

**REPORT ON
BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2016**

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2016

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BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2016

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BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2016

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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, 2016, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which entailed:

1. An audit of the basic financial statements, and our opinion thereon;
2. A review of compliance and of 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 the Uniformed Guidance, explained above, and our report thereon.

Respectfully submitted,

Gorman & Associates, P.C.

December 5, 2016



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
Mr. Andrew M. Potteiger, 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, 2016, and have issued our report thereon dated December 5, 2016.

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 September 1, 2016.

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 reports on Other Post-Employment Benefits, and Net Pension Liability. 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, 2016. 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 2015-16 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.

Board of School Directors . Mr. Andrew M. Potteiger, Superintendent

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:

CONTROL DEFICIENCIES

Food Service Fund – Donated Commodities

During our review of the food service fund, we noticed the outstanding unused commodities are not segregated in the year-end inventory. The commodity inventory is combined with purchased food inventory. In order to make sure the Schedule of Expenditures of Federal Awards is correct, we need the year-end donated commodity inventory kept separate from the purchased food inventory or the supply inventory.

As such, please maintain the commodity portion of the ending inventory separate for the year-end in the future. We are also aware of federal inspectors telling food service supervisors they do not have to inventory unused commodities. However generally accepted accounting principles, which your financial statements are prepared, requires all unused products to be inventoried at year-end.

RECOMMENDATIONS

Activity Fund

During our review of Alumni and Bordner Scholarship accounts, we discovered no activity occurred during the current year. If the purpose of these two scholarship accounts are no longer in force, we suggest management transfer the remaining balance to a general scholarship account.

OTHER INFORMATION

In prior years, we included in this section future Governmental Accounting Standards Board Statements that will affect the School District in future years. This year and future years, we are showing this in the Notes to the Basic Financial Statements.

GASB Projects

Leases

Although there is no official standard at this date, we are aware that the Governmental Accounting Standards Board (GASB) is working on a project that will change the reporting in future years on all capital and operating leases. Under present accounting principles, only capital leases are required to be reported on the financial statements; however, once this project is completed all operating leases will also be recorded onto the financial statements as an asset and liability.

Board of School Directors . Mr. Andrew M. Potteiger, Superintendent

Fiduciary Activities

The GASB is working on a new standard dealing with fiduciary activities. Although, we do not expect most changes to affect the District, one, in particular, can affect the current reporting of student clubs and/or organizations. Based on their last communication, they are contemplating showing a Statement of Changes in Net Position for Activity Funds

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 School District.

Respectfully submitted,

Norman Associates, P.C.

December 5, 2016

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



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Brandywine Heights Area School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Brandywine Heights Area School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2-G to the financial statements, effective July 1, 2015, the Brandywine Heights Area School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application, Governmental Accounting Standards Board Statement No. 73, Accounting and Financial Reporting Amendments to Certain Provisions of GASB Statement No. 68, Governmental Accounting Standards Board Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, and Governmental Accounting Standards Board Statement No. 79, Certain External Investment Pools and Pool Participants. Our opinion is not modified with respect to these pronouncements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10-21, the Schedule of Funding Progress, the Schedule of District's Proportionate Share of Net Pension Liability, and the Schedule of District Contributions-Pensions, on pages 76-78, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 *combining and individual fund statements and schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Brandywine Heights Area School District

The *combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards* The *combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are the responsibility of management and were derived from and related to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, *the combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brandywine Heights Area School District's internal control over financial reporting and compliance.

Respectfully submitted,



December 5, 2016

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, 2016

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, 2016. 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 position of \$(8,038,091), reflected a 26% increase over the prior year. The large deficit is due to the GASB Statement No. 68 requirements for reporting net pension liability. Prior to last year, no liability was reported if the school district paid its contractually required pension contribution. Under GASB Statement No. 68 pension liability is reported as employees earn their pension benefits. The net pension liability is the school district's share of the Pennsylvania Public School Employees' Retirement System (PSERS) pension trust unfunded actuarial pension liability. It is determined based on the prior fiscal year and represents the total pension liability (actuarial present value of projected benefit payments attributed to past employee service) less the plan's fiduciary net position.

There was no change to the real estate tax rate over the previous year. The adjusted Act 1 Index for Brandywine Heights Area School District would have allowed the school district to increase the real estate tax rate by 2.9% for the 2016-17 school year. The current millage rate is 32.30.

In governmental funds, the total fund balance increased \$56,820 to \$9,865,329. The General Fund budget included a \$200,000 decrease in fund balance for the fiscal year. Included in expenses for the year was a \$1,030,234 transfer from the general fund to the capital projects fund to pay for the first phase of an ESCO construction project to install air conditioning at the elementary school and replace lighting fixtures district wide. Actual total revenues were 99.63% of original budgeted revenues and actual total expenditures were 96.1% of original budget. The expenditure for the ESCO project utilized fund balance to offset the transfer expenditure.

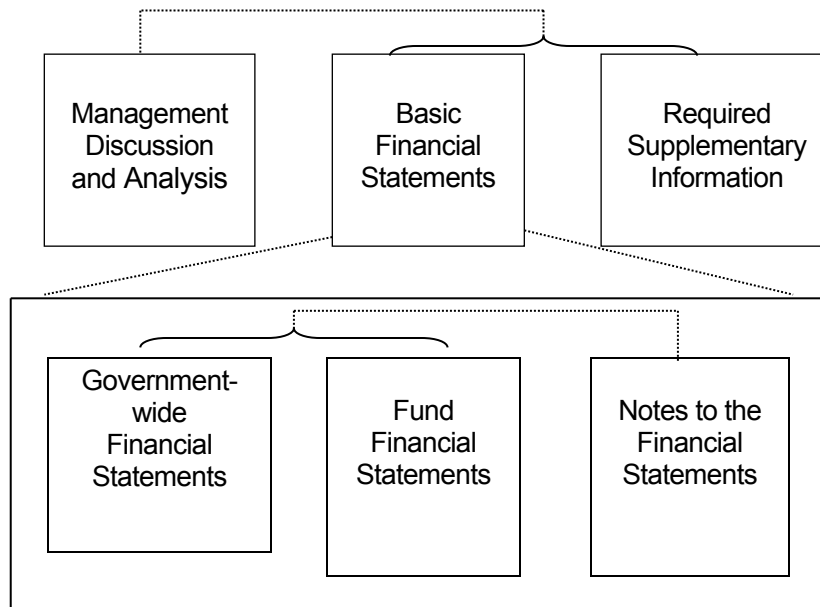
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. The Food Service Fund is the only proprietary fund for the Brandywine Heights Area School District.

The financial statements also include notes that explain some of the information in the financial statements.

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 position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
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 position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 position and how they have changed net position, the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position 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 Position 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 Position. 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 position was (\$8,038,091) at June 30, 2016.

