324
Other Receivables	4,207	1,849	6,056
Inventories	21,909	49,319	71,228
Prepaid Expenses	6,880	-	6,880
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	12,760,569	212,921	12,868,663
NON-CURRENT ASSETS:			
Land	388,388	-	388,388
Site Improvements (net of depreciation)	386,699	-	386,699
Building and Bldg. Improvements (net of depreciation)	37,252,279	-	37,252,279
Machinery and Equipment (net of depreciation)	650,698	77,150	727,848
Construction in Progress	2,401,893	-	2,401,893
Bond Issuance Costs (net of amortization)	308,331	-	308,331
TOTAL NON-CURRENT ASSETS	41,388,288	77,150	41,465,438
TOTAL ASSETS	\$ 54,148,857	\$ 290,071	\$ 54,334,101
LIABILITIES			
CURRENT LIABILITIES:			
Internal Balances	\$ -	\$ 104,827	\$ -
Due to other governments	2,702	-	2,702
Accounts Payable	2,625,495	3,582	2,629,077
Current Portion of Long-Term Obligations	2,425,768	-	2,425,768
Accrued Salaries and Benefits	1,288,155	-	1,288,155
Payroll Deductions and Withholdings	547,111	-	547,111
Deferred Revenue	-	-	-
Other Current Liabilities	150,917	-	150,917
TOTAL CURRENT LIABILITIES	7,040,148	108,409	7,043,730
NON-CURRENT LIABILITIES:			
Bonds Payable	28,609,210	-	28,609,210
Long-Term Portion of Compensated Absences	95,444	-	95,444
Net OPEB Obligation	267,062	8,522	275,584
Other Retirement Benefits	182,741	-	182,741
TOTAL LIABILITIES	36,194,605	116,931	36,206,709
NET ASSETS			
Invested in capital assets, net of related debt	13,905,541	77,150	13,982,691
Restricted for:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	-	-	-
Other Restrictions	-	-	-
Unrestricted (deficit)	4,048,711	95,990	4,144,701
TOTAL NET ASSETS	17,954,252	173,140	18,127,392
TOTAL LIABILITIES AND NET ASSETS	\$ 54,148,857	\$ 290,071	\$ 54,334,101

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, 2011

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 15,073,785	\$ 14,828	\$ 3,393,557	\$ -	\$ (11,665,400)	\$ -	\$ (11,665,400)
Instructional Student Support	2,047,236	-	273,805	200	(1,773,231)	-	(1,773,231)
Admin. & Fin'l Support Services	2,298,755	-	76,329	-	(2,222,426)	-	(2,222,426)
Oper. & Maint. Of Plant Svcs.	2,638,899	-	48,314	-	(2,590,585)	-	(2,590,585)
Pupil Transportation	1,670,696	2,875	1,001,136	-	(666,685)	-	(666,685)
Student activities	521,220	39,539	13,399	-	(468,282)	-	(468,282)
Community Services	-	-	-	-	-	-	-
Interest on Long-Term Debt	1,057,370	-	-	415,695	(641,675)	-	(641,675)
Unallocated Depreciation Expense	893,625	-	-	-	(893,625)	-	(893,625)
TOTAL GOVERNMENT ACTIVITIES	26,201,586	57,242	4,806,540	415,895	(20,921,909)	-	(20,921,909)
BUSINESS-TYPE ACTIVITIES:							
Food Services	740,170	446,442	250,257	-	-	(43,471)	(43,471)
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 26,941,756	\$ 503,684	\$ 5,056,797	\$ 415,895	\$ (20,921,909)	\$ (43,471)	\$ (20,965,380)
GENERAL REVENUES:							
TAXES:							
Property taxes. Levied for general purposes, net					\$ 16,748,388	\$ -	\$ 16,748,388
Taxes levied for specific purposes					1,656,953	-	1,656,953
Grants, subsidies, & contributions not restricted					4,073,660	-	4,073,660
Investment Earnings					100,391	59	100,450
Miscellaneous Income					57,878	-	57,878
Special item - Gain (Loss) on sale of capital assets					(856)	-	(856)
Extraordinary Items					-	-	-
Transfers					(50,000)	50,000	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					22,586,414	50,059	22,636,473
CHANGE IN NET ASSETS					1,664,505	6,588	1,671,093
NET ASSETS - BEGINNING					16,289,747	166,552	16,456,299
NET ASSETS - ENDING					\$ 17,954,252	\$ 173,140	\$ 18,127,392

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

**Brandywine Heights Area School District
Balance Sheet
Governmental Funds
As of June 30, 2011**

	GENERAL	CAPITAL PROJECTS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,144,726	\$ 353,377	\$ 386	\$ 2,498,489
Restricted Cash	-	5,001	-	5,001
Investments	4,267,147	3,900,000	-	8,167,147
Taxes Receivable, net	756,489	-	-	756,489
Due from other funds	104,827	767,174	-	872,001
Due from Other Governments	797,300	-	-	797,300
Other Receivables	3,160	1,047	-	4,207
Prepaid Expenditures	6,880	-	-	6,880
Other Current Assets	-	-	-	-
TOTAL ASSETS	\$ 8,080,529	\$ 5,026,599	\$ 386	\$ 13,107,514
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Due to Other Funds	\$ 767,174	\$ -	\$ -	\$ 767,174
Due to Other Governments	2,702	-	-	2,702
Current Portion of Compensated Absences	37,420	-	-	37,420
Other Post Retirement Benefits	23,348	-	-	23,348
Accounts Payable	1,090,360	1,535,135	-	2,625,495
Accrued Salaries and Benefits	1,288,155	-	-	1,288,155
Payroll Deductions and Withholdings	547,111	-	-	547,111
Deferred Revenues	613,626	-	-	613,626
Other Current Liabilities	12,119	-	-	12,119
TOTAL LIABILITIES	4,382,015	1,535,135	-	5,917,150
<u>FUND BALANCES:</u>				
Nonspendable Fund Balance	6,880	-	-	6,880
Restricted Fund Balance	360	3,491,464	-	3,491,824
Committed Fund Balance	670,000	-	-	670,000
Assigned Fund Balance	1,053,780	-	386	1,054,166
Unassigned Fund Balance	1,967,494	-	-	1,967,494
TOTAL FUND BALANCES	3,698,514	3,491,464	386	7,190,364
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,080,529	\$ 5,026,599	\$ 386	\$ 13,107,514

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, 2011**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 7,190,364

**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 \$55,055,024 and the accumulated depreciation is \$13,975,067. 41,079,957

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. 1,011,947

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. 21,908

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	\$ (30,665,879)	
Accrued interest on the bonds	(138,798)	
Compensated absences	(95,444)	
Net OPEB Obligation	(267,062)	
Other Post Retirement Benefits	(182,741)	(31,349,924)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 17,954,252**

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, 2011

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 19,117,446	\$ 1,501	\$ -	\$ 19,118,947
State Sources	7,652,045	-	-	7,652,045
Federal Sources	1,172,959	-	-	1,172,959
TOTAL REVENUES	<u>27,942,450</u>	<u>1,501</u>	<u>-</u>	<u>27,943,951</u>
	-----	-----	-----	-----
EXPENDITURES				
Instruction	15,020,926	-	-	15,020,926
Support Services	8,352,755	74,610	160,142	8,587,507
Operation of Non-Instructional Services	512,877	-	-	512,877
Capital Outlay	-	2,762,962	-	2,762,962
Debt Service	3,250,490	-	-	3,250,490
TOTAL EXPENDITURES	<u>27,137,048</u>	<u>2,837,572</u>	<u>160,142</u>	<u>30,134,762</u>
	-----	-----	-----	-----
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>805,402</u>	<u>(2,836,071)</u>	<u>(160,142)</u>	<u>(2,190,811)</u>
	-----	-----	-----	-----
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	3,850,000	-	3,850,000
Refunding Bond Proceeds	-	-	9,995,000	9,995,000
Interfund Transfers in	-	2,263,000	-	2,263,000
Sale/Compensation for Fixed Assets	830	-	-	830
Bond Premium	-	214,535	-	214,535
Bond Discount	-	-	(99,565)	(99,565)
Payment to bond refunding escrow agent	-	-	(9,734,907)	(9,734,907)
Operating Transfers Out	(2,313,000)	-	-	(2,313,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,312,170)</u>	<u>6,327,535</u>	<u>160,528</u>	<u>4,175,893</u>
	-----	-----	-----	-----
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
	-----	-----	-----	-----
NET CHANGE IN FUND BALANCES	(1,506,768)	3,491,464	386	1,985,082
FUND BALANCES - BEGINNING	<u>5,205,282</u>	<u>-</u>	<u>-</u>	<u>5,205,282</u>
	-----	-----	-----	-----
FUND BALANCES - ENDING	<u>\$ 3,698,514</u>	<u>\$ 3,491,464</u>	<u>\$ 386</u>	<u>\$ 7,190,364</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, 2011**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,985,082

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	\$ 1,012,761	
	less - capital outlays	<u>2,539,349</u>	1,526,588

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. (1,686)

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. (21,402)

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. 2,225,000

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. (21,811)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **5,691,771**

**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, 2011**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING \$ 5,691,771
 (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. (31,880)

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. (5,602)

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. (3,990,310)

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. 526

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 1,664,505**

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, 2011

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 116,729	\$ -	\$ 116,729
Investments	-	-	-
Due from other funds	-	-	-
Due From Other Governments	45,024	-	45,024
Other Receivables	1,849	-	1,849
Inventories	49,319	-	49,319
Prepaid expenses	-	-	-
TOTAL CURRENT ASSETS	212,921	-	212,921
	-----	-----	-----
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	77,150	-	77,150
Furniture and Fixtures (net)	-	-	-
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	77,150	-	77,150
TOTAL ASSETS	\$ 290,071	\$ -	\$ 290,071
 LIABILITIES			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 104,827	\$ -	\$ 104,827
Due to Other Governments	-	-	-
Accounts Payable	3,582	-	3,582
Accrued Salaries and Benefits	-	-	-
Deferred Revenue	-	-	-
Other Current Liabilities	-	-	-
TOTAL CURRENT LIABILITIES	108,409	-	108,409
	-----	-----	-----
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	-	-	-
Net OPEB Obligation	8,522	-	8,522
TOTAL NON-CURRENT LIABILITIES	8,522	-	8,522
TOTAL LIABILITIES	116,931	-	116,931
 NET ASSETS			
Invested in capital assets, with no related debt	77,150	-	77,150
Retirement of Long-Term Debt	-	-	-
Restricted for Legal Purposes	-	-	-
Unrestricted	95,990	-	95,990
TOTAL NET ASSETS	173,140	-	173,140
TOTAL LIABILITIES AND NET ASSETS	\$ 290,071	\$ -	\$ 290,071

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, 2011

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Food Service Revenue	\$ 433,228	\$ -	\$ 433,228
Charges for Services		-	-
Other Operating Revenues	<u>13,214</u>	<u>-</u>	<u>13,214</u>
TOTAL OPERATING REVENUES	<u>446,442</u>	<u>-</u>	<u>446,442</u>
	-----	-----	-----
OPERATING EXPENSES:			
Salaries	276,069	-	276,069
Employee benefits	139,902	-	139,902
Purchased Professional and Technical Services	480	-	480
Purchased Property Service	20,539	-	20,539
Other Purchased Services	304	-	304
Supplies	292,649	-	292,649
Depreciation	9,529	-	9,529
Dues and Fees	698	-	698
Other Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>740,170</u>	<u>-</u>	<u>740,170</u>
OPERATING INCOME (LOSS)	<u>(293,728)</u>	<u>-</u>	<u>(293,728)</u>
	-----	-----	-----
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	59	-	59
Contributions and Donations	3,150	-	3,150
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	43,174	-	43,174
Federal Sources	203,933	-	203,933
Interest Expenses	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>250,316</u>	<u>-</u>	<u>250,316</u>
	-----	-----	-----
INCOME (LOSS) BEFORE CONTRIBUTIONS	(43,412)	-	(43,412)
Capital contributions		-	-
Transfers in (out)	<u>50,000</u>	<u>-</u>	<u>50,000</u>
CHANGES IN NET ASSETS	<u>6,588</u>	<u>-</u>	<u>6,588</u>
	-----	-----	-----
TOTAL NET ASSETS - BEGINNING	<u>166,552</u>	<u>-</u>	<u>166,552</u>
	-----	-----	-----
TOTAL NET ASSETS - ENDING	<u>\$ 173,140</u>	<u>\$ -</u>	<u>\$ 173,140</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, 2011

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 433,264	\$ -	\$ 433,264
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	13,214	-	13,214
Cash Payments to Employees for Services	(412,969)	-	(412,969)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(175,218)	-	(175,218)
Cash Payments to Other Operating Expenses	(2,949)	-	(2,949)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(144,658)</u>	<u>-</u>	<u>(144,658)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	3,150	-	3,150
State Sources	40,804	-	40,804
Federal Sources	147,163	-	147,163
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	50,000	-	50,000
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	<u>241,117</u>	<u>-</u>	<u>241,117</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(3,484)	-	(3,484)
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
Proceeds from Extended Term Financing	-	-	-
Capital Contributions	-	-	-
Interest paid on Financing Agreements	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,484)</u>	<u>-</u>	<u>(3,484)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	59	-	59
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Withdrawals from Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
Loans Received (Paid)	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>59</u>	<u>-</u>	<u>59</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	93,034	-	93,034
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>23,695</u>	<u>-</u>	<u>23,695</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 116,729</u>	<u>\$ -</u>	<u>\$ 116,729</u>

Brandywine Heights Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2011

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>
OPERATING INCOME (LOSS)	\$ (293,728)	\$ -	\$ (293,728)
	-----	-----	-----
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	9,529	-	9,529
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	35,504	-	35,504
CHANGES IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	36	-	36
(Increase) Decrease in Inventories	477	-	477
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Other Current Assets	-	-	-
Increase (Decrease) in Accounts Payable	(593)	-	(593)
Increase (Decrease) in Advances to Other Funds	101,115	-	101,115
Increase (Decrease) in Accrued Salaries and Benefits	3,002	-	3,002
Increase (Decrease) in Other Current Liabilities	-	-	-
TOTAL ADJUSTMENTS	<u>149,070</u>	<u>-</u>	<u>149,070</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (144,658)</u>	<u>\$ -</u>	<u>\$ (144,658)</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, 2011

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY
ASSETS			
Cash and cash equivalents	\$ 31,845	\$ -	\$ 62,959
Investments	-	-	-
Due from Other Funds	-	-	-
Inventories	-	-	-
Prepaid Expenditures	-	-	-
Other Current Assets	-	-	51
Land	-	-	-
Site Improvements (net)	-	-	-
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	-	-	-
TOTAL ASSETS	\$ 31,845	\$ -	\$ 63,010
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 5,750
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Deferred Revenues	-	-	-
Other Current Liabilities	-	-	57,260
TOTAL LIABILITIES	-	-	63,010
NET ASSETS			
Invested in Capital Assets	-	-	-
Restricted	-	-	-
Unrestricted	31,845	-	-
TOTAL NET ASSETS	\$ 31,845	\$ -	\$ -

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, 2011**

	<u>PRIVATE- PURPOSE TRUST FUND</u>	<u>PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS</u>
ADDITIONS		
Contributions	\$ 17,330	\$ -
Transfers from other funds	-	-
INVESTMENT EARNINGS:		
Interest and Dividends	-	-
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	<u>17,330</u>	<u>-</u>
	-----	-----
 DEDUCTIONS		
Transfers to other funds	48	-
Administrative charges	-	-
Scholarships	<u>20,374</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>20,422</u>	<u>-</u>
 CHANGE IN NET ASSETS	(3,092)	-
 NET ASSETS - BEGINNING OF YEAR	<u>34,937</u>	<u>-</u>
 NET ASSETS - END OF YEAR	<u>\$ 31,845</u>	<u>\$ -</u>

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, 2011

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE	BUDGET TO GAAP DIFFERENCE	ACTUAL
	ORIGINAL	FINAL		(NEGATIVE)		AMOUNTS GAAP BASIS
REVENUES						
Local Sources	\$ 18,869,542	\$ 18,869,542	\$ 19,117,446	\$ 247,904	\$ -	\$ 19,117,446
State Sources	8,494,921	8,494,921	7,652,045	(842,876)	-	7,652,045
Federal Sources	1,073,340	1,073,340	1,172,959	99,619	-	1,172,959
TOTAL REVENUES	<u>28,437,803</u>	<u>28,437,803</u>	<u>27,942,450</u>	<u>(495,353)</u>	<u>-</u>	<u>27,942,450</u>
EXPENDITURES						
Regular Instruction	10,982,895	10,768,205	10,658,105	110,100	-	10,658,105
Special Programs	3,682,744	3,700,417	3,582,428	117,989	-	3,582,428
Vocational Programs	739,000	742,653	741,803	850	-	741,803
Other Instructional Programs	29,562	22,089	16,091	5,998	-	16,091
Nonpublic School Programs	5,000	5,000	4,500	500	-	4,500
Adult Education Programs	-	-	-	-	-	-
Community College Programs	40,000	18,001	17,999	2	-	17,999
Pupil Personnel Services	775,123	824,837	781,777	43,060	-	781,777
Instructional Staff Services	936,096	983,203	907,609	75,594	-	907,609
Nonpublic Support Services	-	200	200	-	-	200
Administrative Services	1,337,102	1,440,803	1,350,370	90,433	-	1,350,370
Pupil Health	337,258	354,757	345,876	8,881	-	345,876
Business Services	522,938	549,328	532,435	16,893	-	532,435
Operation & Maintenance of Plant Services	2,438,160	2,466,397	2,364,951	101,446	-	2,364,951
Student Transportation Services	1,748,134	1,719,318	1,675,964	43,354	-	1,675,964
Central Support Services	441,060	385,284	370,061	15,223	-	370,061
Other Support Services	21,500	23,512	23,512	-	-	23,512
Student Activities	583,069	559,371	512,877	46,494	-	512,877
Facilities, Acquisition and Construction	-	-	-	-	-	-
Debt Service	3,630,765	3,324,031	3,250,490	73,541	-	3,250,490
TOTAL EXPENDITURES	<u>28,250,406</u>	<u>27,887,406</u>	<u>27,137,048</u>	<u>750,358</u>	<u>-</u>	<u>27,137,048</u>
Excess (deficiency) of revenues over expenditures	187,397	550,397	805,402	255,005	-	805,402
OTHER FINANCING SOURCES (USES)						
Sale of Bonds	-	-	-	-	-	-
Interfund Transfers In	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	2,000	2,000	830	(1,170)	-	830
Interfund Transfers Out	(1,950,000)	(2,313,000)	(2,313,000)	-	-	(2,313,000)
Budgetary Reserve	(200,000)	(200,000)	-	200,000	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,148,000)</u>	<u>(2,511,000)</u>	<u>(2,312,170)</u>	<u>198,830</u>	<u>-</u>	<u>(2,312,170)</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>(1,960,603)</u>	<u>(1,960,603)</u>	<u>(1,506,768)</u>	<u>453,835</u>	<u>-</u>	<u>(1,506,768)</u>
FUND BALANCE - JULY 1, 2010	<u>\$ 4,854,411</u>	<u>\$ 4,854,411</u>	<u>\$ 5,205,282</u>	<u>\$ 350,871</u>	<u>\$ -</u>	<u>\$ 5,205,282</u>
FUND BALANCE - JUNE 30, 2011	<u>\$ 2,893,808</u>	<u>\$ 2,893,808</u>	<u>\$ 3,698,514</u>	<u>\$ 804,706</u>	<u>\$ -</u>	<u>\$ 3,698,514</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, 2011