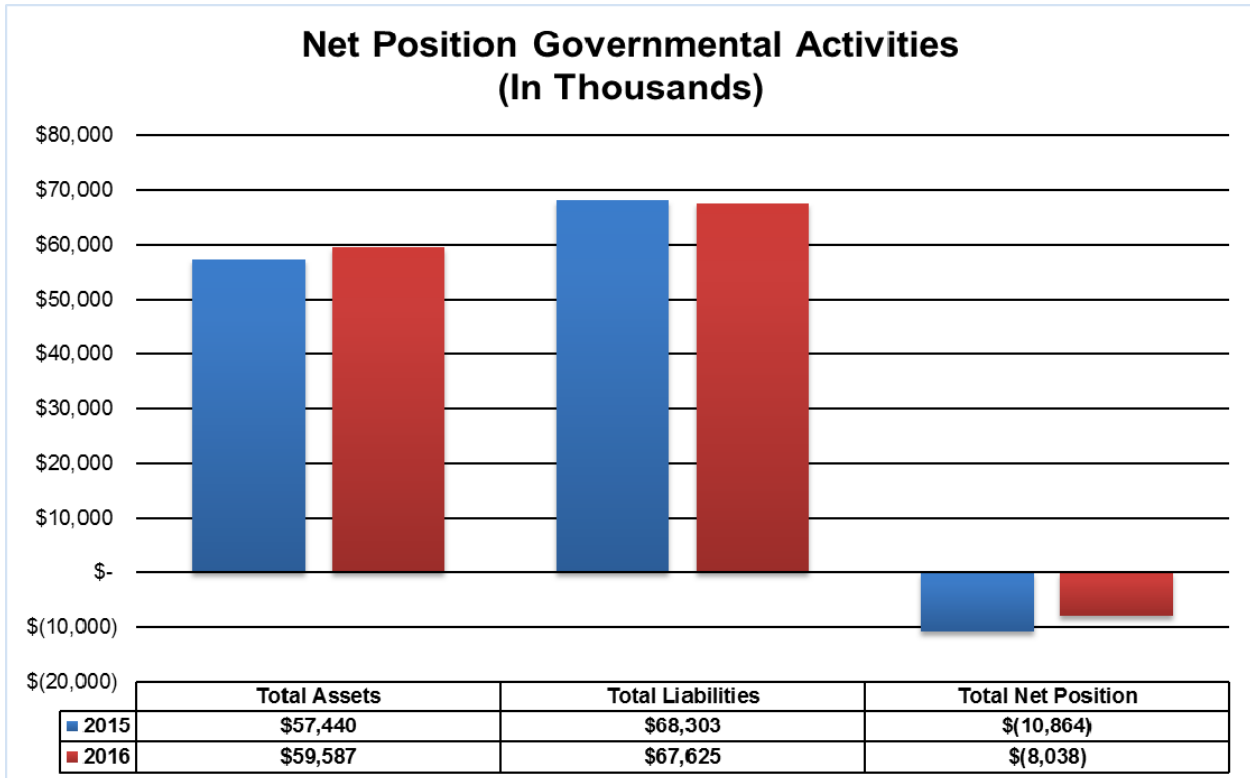
Table A-1
Net Position
As of June 30, 2016 and June 30, 2015

	2016			2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 14,558,896	\$ 115,790	\$ 14,674,686	\$ 13,913,481	\$ 129,007	\$ 14,042,488
Non Current assets	40,880,671	86,619	40,967,290	40,538,987	78,827	40,617,814
Deferred Outflow of Resources	<u>3,916,936</u>	<u>59,630</u>	<u>3,976,566</u>	<u>2,741,179</u>	<u>38,042</u>	<u>2,779,221</u>
Total Assets & Deferred Outflow of Resources	\$ 59,356,503	\$ 262,039	\$ 59,618,542	\$ 57,193,647	\$ 245,876	\$ 57,439,523
Current and other liabilities	\$ 6,684,787	\$ 46,230	\$ 6,731,017	\$ 5,912,889	\$ 39,932	\$ 5,952,821
Long-term liabilities	57,415,611	624,439	58,040,050	55,665,365	553,561	56,218,926
Deferred Inflow of Resources	<u>2,843,802</u>	<u>41,764</u>	<u>2,885,566</u>	<u>6,039,178</u>	<u>92,430</u>	<u>6,131,608</u>
Total Liabilities & Deferred Inflow of Resources	66,944,200	712,433	67,656,633	67,617,432	685,923	68,303,355
Net Position						
Net Investment in Capital Assets	\$ 22,301,024	\$ 86,619	\$ 22,387,643	\$ 19,359,021	\$ 78,827	\$ 19,437,848
Restricted	-	-	-	-	(622,229)	(622,229)
Unrestricted	<u>(29,888,721)</u>	<u>(537,013)</u>	<u>(30,425,734)</u>	<u>(29,782,806)</u>	<u>103,355</u>	<u>(29,679,451)</u>
Total Net Assets	\$ (7,587,697)	\$ (450,394)	\$ (8,038,091)	\$ (10,423,785)	\$ (440,047)	\$ (10,863,832)

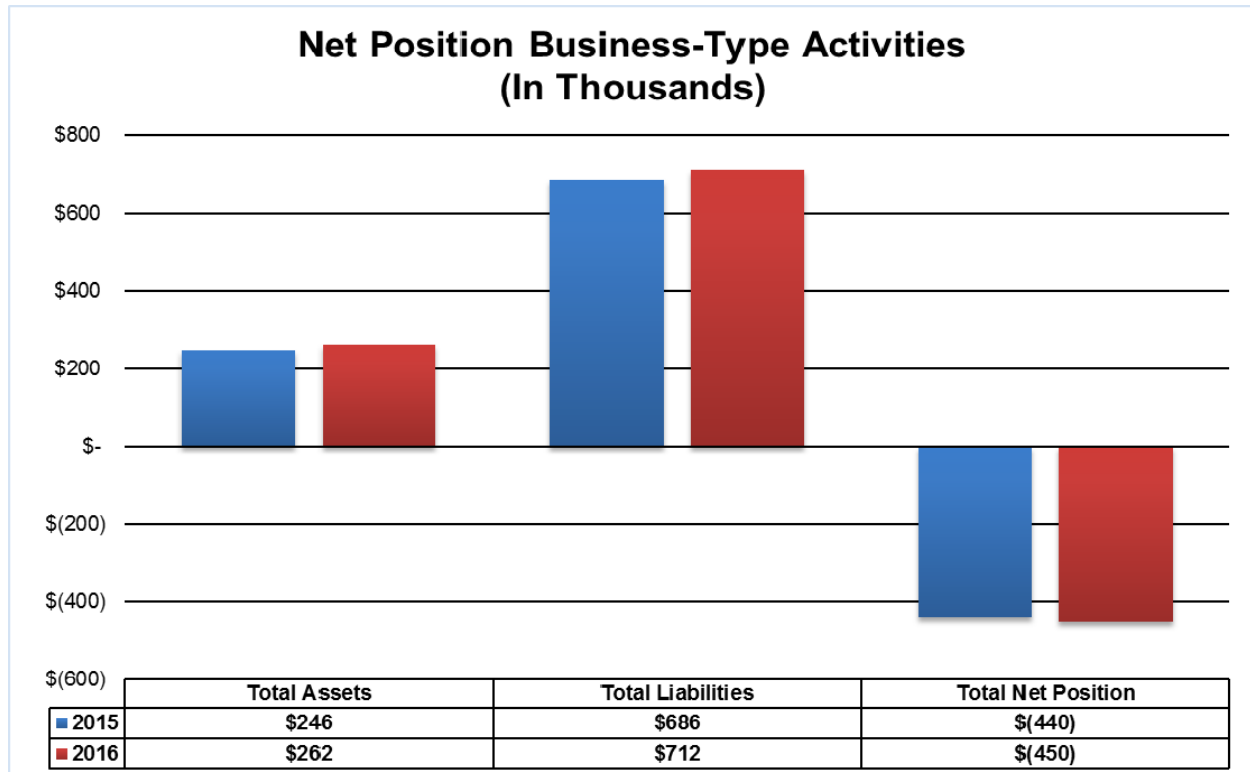
Most of the District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is combined of reserved and undesignated amounts.