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, 2011

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 2010-2011 was \$741,803. 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, 2011

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, 2011

General Fund

The general fund should be used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

The District has the following Capital Project Funds:

Construction Fund

This fund was created with the issuance of Series B of 2011 General Obligation Bonds for \$3,850,000. The purpose of this issue is to finance various capital projects, including renovations to Topton Elementary School and the Middle School. Issuance costs are expended during the fiscal year.

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.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011

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.

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.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011

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.

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 2010-11 budget transfers.

F. Changes in Accounting Principles

During this past fiscal year, the District was required to implement the provisions of GASB Statement No. 54 on Fund Balance Classifications and Definitions. The new definitions for governmental funds used by the District can be found in Note 1-B to the financial statements.

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, 2011**

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".

Property Tax Levy

Property taxes, which were levied during the fiscal year ended June 30, 2011, 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, 2011, shows \$21,909 as an asset in the governmental activities column of the government-wide statement of net assets; a physical inventory taken at June 30, 2011, shows \$49,319 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, 2011, consist of:

Purchased Food		\$	7,961
Supplies			5,814
Donated Commodities			35,544
TOTAL		\$	49,319

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, 2011**

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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
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, 2011

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, 2011, 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 Categories

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Below are the potential categories of fund balance the government may use with their definitions, the actual categories used is explained in Note 7 to the financial statements:

Nonspendable Fund Balance

This category 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.

Restricted Fund Balance

Fund balance should be reported as restricted when constraints placed on the use of resources are externally imposed by creditors, grantors, contributors, or other government laws or regulations, or the constraint is imposed by enabling legislation or constitutional provisions.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011

Committed Fund Balance

This category pertains to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The 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.

This government's governing body is the School Board and the formal action taken to commit resources is done by resolution.

Assigned Fund Balance

This category includes all remaining amounts that are reported in governmental funds, except the general fund, that are not classified in one of the above-mentioned categories. In the general fund, this category represents the District's intent to use resources for a specific purpose, which does not require formal action by the governing body. The District's policy dictates the business manager is responsible to make these assignments.

Unassigned Fund Balance

This category of fund balance represents the residual classification for the general fund after segregating resources used in the other categories listed above. Unassigned fund balance will only be shown in other governmental funds if those governmental funds have a negative net fund balance.

The District's policy on fund balance does not dictate which category of unrestricted fund balance is spent first, when resources are available to be spent in various categories. As such, committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts. The District's policy also does not dictate whether restricted (nonspendable or restricted) or unrestricted (committed, assigned, and unassigned) is spent first when resources are available in both categories. As such, in these circumstances, restricted will be assumed to have been spent first followed by the unrestricted categories.

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.*

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 \$31,349,924 difference are:

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

Bonds payable	\$ 31,545,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(693,568)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(308,331)
Less: Issuance discount (to be amortized as interest expense)	(101,208)
 Add: Issuance premium (to be amortized as a contra to interest expense)	 223,986
Accrued interest payable	138,798
Other Post Retirement Benefits	182,741
Net OPEB Obligation	267,062
Compensated absences	95,444
 Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	 <u>\$ 31,349,924</u>

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, 2011**

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
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 16,768,349	\$ (19,961)	\$ -	\$ -	\$ 16,748,388
Taxes levied for specific purposes	1,658,394	(1,441)	-	-	1,656,953
Interest and investment earnings	100,391	-	-	-	100,391
Miscellaneous	54,468	(5,602)	-	-	48,866
Contributions and Donations	9,012	-	-	-	9,012
Charges for Services	57,242	-	-	-	57,242
Grants, subsidies & contributions not restricted	4,073,660	-	-	-	4,073,660
Transfers in	-	-	-	-	-
Bond Premiums	214,535	-	-	(214,535)	-
Bond Issue Proceeds	3,850,000	-	-	(3,850,000)	-
Proceeds from Refunding of Bonds	9,995,000	-	-	(9,995,000)	-
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating and Capital grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating and Capital grants and contributions	3,579,560	-	-	-	3,579,560
FEDERAL SOURCES:					
Operating and Capital grants and contributions	1,642,875	-	-	-	1,642,875
SPECIAL AND EXTRAORDINARY ITEMS:					
Gain or (Loss) on disposal of assets	830	-	(1,686)	-	(856)
TOTAL REVENUES	42,004,316	(27,004)	(1,686)	(14,059,535)	27,916,091
EXPENDITURES/EXPENSES					
Instruction	15,020,926	20,113	32,746	-	15,073,785
Instructional Student Support	2,035,462	7,470	4,304	-	2,047,236
Admin. & Fin'l Support Services	2,511,130	490	21,887	(234,752)	2,298,755
Oper. & Maint. Of Plant Svcs.	2,428,486	(8,210)	218,623	-	2,638,899
Pupil Transportation	1,675,964	536	(5,804)	-	1,670,696
Student activities	512,877	886	7,457	-	521,220
Community Services	-	-	-	-	-
Capital Outlay	2,699,427	-	(2,699,427)	-	-
Debt Service	13,084,962	-	-	(12,027,592)	1,057,370
Transfers Out	50,000	-	-	-	50,000
Depreciation - unallocated	-	-	893,625	-	893,625
TOTAL EXPENDITURES/EXPENSES	40,019,234	21,285	(1,526,589)	(12,262,344)	26,251,586
NET CHANGE FOR THE YEAR	\$ 1,985,082	\$ (48,289)	\$ 1,524,903	\$ (1,797,191)	\$ 1,664,505

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, 2011.

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, 2011**

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, 2011. 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, 2011, \$5,180,790 of the District's bank balance of \$9,831,176 was exposed to custodial credit risk as:

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		5,180,790
TOTAL		\$ 5,180,790

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$	5,180,790
Plus: Insured Amount		4,650,386
Less: Outstanding Checks		(1,261,047)
Carrying Amount - Bank balances		8,570,129
Plus: Petty Cash		1,100
Restrict Cash held in escrow		5,001
Deposits in Investment Pool Considered Cash Equivalents		1,052,996
Less: Certificates of Deposit considered Investment by School Code		(6,914,203)
TOTAL CASH PER FINANCIAL STATEMENTS		\$ 2,715,023

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, 2011**

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, 2011, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
Pa. School District Liquid Asset Fund	N/A	\$ 1,052,996
Valley Green Bank - Certificates of Deposit		3,014,203
Pa. School District Liquid Asset Fund		3,900,000
National Penn Bank - Repurchase Agreement		1,252,944
TOTAL		\$ 9,220,143

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, 2011, 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 has 32.69% held in Certificates of Deposit at Valley Green Bank, 42.30% in Certificates of Deposit with various banks invested by the PA School District Liquid Asset Fund, and 13.59% in a repurchase agreement with National Penn Bank.

Government Activities has 33.10% invested in Certificates of Deposit with Valley Green Bank, 42.82% invested in Certificates of deposit with various banks invested by PA School Liquid Asset Fund, and 13.76% in a repurchase agreement with National Penn Bank. The General Fund has 62.10% invested in Certificates of Deposit with Valley Green Bank and 25.81% in a repurchase agreement with National Penn Bank. The Capital Projects Fund has 91.69% invested in Certificates of Deposit with various banks invested by PA School District Liquid Asset Fund for the year ended June 30, 2011.

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, except for possession of an outside party. The District has no investments subject to custodial risk except for \$3,008,142, of Certificates of Deposit held with Valley Green Bank that exceeds FDIC insurance.