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

Graph 1



Graph 2



BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

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

Table A-2
Changes in Net Position
Fiscal Years ended June 30, 2016 and June 30, 2015

	<u>2016</u>			<u>2015</u>		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
REVENUES						
<i>Program revenues:</i>						
Charges for services	\$ 105,705	\$ 310,724	\$ 416,429	\$ 104,492	\$ 332,742	\$ 437,234
Operating grants and contributions	4,503,032	297,003	4,800,035	415,872	262,474	4,421,246
Capital grants and contributions	288,576	-	288,576	287,422	-	287,422
<i>General revenues:</i>						
Property taxes	18,297,981	-	18,297,981	18,241,613	-	18,241,613
Other taxes	1,966,907	-	1,966,907	1,967,966	-	1,967,966
Grants, subsidies and contributions, unrestricted	4,793,843	-	4,793,843	4,720,567	-	4,720,567
Other	139,791	184	139,975	155,344	23	155,367
TOTAL REVENUES	\$ 30,095,835	\$ 607,911	\$ 30,703,746	\$ 29,636,176	\$ 595,239	\$ 30,231,415
EXPENSES						
Instruction	\$ 16,508,806	\$ -	\$ 16,508,806	\$ 16,046,720	\$ -	\$ 16,046,720
Instructional student support	2,404,214	-	2,404,214	2,326,566	-	2,326,566
Administrative and financial support	2,429,286	-	2,429,286	2,266,493	-	2,266,493
Operation and maintenance of plant	2,188,079	-	2,188,079	2,061,390	-	2,061,390
Pupil transportation	1,398,608	-	1,398,608	1,383,991	-	1,383,991
Student activities	586,529	-	586,529	574,328	-	574,328
Community services	-	-	-	40	-	40
Interest on long-term debt	746,106	-	746,106	866,961	-	866,961
Unallocated depreciation expense	998,119	-	998,119	990,178	-	990,178
Food Services	-	618,258	618,258	-	609,565	609,565
TOTAL EXPENSES	\$ 27,259,747	\$ 618,258	\$ 27,878,005	\$ 26,516,667	\$ 609,565	\$ 27,126,232
Increase (decrease) in net position	\$ 2,836,088	\$ (10,347)	\$ 2,825,741	\$ 3,119,509	\$ (14,326)	\$ 3,105,183

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, 2016 and June 30, 2015

Functions/Programs	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 16,508,806	\$ 13,315,196	\$ 16,046,720	\$ 13,169,172
Instructional Student Support	2,404,214	2,053,928	2,326,566	1,938,763
Administrative and Financial Support	2,429,286	2,237,342	2,266,493	2,117,411
Operation and Maintenance of Plant	2,188,079	2,078,681	2,061,390	1,973,086
Pupil Transportation	1,398,608	776,568	1,383,991	752,368
Student Activities	586,529	445,070	574,328	445,424
Community Services	-	-	40	40
Interest on Long-Term Debt	746,106	457,530	866,961	579,539
Unallocated Depreciation Expense	998,119	998,119	990,178	990,178
Total Governmental Activities	\$ 27,259,747	\$ 22,362,434	\$ 26,516,667	\$ 21,965,981
Less:				
Unrestricted grants, subsidies		4,793,843		4,720,567
Total needs from local taxes and other revenues		\$ 17,568,591		\$ 17,245,414

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

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Table A-4
Fiscal Years ended June 30, 2016 and June 30, 2015
Business-type Activities

<u>Functions/Programs</u>	<u>2016</u>		<u>2015</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	\$ 618,258	\$ 10,531	\$ 660,636	\$ 14,349
Less:				
Transfers In		-		-
Gain (Loss) on sale of capital assets		.		-
Investment earnings and other		184		23
Total cost of business-type activities	\$ 10,347		\$ 14,326	

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

THE DISTRICT FUNDS

At June 30, 2016, the District governmental funds reported a combined fund balance of \$9,865,329, which is an increase of \$56,820. The major changes are:

General Fund:

The General Fund balance increased by \$56,820 to \$9,865,329. This is \$1,168,644 over the original budget's projected ending fund balance. The actual expenditures were \$163,636 or .5% under final budget, the revenues were \$111,180 or 0.4% under budget, and the beginning fund balance was \$911,824 or 10.5% over budget.

The expenditure variance resulted from the unused budgetary reserve \$200,000 and unused appropriations for salaries/benefits, operations/maintenance/facility projects, and student transportation contracted services.

The very small revenue variance resulted from reduced state and federal revenues offset by local tax revenues higher than anticipated.

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

The beginning fund balance variance resulted from prior year overestimation of salary/benefit expenses, staff attrition, and savings in student transportation and utilities.

The capital projects fund balance was unchanged in 2015-16. Expenditures of 1,030,335 were offset by interest earned and transfers from the general fund. These expenditures were for the first phase of the ESCO project to add air conditioning and upgrade lighting in district buildings.

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Business Type Activity:

The food service program reported loss of \$10,347 at June 30, 2016. The District entered into a contract for food service consulting in December 2012 to provide guidance to the food service program. The food service director position was eliminated and duties not covered by the consulting contract were transferred to the Business Manager. The food program is self-sufficient and no fund transfer from the general fund was needed.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2016, the District had \$40,967,290 invested in a broad range of capital assets, including land, buildings, furniture, equipment, and vehicles. This amount represents a net increase (including additions, deletions and depreciation) of \$349,476 or .9% from last year.

Table A-5
Capital assets - net of depreciation

	<u>2016</u>	<u>2015</u>
Land & Land Improvements	\$ 1,142,623	\$ 1,053,115
Buildings	38,094,774	39,048,677
Furniture, Equipment, & Vehicles	605,618	506,694
Construction in Progress	1,124,275	9,328

At June 30, 2016, the District had \$18,950,000 outstanding debt on three remaining general obligation bond issues. This \$2,505,000 decrease represents the principal payments on general obligation bonds paid in fiscal year 2016.

DEBT ADMINISTRATION

Table A-6
Outstanding Debt

	<u>2016</u>	<u>2015</u>
General Obligation Bonds:		
- Series of 2002	\$ 5,925,000	\$ 8,355,000
- Refunding of Series A of 2011	8,990,000	9,270,000
- Series B of 2011	-	3,830,000
- Series of 2014	4,035,000	-

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's 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. In April 2014 the District's Standard and Poor's underlying rating was upgraded to AA- Stable.

The revenue budget for the 2016-2017 year is \$422,821 more than the original budget for 2015-2016. This represents 1.4% increase in budgeted revenues. The District's real estate tax rate was not increased for 2016-17 and \$1,674,800 of fund balance was utilized to offset increases to the districts retirement fund obligations, increases in medical coverage costs, and to transfer into the capital projects fund for the ESCO project.

For the ninth consecutive year state gaming funds will be available to provide tax relief for qualified homestead and farmstead properties. The district received \$790,335 which was passed on to provide approximately \$227 in tax relief to 3,485 property owners.

The expenditure budget increased \$1,897,621 to \$32,392,811 inclusive of overall salary increases of 3.2%, increases in health insurance, and a 16% increase in retirement system funding as well as a fund transfer to the capital projects fund for the ESCO project which must be recorded as an expenditure in the general fund. The District participates in a consortium of school districts for employee health coverage. In an effort to better control the cost of health coverage, the group converted to a self-funded plan July, 1, 2012. The district reached a contract agreement with unionized teachers in May 2016 for a contract that expires June 30, 2020. The unionized support staff voted to decertify in April 2014.

Looking Forward

Financial planning for 2017-18 and beyond will become more challenging. The combined effects of retirement system funding increasing to 32.04% for 2017-2018 (up from 30.03% in 2016-17), projected 7 to 10% increases in health benefits, contracted increases in salaries, economic conditions resulting in flat or declining tax revenues, and declining state and federal funding sources may require an increase in real estate tax rates. The district's current Act 1 tax increase limit of 2.9% is scheduled to increase to 3.0% for 2017-18. If the index allowance is insufficient to fund district programs the district may need to use index exceptions, if available or to go to a public tax referendum.

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Table A-7
BUDGETED REVENUES

	<u>2016-2017</u>	<u>2015-2016</u>
Local	68.28%	68.50%
State	30.65%	30.15%
Federal/Other	1.07%	1.35%

BUDGETED EXPENDITURES

	<u>2016-2017</u>	<u>2015-2016</u>
Instruction	53.58%	55.87%
Support Services	29.31%	29.13%
Non-Instruction/Community	2.09%	2.08%
Facilities Acquisition, Construction and Improvement	0.58%	0.90%
Fund Transfers/Debt/Reserve	14.45%	12.02%

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 Brian Pawling, Business Manager/Board Secretary at Brandywine Heights Area School District, 200 West Weis Street, Tipton Pa. 19562, 610-682-5141, bripaw@bhasd.org.

BASIC FINANCIAL STATEMENTS

Brandywine Heights Area School District
Statement of Net Position
As of June 30, 2016

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 7,636,261	\$ 70,888	\$ 7,707,149
Restricted Cash	-	-	-
Investments	4,270,911	-	4,270,911
Receivables, net	1,310,591	-	1,310,591
Internal Balances	31,869	-	-
Due From Other Governments	1,250,229	26,344	1,276,573
Other Receivables	23,132	660	23,792
Inventories	16,903	17,898	34,801
Prepaid Expenses	19,000	-	19,000
Other Current Assets	-	-	-
Total Current Assets	<u>14,558,896</u>	<u>115,790</u>	<u>14,644,817</u>
Non-Current Assets:			
Land	371,714	-	371,714
Site Improvements (net of depreciation)	770,909	-	770,909
Building and Bldg. Improvements (net of depreciation)	38,094,774	-	38,094,774
Machinery and Equipment (net of depreciation)	518,999	86,619	605,618
Construction in Progress	1,124,275	-	1,124,275
Total Non-Current Assets	<u>40,880,671</u>	<u>86,619</u>	<u>40,967,290</u>
Total Assets	<u>\$ 55,439,567</u>	<u>\$ 202,409</u>	<u>\$ 55,610,107</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Change in Proportion - NPL	734,273	11,727	746,000
Deferred Outflows of Resources - Current Year Contributions	2,856,702	47,501	2,904,203
Deferred Outflows of Resources - Diff. In Projected vs Actual Invest. Earnings	-	392	392
Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	-	10	10
Deferred Amount on Debt Refundings, net	325,961	-	325,961
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 59,356,503</u>	<u>\$ 262,039</u>	<u>\$ 59,586,673</u>
LIABILITIES			
Current Liabilities:			
Internal Balances	-	31,869	-
Due to other governments	12,457	-	12,457
Accounts Payable	817,609	126	817,735
Current Portion of Long-Term Obligations	2,939,433	-	2,939,433
Accrued Salaries and Benefits	1,324,414	-	1,324,414
Payroll Deductions and Withholdings	1,418,626	-	1,418,626
Deposit Payable	-	14,235	14,235
Other Current Liabilities	172,248	-	172,248
Total Current Liabilities	<u>6,684,787</u>	<u>46,230</u>	<u>6,699,148</u>
Non-Current Liabilities:			
Bonds Payable	16,060,604	-	16,060,604
Long-Term Portion of Compensated Absences	122,883	-	122,883
Net Pension Liability	40,603,255	624,439	41,227,694
Net OPEB Obligation	503,134	-	503,134
Other Retirement Benefits	125,735	-	125,735
Total Liabilities	<u>64,100,398</u>	<u>670,669</u>	<u>64,739,198</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Diff. in projected vs actual Invest. Earnings	83,392	-	83,392
Deferred Inflows of Resources - Diff. in projected vs. actual contributions	572	-	572
Deferred Inflows of Resources - Change in Proportion of NPL	2,589,908	39,092	2,629,000
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	167,328	2,672	170,000
Deferred Inflows of Resources - Diff. between Proportionate Share vs Actual Pd - POS	2,602	-	2,602
Unearned Revenue from Grants	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>66,944,200</u>	<u>712,433</u>	<u>67,624,764</u>
NET POSITION			
Net Investment in Capital Assets	22,301,024	86,619	22,387,643
Restricted For:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	-	-	-
Other Restrictions	-	-	-
Unrestricted (deficit)	<u>(29,888,721)</u>	<u>(537,013)</u>	<u>(30,425,734)</u>
TOTAL NET POSITION	<u>(7,587,697)</u>	<u>(450,394)</u>	<u>(8,038,091)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 59,356,503</u>	<u>\$ 262,039</u>	<u>\$ 59,586,673</u>

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, 2016**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING	CAPITAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
			GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS			
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 16,508,806	\$ 2,626	\$ 3,190,984	\$ -	\$ (13,315,196)	\$ -	\$ (13,315,196)
Instructional Student Support	2,404,214	-	350,286	-	(2,053,928)	-	(2,053,928)
Admin. & Fin'l Support Services	2,429,286	-	191,944	-	(2,237,342)	-	(2,237,342)
Oper. & Maint. Of Plant Svcs.	2,188,079	-	109,398	-	(2,078,681)	-	(2,078,681)
Pupil Transportation	1,398,608	2,929	619,111	-	(776,568)	-	(776,568)
Student activities	586,529	100,150	41,309	-	(445,070)	-	(445,070)
Community Services	-	-	-	-	-	-	-
Interest on Long-Term Debt	746,106	-	-	288,576	(457,530)	-	(457,530)
Unallocated Depreciation Expense	998,119	-	-	-	(998,119)	-	(998,119)
TOTAL GOVERNMENT ACTIVITIES	27,259,747	105,705	4,503,032	288,576	(22,362,434)	-	(22,362,434)
BUSINESS-TYPE ACTIVITIES:							
Food Services	618,258	310,724	297,003	-	-	(10,531)	(10,531)
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 27,878,005	\$ 416,429	\$ 4,800,035	\$ 288,576	\$ (22,362,434)	\$ (10,531)	\$ (22,372,965)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 18,297,981	\$ -	\$ 18,297,981
Taxes levied for specific purposes					1,966,907	-	1,966,907
Grants, subsidies, & contributions not restricted					4,793,843	-	4,793,843
Investment Earnings					40,219	184	40,403
Miscellaneous Income					97,736	-	97,736
Special item - Gain (Loss) on sale of capital assets					1,836	-	1,836
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					25,198,522	184	25,198,706
CHANGES IN NET POSITION					2,836,088	(10,347)	2,825,741
NET POSITION - BEGINNING					(10,423,785)	(440,047)	(10,863,832)
NET POSITION - ENDING					\$ (7,587,697)	\$ (450,394)	\$ (8,038,091)

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

Brandywine Heights Area School District
Balance Sheet
Governmental Funds
As of June 30, 2016

	GENERAL	CAPITAL PROJECT FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 7,470,918	\$ 165,342	\$ -	\$ 7,636,260
Restricted Cash	-	-	-	-
Investments	4,270,911	-	-	4,270,911
Taxes Receivable, net	1,310,591	-	-	1,310,591
Due from other funds	32,167	306,421	-	338,588
Due from Other Governments	1,250,229	-	-	1,250,229
Other Receivables	17,788	-	-	17,788
Prepaid Expenditures	19,000	-	-	19,000
Other Current Assets	-	-	-	-
TOTAL ASSETS	\$ 14,371,604	\$ 471,763	\$ -	\$ 14,843,367
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 14,371,604	\$ 471,763	\$ -	\$ 14,843,367
LIABILITIES				
Due to Other Funds	\$ 306,421	\$ -	\$ -	\$ 306,421
Due to Other Governments	12,457	-	-	12,457
Current Portion of Compensated Absences	27,344	-	-	27,344
Other Post Retirement Benefits	67,089	-	-	67,089
Accounts Payable	345,845	471,763	-	817,608
Accrued Salaries and Benefits	1,324,414	-	-	1,324,414
Payroll Deductions and Withholdings	1,418,626	-	-	1,418,626
Other Current Liabilities	6,246	-	-	6,246
TOTAL LIABILITIES	3,508,442	471,763	-	3,980,205
DEFERRED INFLOWS OF RESOURCES				
Unearned Revenue from Property Taxes	997,833	-	-	997,833
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	4,506,275	471,763	-	4,978,038
FUND BALANCES:				
Nonspendable Fund Balance	19,000	-	-	19,000
Restricted Fund Balance	-	-	-	-
Committed Fund Balance	1,624,000	-	-	1,624,000
Assigned Fund Balance	6,305,800	-	-	6,305,800
Unassigned Fund Balance	1,916,529	-	-	1,916,529
TOTAL FUND BALANCES	9,865,329	-	-	9,865,329
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 14,371,604	\$ 471,763	\$ -	\$ 14,843,367