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

Reconciliation to Financial Statements

Total Investments Above	\$ 9,220,143
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(1,052,996)</u>
Total Investments Per Financial Statements	<u>\$ 8,167,147</u>

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 \$585,852,400. In accordance with Act 1 of 2006, the District received \$787,855 in property tax reduction funds for the 2010-11 fiscal year. The tax rate for the year was \$3.00 per \$100 of assessed valuation or 30 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:

	GENERAL FUND	CAPITAL PROJECTS FUND	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ 2,954	\$ 1,047	\$ -	\$ -	\$ -	\$ 4,001
Taxes	756,489	-	-	-	-	756,489
Accounts	206	-	1,849	-	51	2,106
Intergovernmental	797,300	-	45,024	-	-	763,901
GROSS RECEIVABLES	1,556,949	1,047	46,873	-	51	1,526,497
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 1,556,949	\$ 1,047	\$ 46,873	\$ -	\$ 51	\$ 1,526,497

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

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:

Schedule on Deferred Revenue - Unavailable and Unearned

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Delinquent Property Taxes - General Fund	\$ 613,626	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	<u>\$ 613,626</u>	<u>\$ -</u>

Capital Assets

Capital asset balances and activity for the year ending June 30, 2011, were:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 388,388	\$ -	\$ -	\$ 388,388
Construction in Progress	106,449	2,402,243	(106,799)	2,401,893
Total Capital Assets not being depreciated	494,837	2,402,243	(106,799)	2,790,281
Capital Assets being depreciated:				
Site Improvements	1,076,027	106,799	-	1,182,826
Buildings and Building Improvements	49,471,012	-	-	49,471,012
Furniture and Equipment	1,597,107	30,657	(16,859)	1,610,905
TOTAL CAPITAL ASSETS BEING DEPRECIATED	52,144,146	137,456	(16,859)	52,264,743
Less accumulated depreciation for:				
Site Improvements	(775,393)	(20,734)	-	(796,127)
Buildings and Building Improvements	(11,347,912)	(870,821)	-	(12,218,733)
Furniture and Equipment	(854,174)	(121,206)	15,173	(960,207)
TOTAL ACCUMULATED DEPRECIATION	(12,977,479)	(1,012,761)	15,173	(13,975,067)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	39,166,667	(875,305)	(1,686)	38,289,676
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 39,661,504</u>	<u>\$ 1,526,938</u>	<u>\$ (108,485)</u>	<u>\$ 41,079,957</u>
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 412,992	\$ 3,484	\$ -	\$ 416,476
Less accumulated depreciation	(329,797)	(9,529)	-	(339,326)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 83,195</u>	<u>\$ (6,045)</u>	<u>\$ -</u>	<u>\$ 77,150</u>

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

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

Regular Instruction	\$	31,412
Special Instruction		1,334
Vocational Instruction		-
Other Instruction		-
Adult Instruction		-
Community College Instruction		-
Pupil Services		-
Instructional Staff Svcs.		4,304
Administrative Services		-
Health Services		-
Business Services		-
Operation & Maintenance of Plant Svcs.		27,889
Pupil Transportation		18,297
Central Services		28,443
Other Support Services		-
Student Activities		7,457
Community Services		-
Depreciation - unallocated		893,625
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$	1,012,761

The governmental activities disposed of \$16,859 in capital assets during the year, with \$15,173 in accumulated depreciation. Proceeds received of \$830, left a loss on disposition of \$856. The business-type activities did not dispose of any capital assets.

Commitments

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. 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.

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables existed on June 30, 2011:

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 104,827	\$ 767,174
Enterprise (Food Service) Fund	-	104,827
Capital Projects Fund	767,174	-
TOTAL	\$ 872,001	\$ 872,001

Interfund Transfers

The District made the following interfund transfers during the fiscal year ended June 30, 2011:

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 2,313,000
Food Service Fund	50,000	-
Capital Projects Fund	2,263,000	-
TOTAL	\$ 2,313,000	\$ 2,313,000

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2011, were:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 29,000,075	\$ 14,488,015	\$ 12,513,880	\$ 30,974,210	\$ 2,365,000
Other than capital projects	-	-	-	-	-
Capital Leases	-	-	-	-	-
Total general obligation debt	29,000,075	14,488,015	12,513,880	30,974,210	2,365,000
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	113,963	-	9,069	104,894	34,104
Sick pay	44,998	-	17,028	27,970	3,316
Net OPEB Obligation	196,606	70,456	-	267,062	-
Retirement termination benefits	238,664	-	32,575	206,089	23,348
Total other liabilities	594,231	70,456	58,672	606,015	60,768
TOTAL GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 29,594,306	\$ 14,558,471	\$ 12,572,552	\$ 31,580,225	\$ 2,425,768
<u>BUSINESS-TYPE ACTIVITIES</u>					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB Obligation	5,520	3,002	-	8,522	-
TOTAL BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	\$ 5,520	\$ 3,002	\$ -	\$ 8,522	\$ -

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011

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:

GOVERNMENTAL ACTIVITIES:	EXPENSE	PAID
General obligation debt	\$ 1,000,900	\$ 969,020
Refund of Prior Year Receipts	<u>56,470</u>	<u>56,470</u>
TOTAL INTEREST	<u>\$ 1,057,370</u>	<u>\$ 1,025,490</u>

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 rate of 2.866% at June 30, 2011, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 1,485,000	\$ 424,533
2012-13	1,560,000	379,962
2013-14	1,630,000	334,397
2014-15	2,315,000	279,293
2015-16	2,430,000	212,010
2016-19	<u>5,925,000</u>	<u>218,958</u>
Sub-Total	\$ 15,345,000	<u>\$ 1,849,153</u>
Unamortized Deferred Amt.	<u>(18,716)</u>	
TOTAL OUTSTANDING	<u>\$ 15,326,284</u>	

Contractual Obligation

As a result of the District's decision to enter into a fixed rate obligation, the Delaware Valley Authority entered into an interest rate swap arrangement with a counterparty to provide the District with a synthetic fixed rate of interest. Since the swap agreement is not in the name of the District, they entered into a contractual arrangement with the Authority, to pay or receive, to or from the Authority upon termination of this agreement, the fair value of the Authority's derivative instrument with their counterparty. At June 30, 2011, the derivative instrument had a positive fair value of \$771,970, which represents a contingent asset that should not be recorded on the financial statements in accordance with generally accepted accounting principles.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011

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, 2011, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 520,000	\$ 65,455
2012-13	540,000	46,215
2013-14	565,000	25,425
Sub-Total	\$ 1,625,000	\$ 137,095
Unamortized Premium	8,705	
Unamortized Discount	(1,510)	
Unamortized Deferred Amt.	(40,993)	
TOTAL OUTSTANDING	\$ 1,591,202	

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, 2011, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 265,000	\$ 21,350
2012-13	275,000	11,677
2013-14	35,000	1,365
Sub-Total	\$ 575,000	\$ 34,392
Unamortized Premium	744	
TOTAL OUTSTANDING	\$ 575,744	

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

SOURCES

Gross Accrued Proceeds of Bonds	\$ 9,995,000
Plus: Accrued Interest	-
Premium	-
Less: Original Issue Document	(99,565)
Underwriter's Discount	(87,456)
TOTAL SOURCES	<u>\$ 9,807,979</u>

USES

1998A Escrow Deposit	\$ 9,734,907
Issuance Costs	72,686
Sinking Fund Deposit	386
TOTAL USES	<u>\$ 9,807,979</u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows		\$ 12,753,740
Cash Flows From New Debt:		
New Debt Service Cash Flow	\$ 12,642,385	
Less: Excess Funds Deposited in Sinking Fund	(386)	
Net Cash Flows From New Debt		<u>12,641,999</u>
Net Difference in Cash Flows		<u>\$ 111,741</u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows		\$ 9,662,636
Present Value of New Debt Service Cash Flows	\$ 9,548,272	
Less: Excess Funds Deposited in Sinking Fund	(386)	
Total		<u>9,547,886</u>
Economic Gain		<u>\$ 114,750</u>

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. On May 4, 2011, the District refunded the Series of 2006 (\$9,550,000), with interest rates ranging from 3.65% to 4.0%, with new debt in the amount of \$9,995,000 with interest rates ranging from 0.85% to 3.50%:

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011

The remaining outstanding debt service requirements at June 30, 2011, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 65,000	\$ 5,560
2012-13	65,000	3,252
2013-14	25,000	912
Sub-Total	\$ 155,000	\$ 9,724
Unamortized Discount	(134)	
Unamortized Deferred Amt.	(940)	
TOTAL OUTSTANDING	\$ 153,926	

General Obligation Bonds – Series A of 2011

On May 4, 2011, the District issued \$9,995,000 of the General Obligation Bonds – Series of A of 2011. The proceeds will be used: (1) to currently refund a portion of the outstanding GOB Series of 2006 (2) To pay related costs, fees and expenses. In accordance with the Local Governmental Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 1, 2011 to February 1, 2021. Interest rates ranging from .85% to 3.25% with total interest indebtedness of \$2,647,385.06. The remaining outstanding debt service requirements at June 30, 2011, are

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 25,000	\$ 232,542
2012-13	60,000	313,326
2013-14	360,000	312,606
2014-15	280,000	307,026
2015-16	280,000	301,426
2016-21	8,990,000	1,180,459
Sub-Total	\$ 9,995,000	\$ 2,647,385
Unamortized Premium	-	
Unamortized Discount	(99,565)	
Unamortized Deferred Chgs.	(632,916)	
TOTAL OUTSTANDING	\$ 9,262,519	

General Obligation Bonds – Series B of 2011

On May 4, 2011, the District issued \$3,850,000 of the General Obligation Bonds – Series B of 2011. The proceeds will be used: (1) To finance various capital projects of the District including renovations to the District – Tipton Elementary School and renovations to the Middle School (2) To pay related costs, fees and expenses. In accordance with the Local Governmental Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 1, 2011 to February 1, 2023. Interest rates ranging from .1.0% to 5.0% with total interest indebtedness of \$2,012,103. The remaining outstanding debt service requirements at June 30, 2011, are:

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 5,000	\$ 138,917
2012-13	5,000	187,254
2013-14	5,000	187,196
2014-15	5,000	187,121
2015-16	5,000	187,021
2016-21	285,000	925,344
2021-23	3,540,000	199,250
Sub-Total	\$ 3,850,000	\$ 2,012,103
Unamortized Premium	214,535	
Unamortized Discount	-	
Unamortized Deferred Chgs.	-	
TOTAL OUTSTANDING	\$ 4,064,535	

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, 2011**

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:

FISCAL YEAR	PRINCIPAL
2011-12	\$ 107,299
2012-13	107,363
2013-14	107,383
2014-15	107,344
2015-16	107,418
2016-19	<u>322,052</u>
TOTAL OUTSTANDING	<u>\$ 858,859</u>

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

Combined Long-Term Debt

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

Summary of Principal Requirements

FISCAL YEAR	G.O.N.	G.O.B.	G.O.N.	G.O.B.	G.O.B.	G.O.B.	TOTAL
	SERIES 2002	SERIES 2002	SERIES 2003	SERIES 2006	SERIES A of 2011	SERIES B of 2011	
2011-12	\$ 1,485,000	\$ 520,000	\$ 265,000	\$ 65,000	\$ 25,000	\$ 5,000	\$ 2,365,000
2012-13	1,560,000	540,000	275,000	65,000	60,000	5,000	2,505,000
2013-14	1,630,000	565,000	35,000	25,000	360,000	5,000	2,620,000
2014-15	2,315,000	-	-	-	280,000	5,000	2,600,000
2015-16	2,430,000	-	-	-	280,000	5,000	2,715,000
2016-21	5,925,000	-	-	-	8,990,000	285,000	15,200,000
2021-26	-	-	-	-	-	3,540,000	3,540,000
TOTAL	15,345,000	1,625,000	575,000	155,000	9,995,000	3,850,000	31,545,000
LESS PAYABLE WITHIN ONE YEAR	1,485,000	520,000	265,000	65,000	25,000	5,000	2,365,000
LONG-TERM PRINCIPAL DUE AFTER ONE YEAR	\$ 13,860,000	\$ 1,105,000	\$ 310,000	\$ 90,000	\$ 9,970,000	\$ 3,845,000	\$ 29,180,000

Summary of Principal and Interest Requirements

FISCAL YEAR	G.O.N.	G.O.B.	G.O.N.	G.O.B.	G.O.B.	G.O.B.	TOTAL
	SERIES 2002	SERIES 2002	SERIES 2003	SERIES 2006	SERIES A of 2011	SERIES B of 2011	
2011-12	\$ 1,909,533	\$ 585,455	\$ 286,350	\$ 70,560	\$ 257,542	\$ 143,917	\$ 3,253,357
2012-13	1,939,962	586,215	286,677	68,252	373,326	192,254	3,446,686
2013-14	1,964,397	590,425	36,365	25,912	672,606	192,196	3,481,901
2014-15	2,594,293	-	-	-	587,026	192,121	3,373,440
2015-16	2,642,010	-	-	-	581,427	192,021	3,415,458
2016-21	6,143,958	-	-	-	10,170,458	1,210,344	17,524,760
2021-26	-	-	-	-	-	3,739,250	3,739,250
TOTAL	\$ 17,194,153	\$ 1,762,095	\$ 609,392	\$ 164,724	\$ 12,642,385	\$ 5,862,103	\$ 38,234,852

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011

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 \$24,654, which includes the employer's share of FICA tax (net of reimbursement). The portion that will use currently available financial resources is \$3,316, and is recorded as a liability for the compensated absence 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, 2011, in the General Fund that will use currently available financial resources is \$34,104, 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, 2011, of \$70,790, 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 Diane J. Wert, 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.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011

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, 2011, the rate of employer contribution was 5.64 percent of covered payroll. The 5.00 percent rate is comprised of a contribution rate of 5.00 percent for pension benefits and 0.64 percent for healthcare insurance premium assistance.

The employer's current year covered payroll was \$12,165,781 and total payroll was \$13,779,510.

The total employee and employer contributions for this current year were \$757,839 and \$680,947 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 \$23,348, 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 \$182,741, 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, 2011**

Summary of Plan Provisions			
<i>Group</i>	<i>Eligibility</i>	<i>Coverage And Premium Sharing</i>	<i>Duration</i>
<u>I. ADMINISTRATORS</u>			
A) Retire between July 1 2009 and June 30, 2010	<p>Must meet one of the following conditions to be eligible.</p> <p>i) Must be eligible for PSERS retirement and have at least 10 years of District service.</p> <p>ii) ACT 110/43</p>	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug, Dental and Vision. • Premium Sharing:: If member is eligible for PSERS Retirement and has at least 10 years of District service, District will pay \$5,500 per year but not to exceed 50% of the District cost for health insurance premiums for the family medical plan. Upon member reaching Medicare age, a younger spouse can continue to receive coverage but must pay 100% of the premium. <p>If the member does not meet the requirements for the District subsidy but is eligible for Act 110/43, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA.</p> <ul style="list-style-type: none"> • Dependents: Spouse and Family Included. Upon the death of a retiree, the spouse and any eligible dependents are able to continue Medical, Prescription Drug, Dental and Vision by paying 100% of the premium. 	<p>Member coverage continues until Medicare age.</p> <p>Spouse coverage continues until the later of member reaches Medicare age.</p>
B)- Retire after July 1, 2010	Same as IA	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug, Dental and Vision. • Premium Sharing:: If member is eligible for PSERS Retirement and has at least 10 years of District service, District will pay \$6,600 per year but not to exceed 50% of the District cost for health insurance premiums for the family medical plan. Upon member reaching Medicare age, a younger spouse can continue to receive coverage but must pay 100% of the premium. <p>If the member does not meet the requirements for the District subsidy but is eligible for Act 110/43, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA.</p> <ul style="list-style-type: none"> • Dependents: Spouse and Family Included. Upon the death of a retiree, the spouse and any eligible dependents are able to continue Medical, Prescription Drug, Dental and Vision by paying 100% of the premium. 	Same as 1A

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

Summary of Plan Provisions

Group	Eligibility	Coverage And Premium Sharing	Duration
II. TEACHERS	Same as IA	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug, Dental and Vision • Premium Sharing: Retiree pays 100% of premium • Dependents: Spouse and Family Included. Upon the death of a retiree, the spouse and any eligible dependents are able to continue Medical, Prescription Drug, Dental and Vision by paying 100% of the premium. 	Same as IA
III. ALL OTHER EMPLOYEES	Act 110/43	Same as II	Same as IA

Notes: Act 10/43 Benefit: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service regardless of age). Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purposes of COBRA.

PSERS Supplement: An employee is eligible for PSERS early retirement while under 62 with 5 years of PSERS Service. An employee is eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service. In addition, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.

Coordination with Medicare benefits: Individuals over 65 must enroll in a Medicare Supplement Plan provided by the district in order to continue coverage.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011

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 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:

Contribution Rates:	
	OPEB Benefit Actuarially Determined
Interest Rate	4.5%
Plan Members	250
Annual Required Contribution	\$ 185,578
Interest on net OPEB obligation	9,096
Adjustment to annual required contribution	<u>(12,409)</u>
Annual OPEB cost	182,265
Contributions made	<u>(108,807)</u>
Increase in net OPEB obligation	73,458
Net OPEB obligation - beginning of year	<u>202,126</u>
Net OPEB obligation - end of year	<u>\$ 275,584</u>

The following table shows the benefit separated by fund:

	Actuarial Valuation by Fund		
	Other Post Employment Benefit Plan		
	General Fund	Food Service Fund	Total
Demographic Information:			
Active Participants	214	8	222
Retired Participants	27	1	28
Total	<u>241</u>	<u>9</u>	<u>250</u>
Annual Payroll of Active Participants	\$11,532,437	\$145,524	\$11,677,961
Annual Required Contributions	\$ 182,521	\$ 3,057	\$ 185,578
Interest on Net OPEB Obligation	8,947	149	9,096
Adjustment to Annual Required Contribution	<u>(12,205)</u>	<u>(204)</u>	<u>(12,409)</u>
Annual OPEB Cost	179,263	3,002	182,265
Contributions made	<u>(108,807)</u>	<u>-</u>	<u>(108,807)</u>
Increase in Net OPEB Obligation	70,456	3,002	73,458
Net OPEB Obligation - beginning of year	<u>196,606</u>	<u>5,520</u>	<u>202,126</u>
Net OPEB Obligation - end of year	<u>\$ 267,062</u>	<u>\$ 8,522</u>	<u>\$ 275,584</u>

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the three fiscal years ending June 30th, for the benefits were as follows:

<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 182,265	59.7%	\$ 275,584
6/30/2010	198,878	52.2%	202,126
6/30/2009	200,633	46.7%	107,032

Funding Status and Funding Process. The funded status of the benefits as of June 30, 2011, was as follows:

	<u>State-mandated Healthcare Benefit Governmental Activity</u>	<u>State-mandated Healthcare Benefit Business-Type Activity</u>
Actuarial accrued liability (a)	\$ 1,507,123	\$ 29,726
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a) - (b)	\$ 1,507,123	\$ 29,726
Funded Ratio (b) / (a)	0.0%	0.0%
Covered payroll	\$ 11,532,437	\$ 145,524
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	13.1%	20.4%

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, 2011**

	State-mandated Healthcare Benefit
Actuarial Valuation Date	1/1/2010
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar method over a 30 year period
Remaining amortization period	27 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	
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, 2011, 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.