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 Position
As of June 30, 2016**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 9,865,329

Amounts reported for governmental activities in the statement of net position 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 \$58,950,391 and the accumulated depreciation is \$18,069,720. 40,880,671

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. 5,046

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. 997,833

This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues. 325,961

This represents deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension Liability. 747,173

The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory. 16,903

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	\$ (18,905,604)	
Accrued interest on the bonds	(166,002)	
Compensated absences	(122,883)	
Net Pension Liability	(40,603,255)	
Net OPEB Obligation	(503,134)	
Other Post Retirement Benefits	(125,735)	(60,426,613)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (7,587,697)**

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, 2016

	<u>GENERAL</u>	<u>CAPITAL PROJECT FUNDS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 20,857,593	\$ 101	\$ -	\$ 20,857,694
State Sources	9,006,062	-	-	9,006,062
Federal Sources	318,355	-	-	318,355
TOTAL REVENUES	<u>30,182,010</u>	<u>101</u>	<u>-</u>	<u>30,182,111</u>
EXPENDITURES				
Instruction	16,503,189	-	-	16,503,189
Support Services	8,371,650	-	52,500	8,424,150
Operation of Non-Instructional Services	581,682	-	-	581,682
Capital Outlay	210,061	1,030,335	-	1,240,396
Debt Service	3,433,972	-	1,367	3,435,339
TOTAL EXPENDITURES	<u>29,100,554</u>	<u>1,030,335</u>	<u>53,867</u>	<u>30,184,756</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,081,456</u>	<u>(1,030,234)</u>	<u>(53,867)</u>	<u>(2,645)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	4,040,000	4,040,000
Interfund Transfers in	-	1,030,234	-	1,030,234
Sale/Compensation for Fixed Assets	5,598	-	-	5,598
Bond Premium	-	-	-	-
Bond Discount	-	-	-	-
Payment to bond refunding escrow agent	-	-	(3,986,133)	(3,986,133)
Operating Transfers Out	(1,030,234)	-	-	(1,030,234)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,024,636)</u>	<u>1,030,234</u>	<u>53,867</u>	<u>59,465</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	56,820	-	-	56,820
FUND BALANCES - BEGINNING	<u>9,808,509</u>	<u>-</u>	<u>-</u>	<u>9,808,509</u>
FUND BALANCES - ENDING	<u>\$ 9,865,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,865,329</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, 2016**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 56,820

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	\$ 1,078,547	
less - capital outlays	<u>1,422,555</u>	344,008

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. (11,900)

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 position differs from the change in fund balance by the cost of fixed assets sold. (2,324)

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 inflows of resources decreased by this amount this year. (77,649)

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 position. 2,720,000

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. (79,031)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **2,949,924**

**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, 2016**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING
(cont'd) \$ 2,949,924

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. (30,767)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. 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 position. This figure represents the difference between bond proceeds and refunding payments made to paying agents. (53,867)

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. 1,203

The difference between current year pension expense reported on the governmental activities column of the government-wide financial statements and the pension contributions made this past year reported as expenditures in the governmental funds. (30,405)

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 2,836,088**

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

Brandywine Heights Area School District
Statement of Fund Net Position
Proprietary Funds
As of June 30, 2016

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 70,888	\$ -	\$ 70,888
Investments	-	-	-
Due from other funds	-	-	-
Due From Other Governments	26,344	-	26,344
Other Receivables	660	-	660
Inventories	17,898	-	17,898
Prepaid expenses	-	-	-
TOTAL CURRENT ASSETS	115,790	-	115,790
NON-CURRENT ASSETS:			
Machinery & Equipment (net)	86,619	-	86,619
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	86,619	-	86,619
TOTAL ASSETS	\$ 202,409	\$ -	\$ 202,409
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources - Change in Proportion - NPL	11,727	-	11,727
Deferred Outflows of Resources - Current Year Contributions	47,501	-	47,501
Deferred Outflows of Resources - Diff. In Projected vs Actual Invest. Earnings	392	-	392
Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	10	-	10
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 262,039	\$ -	\$ 262,039
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 31,869	\$ -	\$ 31,869
Due to Other Governments	-	-	-
Accounts Payable	126	-	126
Accrued Salaries and Benefits	-	-	-
Deposits Payable	14,235	-	14,235
Other Current Liabilities	-	-	-
TOTAL CURRENT LIABILITIES	46,230	-	46,230
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	-	-	-
Net Pension Liability	624,439	-	624,439
Net OPEB Obligation	-	-	-
TOTAL NON-CURRENT LIABILITIES	624,439	-	624,439
TOTAL LIABILITIES	670,669	-	670,669
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources - Diff. in projected vs actual Invest. Earnings	-	-	-
Deferred Inflows of Resources - Diff. in projected vs. actual contributions	-	-	-
Deferred Inflows of Resources - Change in Proportion of NPL	39,092	-	39,092
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	2,672	-	2,672
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	712,433	-	712,433
FUND NET POSITION			
Net Investment in Capital Assets	86,619	-	86,619
Restricted for Legal Purposes	-	-	-
Unrestricted	(537,013)	-	(537,013)
TOTAL FUND NET POSITION	(450,394)	-	(450,394)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 262,039	\$ -	\$ 262,039

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

Brandywine Heights Area School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING REVENUES:			
Food Service Revenue	\$ 302,392	\$ -	\$ 302,392
Charges for Services		-	-
Other Operating Revenues	8,332	-	8,332
TOTAL OPERATING REVENUES	310,724	-	310,724
OPERATING EXPENSES:			
Salaries	192,852	-	192,852
Employee benefits	97,889	-	97,889
Purchased Professional and Technical Services	44,228	-	44,228
Purchased Property Service	21,690	-	21,690
Other Purchased Services	523	-	523
Supplies	254,096	-	254,096
Depreciation	5,223	-	5,223
Dues and Fees	269	-	269
Other Operating Expenses	1,488	-	1,488
TOTAL OPERATING EXPENSES	618,258	-	618,258
 OPERATING INCOME (LOSS)	 (307,534)	 -	 (307,534)
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	184	-	184
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	49,646	-	49,646
Federal Sources	247,357	-	247,357
Interest Expenses	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	297,187	-	297,187
INCOME (LOSS) BEFORE CONTRIBUTIONS	(10,347)	-	(10,347)
Capital contributions		-	-
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	(10,347)	-	(10,347)
 TOTAL FUND NET POSITION - BEGINNING	 (440,047)	 -	 (440,047)
TOTAL FUND NET POSITION - ENDING	\$ (450,394)	\$ -	\$ (450,394)

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, 2016**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 330,395	\$ -	\$ 330,395
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	8,332	-	8,332
Cash Payments to Employees for Services	(292,340)	-	(292,340)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(260,429)	-	(260,429)
Cash Payments to Other Operating Expenses	(269)	-	(269)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(214,311)</u>	<u>-</u>	<u>(214,311)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	48,045	-	48,045
Federal Sources	180,480	-	180,480
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	<u>228,525</u>	<u>-</u>	<u>228,525</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(13,015)	-	(13,015)
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>(13,015)</u>	<u>-</u>	<u>(13,015)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	184	-	184
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>184</u>	<u>-</u>	<u>184</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,383	-	1,383
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>69,505</u>	<u>-</u>	<u>69,505</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 70,888</u>	<u>\$ -</u>	<u>\$ 70,888</u>

**Brandywine Heights Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2016**

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)	\$ (307,534)	\$ -	\$ (307,534)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	5,223	-	5,223
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	45,478	-	45,478
CHANGES IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	28,003	-	28,003
(Increase) Decrease in Inventories	9,597	-	9,597
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Other Current Assets	-	-	-
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion - NPL	(11,727)	-	(11,727)
(Increase) Decrease in Deferred Outflows of Resources - Current Year Contributions	(9,459)	-	(9,459)
(Increase) Decrease in Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	(392)	-	(392)
(Increase) Decrease in Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	(10)	-	(10)
Increase (Decrease) in Accounts Payable	(5,095)	-	(5,095)
Increase (Decrease) in Advances from Other Funds	10,272	-	10,272
Increase (Decrease) in Accrued Salaries and Benefits	-	-	-
Increase (Decrease) in Net Pension Liability	70,878	-	70,878
Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual Invest. Earnings	(39,630)	-	(39,630)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual Contributions	(582)	-	(582)
Increase (Decrease) in Deferred Inflows of Resources - Change in Proportion of NPL	(13,126)	-	(13,126)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	2,672	-	2,672
Increase (Decrease) in Other Current Liabilities	1,121	-	1,121
TOTAL ADJUSTMENTS	<u>93,223</u>	<u>-</u>	<u>93,223</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (214,311)</u>	<u>\$ -</u>	<u>\$ (214,311)</u>

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

Brandywine Heights Area School District
Statement of Net Position
Fiduciary Funds
As of June 30, 2016

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY
ASSETS			
Cash and cash equivalents	\$ 18,351	\$ -	\$ 117,968
Investments	-	-	-
Due from Other Funds	-	-	-
Inventories	-	-	-
Prepaid Expenditures	-	-	-
Other Receivables	-	-	-
Machinery & Equipment (net)	-	-	-
TOTAL ASSETS	\$ 18,351	\$ -	\$ 117,968
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 18,351	\$ -	\$ 117,968
LIABILITIES			
Accounts Payable	\$ 4,050	\$ -	\$ 15,206
Due to Other Funds	-	-	298
Due to Other Governments	-	-	-
Prepayments	-	-	-
Other Current Liabilities	-	-	102,464
TOTAL LIABILITIES	4,050	-	117,968
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	4,050	-	117,968
NET POSITION			
Restricted	-	-	-
Unrestricted	14,301	-	-
TOTAL NET POSITION	\$ 14,301	\$ -	\$ -

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

Brandywine Heights Area School District
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

	PRIVATE- PURPOSE TRUST FUND	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
ADDITIONS		
Contributions	\$ 19,015	\$ -
Transfers from other funds	1,000	-
INVESTMENT EARNINGS:		
Interest and Dividends	24	-
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	20,039	-
 DEDUCTIONS		
Transfers to other funds	1,000	-
Administrative charges	-	-
Scholarships	25,718	-
TOTAL DEDUCTIONS	26,718	-
 CHANGES IN NET POSITION	 (6,679)	-
 NET POSITION - BEGINNING OF YEAR	 20,980	-
 NET POSITION - END OF YEAR	 \$ 14,301	\$ -

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, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>(BUDGETARY BASIS)</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>	<u>BUDGET TO</u> <u>GAAP</u> <u>DIFFERENCE</u>	<u>ACTUAL</u> <u>AMOUNTS</u> <u>GAAP BASIS</u>
	<u>ORIGINAL</u>	<u>FINAL</u>				
REVENUES						
Local Sources	\$ 20,751,668	\$ 20,751,668	\$ 20,857,593	\$ 105,925	\$ -	\$ 20,857,593
State Sources	9,132,522	9,132,522	9,006,062	(126,460)	-	9,006,062
Federal Sources	409,000	409,000	318,355	(90,645)	-	318,355
TOTAL REVENUES	<u>30,293,190</u>	<u>30,293,190</u>	<u>30,182,010</u>	<u>(111,180)</u>	<u>-</u>	<u>30,182,010</u>
EXPENDITURES						
Regular Instruction	12,047,332	11,732,532	11,725,815	6,717	-	11,725,815
Special Programs	4,262,402	4,111,102	4,078,089	33,013	-	4,078,089
Vocational Programs	699,648	699,648	692,379	7,269	-	692,379
Other Instructional Programs	24,526	8,526	6,169	2,357	-	6,169
Nonpublic School Programs	4,500	1,500	737	763	-	737
Adult Education Programs	-	-	-	-	-	-
Community College Programs	-	-	-	-	-	-
Pupil Personnel Services	1,024,763	1,000,363	993,992	6,371	-	993,992
Instructional Staff Services	1,168,763	1,070,763	1,054,399	16,364	-	1,054,399
Administrative Services	1,431,523	1,314,173	1,296,782	17,391	-	1,296,782
Pupil Health	367,046	346,046	343,211	2,835	-	343,211
Business Services	492,246	541,246	533,719	7,527	-	533,719
Operation & Maintenance of Plant Services	2,411,256	2,266,756	2,259,543	7,213	-	2,259,543
Student Transportation Services	1,463,522	1,399,522	1,388,638	10,884	-	1,388,638
Central Support Services	500,637	500,987	478,055	22,932	-	478,055
Other Support Services	23,368	23,368	23,311	57	-	23,311
Student Activities	633,226	584,226	581,682	2,544	-	581,682
Community Services	500	-	-	-	-	-
Facilities, Acquisition and Construction	275,000	213,500	210,061	3,439	-	210,061
Debt Service	3,464,932	3,449,932	3,433,972	15,960	-	3,433,972
TOTAL EXPENDITURES	<u>30,295,190</u>	<u>29,264,190</u>	<u>29,100,554</u>	<u>163,636</u>	<u>-</u>	<u>29,100,554</u>
Excess (deficiency) of revenues over expenditures	(2,000)	1,029,000	1,081,456	52,456	-	1,081,456
OTHER FINANCING SOURCES (USES)						
Sale of Bonds	-	-	-	-	-	-
Interfund Transfers In	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	2,000	2,000	5,598	3,598	-	5,598
Interfund Transfers Out	-	(1,031,000)	(1,030,234)	766	-	(1,030,234)
Budgetary Reserve	(200,000)	(200,000)	-	200,000	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(198,000)</u>	<u>(1,229,000)</u>	<u>(1,024,636)</u>	<u>204,364</u>	<u>-</u>	<u>(1,024,636)</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>(200,000)</u>	<u>(200,000)</u>	<u>56,820</u>	<u>256,820</u>	<u>-</u>	<u>56,820</u>
FUND BALANCE - JULY 1, 2015	<u>\$ 8,896,685</u>	<u>\$ 8,896,685</u>	<u>\$ 9,808,509</u>	<u>\$ 911,824</u>	<u>\$ -</u>	<u>\$ 9,808,509</u>
FUND BALANCE - JUNE 30, 2016	<u>\$ 8,696,685</u>	<u>\$ 8,696,685</u>	<u>\$ 9,865,329</u>	<u>\$ 1,168,644</u>	<u>\$ -</u>	<u>\$ 9,865,329</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, 2016

Note 1 - Description of the School District and Reporting Entity

School District

The Brandywine Heights Area School District is located in Topton, Pennsylvania. The District tax base consists of the Borough of Topton 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 Business Manager, 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 Business Manager is directly responsible to the Superintendent.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

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 2015-2016 was \$692,379. 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 position 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 position 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, 2016

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 more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced. GASB Statement No. 62 was issued to include all prior Financial Accounting Standards Board's statements and interpretations, along with predecessors' statements and interpretations, pertaining to governments into the hierarchy of the Governmental Accounting Standards Board's jurisdiction.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position, 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 position 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 position 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. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Deferred Outflows of Resources is recorded in a particular governmental fund where costs are spent for a future period. Current Liabilities are assigned to the governmental fund from which they will be paid. Deferred Inflows of Resources is recorded in a particular governmental fund that has received resources for a future period. The difference between the

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund

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

Proprietary Funds Proprietary funds focus on the determination of changes in net position, 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 position and changes in net position. 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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

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, along with deferred outflows of resources or deferred inflows of resources required to be reported. 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 reconciliation's with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds 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 inflows of resources, 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. 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.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

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 2015-16 budget transfers.