At June 30, 2011, 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.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011

Note 7 - Fund Balance Allocations

Designated Fund Balance

Nonspendable Fund Balance

The General Fund had \$6,880, in nonspendable fund balance at June 30, 2011, comprised of prepaid expenditures.

Restricted Fund Balance

The General Fund has restricted fund balance of \$360 for resources received to be used for the creation of a wall mural.

The debt covenant on the 2011B Bond issue restricts the proceeds shown in the 2011B Construction Fund for the purposes outlined in the bond resolution. As such, the \$3,491,464, in fund balance at year end within this fund is considered restricted.

Committed Fund Balance

The governing body (Board of School Directors) has committed \$470,000, of the General Fund's year end fund balance for future retirement rate increases and \$200,000 for self-insurance.

Assigned Fund Balance

The General Fund has \$265,000, assigned for maintenance projects, \$150,000 for technology purchases, and \$638,780 to be used to balance the 2011-12 budget.

The 2011A bond Fund's \$386 fund balance is assigned for the purpose of the fund.

Note 8 - Restricted Net Assets

Invested in Capital Assets, Net of Related Debt

The components of this restriction are total capital assets of \$41,079,956, unspent proceeds of \$3,491,464, and related debt of \$30,665,879, which includes unamortized bonds discounts, premiums, issuance costs and deferred refunding charges. The business-type activities column reflects \$77,150 invested in capital assets with no related debt.

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, 2011.

Litigation

The School District is currently a party to legal proceedings; however, management believes the outcome of these issues 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, 2011**

<u>State mandated healthcare benefit</u>						
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)
1/1/2010	\$ -	\$ 1,536,849	\$ 1,536,849	0.0%	\$ 11,677,961	13.16%
1/2/2008	\$ -	\$ 1,656,937	\$ 1,656,937	0.0%	\$ 11,310,679	14.65%
1/1/2006	-	-	-	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, 2011

	ALUMNI FUND	BORDNER FUND	KLINE FUND	LAVENDOSKI FUND	REIFINGER FUND	MARY SENG FUND	SCHWOYER FUND	ZACHARY SMITH FUND	MOSSER FUND	SCHOL. FUND	CHRIS M. COLE FUND	KYLE BENWARE FUND	TOTAL
ASSETS													
Cash and Cash Equivalents	\$ 2,149	\$ 449	\$ 2,427	\$ 6,891	\$ 494	\$ 3,916	\$ 3,628	\$ 1,768	\$ 132	\$ 9,492	\$ 500	\$ (1)	\$ 31,845
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 2,149	\$ 449	\$ 2,427	\$ 6,891	\$ 494	\$ 3,916	\$ 3,628	\$ 1,768	\$ 132	\$ 9,492	\$ 500	\$ (1)	\$ 31,845
LIABILITIES													
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund Payables	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
NET ASSETS													
Held in Trust for future recipients	2,149	449	2,427	6,891	494	3,916	3,628	1,768	132	9,492	500	(1)	31,845
TOTAL LIABILITIES & NET ASSETS	\$ 2,149	\$ 449	\$ 2,427	\$ 6,891	\$ 494	\$ 3,916	\$ 3,628	\$ 1,768	\$ 132	\$ 9,492	\$ 500	\$ (1)	\$ 31,845

Brandywine Heights Area School District
Combining Statement of Changes in Fiduciary Net Assets
Private-Purpose Trust Funds
For the Year Ended June 30, 2011

	ALUMNI FUND	BORDNER FUND	KLINE FUND	LAVENDOSKI FUND	REIFINGER FUND	MARY SENG FUND	SCHWOYER FUND	ZACHARY SMITH FUND	MOSSER FUND	SCHOL. FUND	CHRIS M. COLE FUND	KYLE BENWARE FUND	TOTAL
ADDITIONS:													
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ -	\$ 17,080	\$ -	\$ -	\$ 17,330
Interfund Transfers In								-		-	-	-	-
INVESTMENT EARNINGS:													
Interest and dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ADDITIONS	-	-	-	-	-	-	-	250	-	17,080	-	-	17,330
DEDUCTIONS:													
Fees	3	1	4	12	2	6	6	3	-	9	1	1	48
Awards	-	50	-	500	150	1,000	500	1,000	-	16,328	-	846	20,374
TOTAL DEDUCTIONS	3	51	4	512	152	1,006	506	1,003	-	16,337	1	847	20,422
CHANGES IN NET ASSETS	(3)	(51)	(4)	(512)	(152)	(1,006)	(506)	(753)	-	743	(1)	(847)	(3,092)
NET ASSETS - BEGINNING OF YEAR	2,152	500	2,431	7,403	646	4,922	4,134	2,521	132	8,749	501	846	34,937
NET ASSETS - END OF THE YEAR	<u>\$ 2,149</u>	<u>\$ 449</u>	<u>\$ 2,427</u>	<u>\$ 6,891</u>	<u>\$ 494</u>	<u>\$ 3,916</u>	<u>\$ 3,628</u>	<u>\$ 1,768</u>	<u>\$ 132</u>	<u>\$ 9,492</u>	<u>\$ 500</u>	<u>\$ (1)</u>	<u>\$ 31,845</u>

**Brandywine Heights Area School District
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2011**

	DISTRICT TOWNSHIP	LONGSWAMP TOWNSHIP	ROCKLAND TOWNSHIP	BOROUGH OF TOPTON	TOTAL
CURRENT REAL ESTATE TAXES					
Assessed Value	\$ 72,834,900	\$ 239,388,400	\$ 195,239,800	\$ 78,389,300	\$ 585,852,400
Millage Rate	0.03000	0.03000	0.03000	0.03000	0.03000
Total	<u>2,185,047</u>	<u>7,181,652</u>	<u>5,857,194</u>	<u>2,351,679</u>	<u>17,575,572</u>
Less: Act 1 Deduction	91,993	332,114	254,399	109,294	787,800
TOTAL TAXABLE DUPLICATE	<u>2,093,054</u>	<u>6,849,538</u>	<u>5,602,795</u>	<u>2,242,385</u>	<u>16,787,772</u>
PLUS - Additions	3,030	19,453	8,364	-	30,847
- Penalties	5,090	14,339	11,209	5,964	36,602
- Prior Year Unpaid Additions	-	-	-	-	-
TOTAL TAXES TO BE COLLECTED	<u>2,101,174</u>	<u>6,883,330</u>	<u>5,622,368</u>	<u>2,248,349</u>	<u>16,855,221</u>
LESS - Discounts	35,317	111,712	91,799	38,420	277,248
- Reductions	2,810	6,826	9,485	-	19,121
- Refunds	-	5,141	1,798	1,176	8,115
- Returned to County	51,342	280,888	172,288	90,486	595,004
- Outstanding	-	3,015	2,079	-	5,094
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 2,011,705</u>	<u>\$ 6,475,748</u>	<u>\$ 5,344,919</u>	<u>\$ 2,118,267</u>	<u>\$ 15,950,639</u>
INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 2,179</u>	<u>\$ 70,774</u>	<u>\$ 26,608</u>	<u>\$ 1,335</u>	<u>\$ 100,896</u>
CURRENT PER CAPITA TAXES					
No. of Persons Assessed	975	3,648	2,757	1,277	8,657
Tax Rate	10	10	10	10	10
TAXABLE VALUATION	<u>\$ 9,750</u>	<u>\$ 36,480</u>	<u>\$ 27,570</u>	<u>\$ 12,770</u>	<u>\$ 86,570</u>
PLUS - Additions	30	30	490	-	550
- Penalties	51	177	142	66	436
TOTAL TAXES TO BE COLLECTED	<u>9,831</u>	<u>36,687</u>	<u>28,202</u>	<u>12,836</u>	<u>87,556</u>
LESS - Discounts	136	500	399	174	1,209
- Exonerations	720	250	710	640	2,320
- Reductions	-	250	-	-	-
- Refunds	-	-	-	-	-
- Outstanding	970	5,670	2,780	1,610	11,030
NET CURRENT PER CAPITA TAXES COLLECTED	<u>\$ 8,005</u>	<u>\$ 30,267</u>	<u>\$ 24,313</u>	<u>\$ 10,412</u>	<u>\$ 72,997</u>

**Brandywine Heights Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2011**

REVENUES

LOCAL SOURCES:

Current Real Estate Taxes	\$ 15,950,639	
Interim Real Estate Taxes	100,896	
Public Utility	25,290	
Payment in Lieu of Taxes	169	
Current Per Capita Taxes - 511	36,498	
Current Per Capita Taxes - 679	36,498	
Occupational Privilege Tax	17,889	
Earned Income Tax	1,430,289	
Real Estate Transfer Tax	105,097	
Amusement Taxes	-	
Delinquent Real Estate Taxes	716,814	
Delinquent Per Capita Taxes - 511	3,332	
Delinquent Per Capita Taxes - 679	3,332	
Interest	98,890	
Admissions	11,014	
Fees	27,975	
Student Activities	550	
I/U Services - State	-	
I/U Services - Federal	320,463	
I/U Services - Federal (ARRA)	150,628	
Rentals	34,890	
Contributions	9,012	
Summer School	8,600	
Receipts from Other LEA's	6,228	
Transportation Services Provided Other LEA's	2,875	
Miscellaneous	18,921	
Refund of Prior Year Expenditures	657	
TOTAL LOCAL SOURCE REVENUE	19,117,446	\$ 19,117,446