F. 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.

G. Changes in Accounting Principles

During the 2015-16 fiscal year the District implemented the following new generally accepted accounting principles:

- GASB Statement No. 72 (*Fair Value Measurement and Application*), which establishes fair value reporting for governments. Fair value is described as an exit price. To determine a fair value measurement, a government should consider the unit of account, which refers to the level at which an asset or a liability is aggregated or disaggregated for measurement. This Statement requires a government to use valuation techniques using one of the following approaches: the market approach, the cost approach, or the income approach. This Statement establishes a hierarchy of inputs for valuation techniques used to measure fair values.
- GASB Statement No. 73 (Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68). The portion of this Statement applying to this government pertains to Amendments to GASB Statement 68. These Amendments clarify the application of Statement 68 as follows: (1) Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported; (2) Accounting and financial reporting for separately financed specific liabilities of individual employers for defined benefit pensions; and (3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

- GASB Statement No. 76 (The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments). This Statement establishes two categories of hierarchy: Category A consists of Governmental Accounting Standards Board Statements, including GASB interpretations. Category B consists of GASB Technical Bulletins; GASB Implementation Guides, and literature of the AICPA cleared by the GASB.
- GASB Statement No. 79 (Certain External Investment Pools and Pool Participants). This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System and additions to/deductions from the Public School Employees' Retirement System's fiduciary net position have been determined on the same basis as they are reported by the Public School Employees' Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Assets, Liabilities, and Net Position

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 to GASB Statement No. 72, investments generally are to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has the present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts.

A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets. These assets were previously required to be measured at fair value.

Fair Value is measured using a hierarchy of inputs using valuation techniques. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

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, 2016, 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 inflows of resources 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, 2016, shows \$16,903 as an asset in the governmental activities column of the government-wide statement of net position; a physical inventory taken at June 30, 2016, shows \$17,898 as an asset in the business-type activities column of the government-wide statement of net position.

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, 2016, consist of:

Purchased Food/Commodities	\$ 14,703
Supplies	3,195
TOTAL	<u>\$ 17,898</u>

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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.

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 position, 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 position 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 acquisition 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.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

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.

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 position. Bond premiums and discounts, 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. Any deferred amount on refundings are reported as deferred outflows of resources and amortized over the life of the bond issue. Bond issuance costs are expensed in the year they are incurred.

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, 2016, 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 Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net Investment in Capital Assets component of Net Position is comprised 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. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall Net Investment in Capital Assets. The restricted component of Net Position is used 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 remaining component of Net Position is unrestricted

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is 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:

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

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.

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.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

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 position.

The governmental fund balance sheet includes a reconciliation between "fund balance -total governmental funds" and "net position - governmental activities" as reported in the government-wide statement of net position. 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 \$60,426,613 difference are:

Bonds payable	\$ 18,950,000
Less: Issuance discount (to be amortized as interest expense)	(44,396)
 Add: Issuance premium (to be amortized as a contra to interest expense)	 -
Accrued interest payable	166,002
Other Post Retirement Benefits	125,735
Net OPEB Obligation	503,134
Net Pension Liability	40,603,255
Compensated absences	<u>122,883</u>
 Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	 <u>\$ 60,426,613</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, 2016**

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
<u>REVENUES AND OTHER SOURCES</u>					
LOCAL SOURCES:					
Property Taxes	\$ 18,375,631	\$ (77,650)	\$ -	\$ -	\$ 18,297,981
Taxes levied for specific purposes	1,966,907	-	-	-	1,966,907
Interest and investment earnings	52,119	(11,900)	-	-	40,219
Miscellaneous	74,031	-	1,438	-	75,469
Contributions and Donations	22,267	-	-	-	22,267
Charges for Services	105,705	-	-	-	105,705
Grants, subsidies & contributions not restricted	4,793,843	-	-	-	4,793,843
Transfers in	-	-	-	-	-
Bond Premiums	-	-	-	-	-
Bond Issue Proceeds	-	-	-	-	-
Proceeds from Refunding of Bonds	4,040,000	-	-	(4,040,000)	-
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating and Capital grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating and Capital grants and contributions	4,212,720	-	-	-	4,212,720
FEDERAL SOURCES:					
Operating and Capital grants and contributions	578,888	-	-	-	578,888
SPECIAL AND EXTRAORDINARY ITEMS:					
Gain or (Loss) on disposal of assets	5,598	-	(3,762)	-	1,836
TOTAL REVENUES	34,227,709	(89,550)	(2,324)	(4,040,000)	30,095,835
<u>EXPENDITURES/EXPENSES</u>					
Instruction	16,503,189	53,498	(47,881)	-	16,508,806
Instructional Student Support	2,391,602	10,788	1,824	-	2,404,214
Admin. & Fin'l Support Services	2,384,367	41,932	2,987	-	2,429,286
Oper. & Maint. Of Plant Svcs.	2,259,543	(112)	(71,352)	-	2,188,079
Pupil Transportation	1,388,638	227	9,743	-	1,398,608
Student activities	581,682	1,899	2,948	-	586,529
Community Services	-	-	-	-	-
Capital Outlay	1,240,396	-	(1,240,396)	-	-
Debt Service	7,421,472	-	-	(6,675,366)	746,106
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	998,119	-	998,119
TOTAL EXPENDITURES/EXPENSES	34,170,889	108,232	(344,008)	(6,675,366)	27,259,747
NET CHANGE FOR THE YEAR	\$ 56,820	\$ (197,782)	\$ 341,684	\$ 2,635,366	\$ 2,836,088

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 position of individual funds

No individual fund contains a deficit fund balance or net position at June 30, 2016, except the governmental activities has a deficit net position of \$7,587,697, and the food service fund and business-type activities has a deficit net position of \$450,394.

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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.

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, 2016. 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, 2016, \$3,768,261 of the District's bank balance of \$9,123,117, was exposed to custodial credit risk as follows:

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		3,768,261
TOTAL	\$	<u>3,768,261</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$	3,768,261
Plus: Insured Amount		5,354,856
Less: Outstanding Checks		<u>(12,949)</u>
Carrying Amount - Bank balances		9,110,168
Plus: Petty Cash		980
Deposits in Investment Pool Considered Cash Equivalentts		2,748,154
Less: Certificates of Deposit considered Investment by School Code		<u>(4,015,834)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	\$	<u>7,843,468</u>

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

Investments

Permitted investments for Brandywine Heights Area School District are defined in the Public School Code of 1949, as amended by Act 10 of 2016 as:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
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.
5. Obligations, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
6. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government sponsored enterprise.
7. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
8. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
9. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the paper is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
10. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and, if all of the following conditions are met:
 - The investments of the company are the authorized investments listed above.

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

- The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds).
- The investment company is rated in the highest category by a nationally recognized rating agency.

11. Savings or demand deposits placed in accordance with the following conditions:

- The money is initially deposited and invested through a federally insured institution having a place of business in this Commonwealth, which is selected by the public corporation or municipal authority.
- The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, for the account of the public corporation or municipal authority.
- The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.
- On the same date that the money is redeposited pursuant to above, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the selected institution by the public corporation or municipal authority.