STATE SOURCES:

Basic Subsidy - ESBE	3,285,805
Charter Schools	105,235
School Performance	-
Orphan Tuition	-
Educational Empowerment	-
Homebound	-
Migratory Children	-
Driver Education	-
Special Education	992,693
Transportation	993,509
Rentals	415,695
Health Services	34,103
State Property Tax Reduction Allocation	787,855
Extra Grants	238,783
SUB-TOTAL	6,853,678

Brandywine Heights Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2011

REVENUE (CONT'D)

SUB-TOTAL (carried forward)	\$ 6,853,678	
FICA Revenue	445,353	
Retirement Revenue	339,251	
Other State Revenue	13,763	
TOTAL STATE SOURCE REVENUE	<u> </u>	\$ 7,652,045

FEDERAL SOURCES:

Title I	231,388	
Title I - ARRA	51,889	
Title IIA and II	81,760	
Education Jobs Grant	269,281	
State Fiscal Stabilization Fund - ARRA	454,619	
Medical Assistance Reimb.	84,022	
TOTAL FEDERAL SOURCE REVENUE	<u> </u>	1,172,959
TOTAL REVENUE		<u>27,942,450</u>

EXPENDITURES

Regular Programs - Elem./Secondary	10,658,105
Special Education	596,926
Life Skills Support - Public	249,551
Sensory Support	278,432
Emotional Support - Public	354,675
Learning Support - Public	1,677,240
Gifted Support	245,754
Other Support	179,850
Other Vocational Education Programs	741,803
Summer School	11,368
Homebound Instruction	4,723
Adjudicated/Court Placed Programs	-
Nonpublic School Programs	4,500
Community College Programs	17,999
Support Services - Pupil Personnel	-
Guidance Services	643,720
Attendance Services	-
Psychological Services	138,057
Other Pupil Personnel Services	-
School Library Services	388,482
Instructional & Curriculum Dev. Service	477,466
Instructional Staff Development Services	41,661
Nonpublic Support Services	200
Board Services	41,051
Tax Assessment & Collection Service	76,955
Legal Services	24,158
Office of the Superintendent Services	249,764
Office of the Principal Services	922,049
SUB-TOTAL	<u>18,024,489</u>

Brandywine Heights Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2011

SUB-TOTAL (carried forward)	\$	18,024,489	
Other Administrative Services		36,393	
Support Services - Pupil Health		345,876	
Support Services - Business		532,435	
Operation & Maintenance of Plant		2,364,951	
Operation of Building Services		-	
Student Transportation Services		1,675,964	
System-wide Technology Services		365,863	
Information Services		4,198	
Staff Services		-	
State & Federal Agency Liaison Services		-	
Other Support Services		23,512	
Student Activities		19,471	
School Sponsored Athletics		493,406	
Architecture and Engineering Services		-	
Building Acquisition and Construction		-	
Building Improvement		-	
Debt Service		3,194,020	
Refund of Prior Yr. Receipts		56,470	
		3,194,020	
TOTAL EXPENDITURES			\$ 27,137,048
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			805,402
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Extended Term Financing		-	
Transfer from Capital Projects		-	
Debt Service Fund Transfers		-	
Sale of Fixed Assets		830	
Special Revenue Fund Transfers		-	
Capital Projects Funds Transfers		(2,263,000)	
Food Service Fund Transfers		(50,000)	
Activity Fund Transfers		-	
		-	
TOTAL OTHER FINANCING SOURCES (USES)		(2,312,170)	
Special Items		-	
Extraordinary Items		-	(2,312,170)
NET CHANGE IN FUND BALANCE		(1,506,768)	(1,506,768)
FUND BALANCE - JULY 1, 2010			5,205,282
FUND BALANCE - JUNE 30, 2011			\$ 3,698,514

Brandywine Heights Area School District
Food Service Fund
Statement of Revenues and Expenses
For the Year Ended June 30, 2011

OPERATING REVENUES

Sales to Students	\$	408,668	
Sales to Adults		24,560	
State Social Security Reimbursement		10,304	
State Retirement Reimbursement		7,622	
State Subsidies		25,248	
Federal Subsidies		163,665	
Value of Donated Commodities Received		40,268	
Special Functions		12,908	
Transfer from General Fund		50,000	
Miscellaneous Revenue		306	
Contributions and Donations		3,150	
Gain or (Loss) from Sale of Fixed Assets		-	
Interest		59	
		<u>59</u>	\$ 746,758

COST OF GOODS SOLD

Beginning Inventory - Food and Commodities - July 1, 2010	45,032	
Food and Milk (Purchases)	228,170	
Supplies	26,247	
Donated Commodities Received	40,268	
LESS -Ending Inventory-Food and Commodities - June 30, 2011	<u>(49,319)</u>	290,398
GROSS PROFIT		456,360

OPERATING EXPENSES

Salaries	276,069	
Employees Insurance	96,497	
Social Security	20,562	
Retirement	15,211	
Unemployment Comp.	1,066	
Workmen's Compensation	3,564	
Other Employee Benefits	3,002	
Professional Services	445	
Training and Development	35	
Repairs and Maintenance	20,539	
Travel	304	
Meals and Refreshments	-	
Equipment	2,251	
Dues and Fees	698	
Depreciation	<u>9,529</u>	449,772

CHANGES IN NET ASSETS 6,588

FUND NET ASSETS - JULY 1, 2010 166,552

FUND NET ASSETS - JUNE 30, 2011 \$ 173,140

**Brandywine Heights Area School District
Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2011**

FUND BALANCE - JULY 1, 2010		\$ -
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Transfer from General Fund	\$ 2,263,000	
Proceeds from Bond Issues	3,850,000	
Bond Premium	214,535	
Interest Earnings	1,501	6,329,036
TOTAL FUNDS AVAILABLE		6,329,036
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
INSTRUCTIONAL:		
Supplies		-
SUPPORT SERVICES:		
Professional Services	49,334	
Insurance	22,276	
Advertising	3,000	
NON-INSTRUCTIONAL SERVICES:		
Equipment		-
CAPITAL OUTLAY		
Professional Services	490,410	
Site Improvements	117,249	
Construction costs	2,123,159	
Repairs and Maintenance		-
Equipment	9,645	
Fees	22,499	
OTHER FINANCING USES		
Transfer to General Fund		-
Transfer to Other Funds		-
		2,837,572
 FUND BALANCE - JUNE 30, 2011		 <u>\$ 3,491,464</u>

**Brandywine Heights Area School District
Schedule on General Obligation Notes - Series of 2002
For the Year Ended June 30, 2011**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2011-12	\$ 424,533	\$ 1,485,000
2012-13	379,962	1,560,000
2013-14	334,397	1,630,000
2014-15	279,293	2,315,000
2015-16	212,010	2,430,000
2016-17	140,429	2,550,000
2017-18	58,311	2,675,000
2018-19	20,218	700,000
TOTAL OUTSTANDING - JUNE 30, 2011	\$ 1,849,153	\$ 15,345,000

**Schedule on General Obligation Bonds - Series of 2002
For the Year Ended June 30, 2011**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2011-12	\$ 65,455	\$ 520,000
2012-13	46,215	540,000
2013-14	25,425	565,000
TOTAL OUTSTANDING - JUNE 30, 2011	\$ 137,095	\$ 1,625,000

**Brandywine Heights Area School District
Schedule on General Obligation Notes - Series of 2003
For the Year Ended June 30, 2011**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2011-12	\$ 21,350	\$ 265,000
2012-13	11,677	275,000
2013-14	<u>1,365</u>	<u>35,000</u>
TOTAL OUTSTANDING - JUNE 30, 2011	<u>\$ 34,392</u>	<u>\$ 575,000</u>

**Schedule on General Obligation Bonds - Series of 2006
For the Year Ended June 30, 2011**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2011-12	\$ 5,560	\$ 65,000
2012-13	3,252	65,000
2013-14	<u>912</u>	<u>25,000</u>
TOTAL OUTSTANDING - JUNE 30, 2011	<u>\$ 9,724</u>	<u>\$ 155,000</u>

**Brandywine Heights Area School District
Schedule on General Obligation Bonds - Series A of 2011
For the Year Ended June 30, 2011**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2011-12	\$ 232,542	\$ 25,000
2012-13	313,326	60,000
2013-14	312,606	360,000
2014-15	307,026	280,000
2015-16	301,427	280,000
2016-17	295,266	290,000
2017-18	288,016	300,000
2018-19	279,466	2,265,000
2019-20	208,685	3,020,000
2020-21	109,025	3,115,000
TOTAL OUTSTANDING - JUNE 30, 2011	<u>\$ 2,647,385</u>	<u>\$ 9,995,000</u>

**Schedule on General Obligation Bonds - Series B of 2011
For the Year Ended June 30, 2011**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2011-12	\$ 138,917	\$ 5,000
2012-13	187,254	5,000
2013-14	187,196	5,000
2014-15	187,121	5,000
2015-16	187,021	5,000
2016-17	186,906	5,000
2017-18	186,744	5,000
2018-19	186,581	70,000
2019-20	184,306	100,000
2020-21	180,807	105,000
2021-22	177,000	3,095,000
2022-23	22,250	445,000
TOTAL OUTSTANDING - JUNE 30, 2011	<u>\$ 2,012,103</u>	<u>\$ 3,850,000</u>

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, 2011**

<u>FEDERAL GRANTOR PROJECT TITLE</u>	<u>SOURCE CODE</u>	<u>FEDERAL CFDA NO.</u>	<u>PASS THROUGH GRANTOR NUMBER</u>	<u>GRANT PERIOD</u>	<u>AWARD AMOUNT</u>	<u>TOTAL RECEIVED</u>	<u>ACCRUED OR (DEFERRED) 7/1/2010</u>	<u>REVENUE</u>	<u>EXPEND.</u>	<u>ACCRUED OR (DEFERRED) 6/30/2011</u>	<u>FOOTNOTES</u>
U.S. DEPT. OF EDUCATION											
PASSED THROUGH THE PA											
DEPARTMENT OF EDUCATION											
ESEA - TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-100046	7/1/09 - 9/30/10	\$ 199,798	\$ 41,852	\$ 41,852	\$ -	\$ -	\$ -	2
ESEA - TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-110046	7/1/10 - 9/30/11	\$ 197,538	158,030	-	178,729	178,729	20,699	2
ESEA - TITLE I ACADEMIC ACHIEVEMENT	I	84.010	077-100046	7/1/09 - 9/30/11	\$ 3,600	3,600	3,600	-	-	-	2
ESEA - TITLE I SCHOOL IMPROVEMENT	I	84.010	042-100046	7/1/10 - 9/30/11	\$ 52,659	47,116	-	52,659	52,659	5,543	2
ESEA - TITLE IIA IMP TEACHER QUALITY	I	84.367	020-110046	7/1/10 - 9/30/11	\$ 81,760	71,036	-	81,760	81,760	10,724	2
ARRA - ESEA - TITLE I - IMPROVING BASIC PROGRAMS	I	84.389	127-100046	7/1/09 - 9/30/10	\$ 104,808	30,633	15,285	15,348	15,348	-	2,6
ARRA - ESEA - TITLE I - SCHOOL IMPROVEMENT	I	84.389	134-100046	7/1/10 - 9/30/11	\$ 36,541	25,002	-	36,541	36,541	11,539	6
ARRA - STATE FISCAL STABILIZATION FUND	I	84.394	126-100046	7/1/09 - 6/30/10	\$ 465,182	77,530	-	-	-	-	6
ARRA - STATE FISCAL STABILIZATION FUND	I	84.394	126-110046	7/1/10 - 6/30/11	\$ 454,619	303,079	-	454,619	454,619	151,540	6
ARRA - EDUCATION JOBS FUND	I	84.410	140-119478	8/10/10 - 6/30/11	\$ 269,281	269,281	-	269,281	269,281	-	6
PASSED THROUGH THE											
BERKS COUNTY I.U.											
IDEA - B	I	84.027	N/A	7/1/09 - 6/30/10	\$ 338,381	169,191	169,191	-	-	-	1,2
IDEA - B	I	84.027	N/A	7/1/10 - 6/30/11	\$ 315,635	138,911	-	315,635	315,635	176,724	1,2
ARRA - IDEA - B	I	84.391	N/A	2/17/09 - 9/30/11	\$ 423,423	138,971	72,597	150,628	150,628	84,254	1,6
SAFE & DRUG FREE	I	84.186	N/A	7/1/09 - 3/31/11	\$ 4,864	4,828	-	4,828	4,828	-	1
TOTAL U. S. DEPARTMENT OF EDUCATION						<u>1,479,060</u>	<u>380,055</u>	<u>1,560,028</u>	<u>1,560,028</u>	<u>461,023</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES											
PASSED THROUGH THE PA.											
PUBLIC DEPARTMENT OF WELFARE											
ESEA - TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/10 - 9/30/11	N/A	1,175	-	1,175	1,175	-	
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						<u>1,175</u>	<u>-</u>	<u>1,175</u>	<u>1,175</u>	<u>-</u>	
U. S. DEPARTMENT OF AGRICULTURE											
PASSED THROUGH THE PA DEPT.											
OF EDUCATION:											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/09 - 6/30/10	N/A - F	18,940	18,940	-	-	-	
NATIONAL SCHOOL LUNCH	S	N/A	N/A	7/1/09 - 6/30/10	N/A	2,884	2,884	-	-	-	
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/10 - 6/30/11	N/A - F	106,223	-	138,716	138,716	32,493	5
NATIONAL SCHOOL LUNCH	S	N/A	N/A	7/1/10 - 6/30/11	N/A	15,080	-	19,761	19,761	4,681	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/09 - 6/30/10	N/A - F	3,529	3,529	-	-	-	
BREAKFAST PROGRAM	S	N/A	N/A	7/1/09 - 6/30/10	N/A	289	289	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/10 - 6/30/11	N/A - F	18,470	-	24,949	24,949	6,479	5
BREAKFAST PROGRAM	S	N/A	N/A	7/1/10 - 6/30/11	N/A	1,457	-	1,994	1,994	537	
PASSED THROUGH THE PA DEPT.											
OF AGRICULTURE:											
U.S.D.A. COMMODITIES	I	10.550	N/A	7/1/10 - 6/30/11	N/A	40,268	(30,780)	35,505	35,505	(35,543)	3,4,5
TOTAL U.S. DEPARTMENT OF AGRICULTURE						<u>207,140</u>	<u>(5,138)</u>	<u>220,925</u>	<u>220,925</u>	<u>8,647</u>	
TOTAL AWARDS						\$ 1,687,375	\$ 374,917	\$ 1,782,128	\$ 1,782,128	\$ 469,670	
LESS - STATE SHARE						<u>(19,710)</u>	<u>(3,173)</u>	<u>(21,755)</u>	<u>(21,755)</u>	<u>(5,218)</u>	
TOTAL FEDERAL AWARDS						<u>\$ 1,667,665</u>	<u>\$ 371,744</u>	<u>\$ 1,760,373</u>	<u>\$ 1,760,373</u>	<u>\$ 464,452</u>	

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, 2011

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 5.9% of its total general fund revenue in federal awards, and 27.3% of its total enterprise fund revenue.

Note 3 - Program Disclosure – Footnotes

1. The federal awards passed through the Berks County Intermediate Unit under the U.S. Department of Education heading, is part of a consortium of participating school districts. In accordance with directions from the Commonwealth of Pennsylvania, these awards are reported on the basic financial statements as local source revenue.
2. The Title I grants using CFDA No.84.010, under the U.S. Department of Education heading, are part of a cluster program, in accordance with OMB Circular A-133 compliance Supplement, with ARRA – Title I grants using CFDA No. 84.389, under the U.S. Department of Education heading. In addition, the IDEA grants using CFDA No. 84.027, under the U.S. Department of Education heading, are part of a cluster program, in accordance with OMB Circular A-133 Compliance Supplement, with ARRA – IDEA grants using CFDA No. 84.391, under the U.S. Department of Education heading.
3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$40,268 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2010-11 fiscal year, the District used \$35,505 in commodities and established a year-end inventory of \$35,543 at June 30, 2011.
4. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards, under the U.S. Department of Agriculture heading, represents the commodities used, versus the commodities received, which are recognized as revenue in the financial statements.
5. The National School Lunch, National School Breakfast, and Donated Commodities programs, under the U.S. Department of Agriculture heading, are considered a cluster program in accordance with OMB Circular A-133 Compliance Supplement.
6. The programs reporting this footnote are grants received using funds from the American Recovery and Reinvestment Act.

FINANCIAL STATEMENT RECONCILIATION		
General Fund Federal Source Revenues	\$	1,172,959
Federal Grants in Local Sources		471,091
Food Service Fund Federal Revenue		203,933
Total Federal Revenue, per financial statements		1,847,983
Less - Medical Access		(82,847)
Less - Change in Donated Commodities		(4,763)
Total Federal Revenue Reported on SEFA	\$	1,760,373



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

**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 statement for the General Fund of Brandywine Heights Area School District as of and for the year ended June 30, 2011, which collectively comprise Brandywine Heights Area School District's basic financial statements and have issued our report thereon dated December 5, 2011. 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

Management of Brandywine Heights Area School District is responsible for establishing and maintaining effective 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brandywine Heights Area School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Brandywine Heights Area School District's internal control over financial reporting.

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

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

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 5, 2011.

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 5, 2011



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited Brandywine Heights Area School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A -133 *Compliance Supplement* that could have a direct and material effect on Brandywine Heights Area School District's major federal programs for the year ended June 30, 2011. 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. 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 of 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Brandywine Heights Area School District's internal control over compliance.

Brandywine Heights Area School District

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

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

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 5, 2011

**Brandywine Heights Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section I - Summary of Auditor Results

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, 84.391	IDEA Cluster
84.394	State Fiscal Stabilization Fund

Percentage of program tested to total awards 52.3%

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, 2011**

Section II - Financial Statement Findings

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

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.