As of June 30, 2016, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
Pa. School District Liquid Asset Fund	N/A	\$ 2,748,154
WSFS Bank		698,418
PSDLAF Certificates of Deposit		2,000,000
Univest Certificate of Deposit		2,015,834
National Penn Bank - Repurchase Agreement		255,077
TOTAL		\$ 7,717,483

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.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2016, 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 3.31% held in a repurchase agreement with National Penn Bank, 25.92% in Certificates of Deposit with PSDLAF, and 26.12% in Certificates of Deposit with Uninvest. Governmental Activities have 3.32% of investments are held in a repurchase agreement with National Penn Bank, 26.04% in Certificates of Deposit with PSDLAF, and 26.25% in Certificates of Deposit in Uninvest. The General Fund has 8.50% of investments held in a repurchase agreement with National Penn Bank, 26.62% in Certificates of Deposit with PSDLAF, and 26.83% in Certificates of Deposit with Uninvest.

Custodial Credit Risk

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

Reconciliation to Financial Statements

Total Investments Above	\$ 7,717,483
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(3,446,572)</u>
Total Investments Per Financial Statements	<u>\$ 4,270,911</u>

Fair Value Reporting

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District did not have any recurring fair value investments at June 30, 2016. The District did have Cash Equivalents in 2a7-like external investment pools, which GASB Statement No. 72 allows to be recorded at amortized cost as provided in paragraph 16 of GASB Statement No. 31.

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 \$595,098,400. In accordance with Act 1 of 2006, the District received \$788,786 in property tax reduction funds for the 2015-16 fiscal year. The tax rate for the year was \$3.23 per \$100 of assessed valuation or 32.30 mills.

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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	\$ -	\$ -	\$ -	\$ -	\$ -	-
Taxes	1,310,591	-	-	-	-	1,310,591
Accounts	17,788	-	660	-	-	18,448
Intergovernmental	1,250,229	-	26,344	-	-	1,276,573
GROSS RECEIVABLES	2,578,608	-	27,004	-	-	2,605,612
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 2,578,608	\$ -	\$ 27,004	\$ -	\$ -	\$ 2,605,612

Governmental funds report deferred inflows of resources 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 inflows of resources reported in the governmental funds were:

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

Schedule on Deferred Inflows of Resources - Unavailable and Unearned

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 997,833	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 997,833	\$ -

Capital Assets

Capital asset balances and activity for the year ending June 30, 2016, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 371,714	\$ -	\$ -	\$ 371,714
Construction in Progress	9,328	1,240,396	(125,449)	1,124,275
Total Capital Assets not being depreciated	381,042	1,240,396	(125,449)	1,495,989
Capital Assets being depreciated:				
Site Improvements	1,377,257	125,449	-	1,502,706
Buildings and Building Improvements	54,157,566	22,023	-	54,179,589
Furniture and Equipment	1,635,212	160,136	(23,241)	1,772,107
TOTAL CAPITAL ASSETS BEING DEPRECIATED	57,170,035	307,608	(23,241)	57,454,402
Less accumulated depreciation for:				
Site Improvements	(695,856)	(35,941)	-	(731,797)
Buildings and Building Improvements	(15,108,889)	(975,926)	-	(16,084,815)
Furniture and Equipment	(1,207,345)	(66,680)	20,917	(1,253,108)
TOTAL ACCUMULATED DEPRECIATION	(17,012,090)	(1,078,547)	20,917	(18,069,720)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	40,157,945	(770,939)	(2,324)	39,384,682
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 40,538,987	\$ 469,457	\$ (127,773)	\$ 40,880,671
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 395,704	\$ 13,015	\$ -	\$ 408,719
Less accumulated depreciation	(316,877)	(5,223)	-	(322,100)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 78,827	\$ 7,792	\$ -	\$ 86,619

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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

Regular Instruction	\$ 11,780
Special Instruction	-
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Community College Instruction	-
Pupil Services	-
Instructional Staff Svcs.	1,823
Administrative Services	-
Health Services	-
Business Services	-
Operation & Maintenance of Plant Svcs.	51,147
Pupil Transportation	9,743
Central Services	2,987
Other Support Services	-
Student Activities	2,948
Community Services	-
Depreciation - unallocated	998,119
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$ 1,078,547

The governmental activities disposed of \$23,241 in capital assets, with accumulated depreciation of \$20,917, leaving a loss on disposition of \$1,836. The business-type activities did not dispose of any capital assets during the year.

Commitment

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.

Construction Commitments

<u>VENDOR</u>	<u>CONTRACT</u>	<u>EXPENDED</u>	<u>OUTSTANDING</u>
	<u>AMOUNT</u>	<u>TO 6/30/16</u>	<u>COMMITMENTS</u>
Energy Efficient Upgrades	\$ 3,723,813	\$ 1,030,335	\$ 2,693,478

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables existed on June 30, 2016:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 32,167	\$ 306,421
Enterprise (Food Service) Fund	-	31,869
Agency (Activity) Fund	-	298
Private Purpose (Scholarship) Funds	-	-
Capital Projects Fund	306,421	-
TOTAL	\$ 338,588	\$ 338,588

Interfund Transfers

The District made the following interfund transfers during the fiscal year ended June 30, 2016:

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 1,030,234
Food Service Fund	-	-
Capital Projects Fund	1,030,234	-
TOTAL	\$ 1,030,234	\$ 1,030,234

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2016, were:

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

	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	\$ 21,539,116	\$ 4,051,336	\$ 6,684,848	\$ 18,905,604	\$ 2,845,000
Other than capital projects	-	-	-	-	-
Capital Leases	-	-	-	-	-
Total general obligation debt	21,539,116	4,051,336	6,684,848	18,905,604	2,845,000
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	43,456	4,412	-	47,868	9,663
Sick pay	101,118	1,241	-	102,359	17,681
Net OPEB Obligation	445,333	57,801	-	503,134	-
Net Pension Liability	36,168,528	4,434,727	-	40,603,255	-
Retirement termination benefits	198,848	-	6,024	192,824	67,089
Total other liabilities	36,957,283	4,498,181	6,024	41,449,440	94,433
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 58,496,399	\$ 8,549,517	\$ 6,690,872	\$ 60,355,044	\$ 2,939,433
<u>BUSINESS-TYPE ACTIVITIES</u>					
<i>Other liabilities:</i>					
<i>Vested employee benefits</i>					
Vacation pay	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability	553,561	70,878	-	624,439	-
Net OPEB Obligation	-	-	-	-	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	\$ 553,561	\$ 70,878	\$ -	\$ 624,439	\$ -

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	\$ 746,092	\$ 716,179
Refund of Prior Year Receipts	14	14
TOTAL INTEREST	\$ 746,106	\$ 716,193

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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 fixed weekly rate. The outstanding debt service requirements using the fixed interest rate of 3.856% and 1.519% at June 30, 2016, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 2,550,000	\$ 149,619
2017-18	2,675,000	69,556
2018-19	700,000	12,569
TOTAL OUTSTANDING	\$ 5,925,000	\$ 231,744

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, 2016, the derivative instrument had a positive fair value of \$1,059,063, which represents a contingent asset that should not be recorded on the financial statements in accordance with generally accepted accounting principles.

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 Unit 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, 2016, are:

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 290,000	\$ 295,266
2017-18	300,000	288,016
2018-19	2,265,000	279,466
2019-20	3,020,000	208,685
2020-21	3,115,000	109,025
Sub-Total	\$ 8,990,000	\$ 1,180,458
Unamortized Premium	-	
Unamortized Discount	(44,396)	
TOTAL OUTSTANDING	\$ 8,945,604	

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 – Topton Elementary School and renovations to the Middle School; (2) to pay related costs, fees and expenses. 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, 2011 to February 1, 2023. Interest rates ranging from 1.0% to 5.0% with total interest indebtedness of \$2,012,103.

On August 18, 2014 the District locked into a forward advance refunded the GOB Series B of 2011, \$3,825,000, with interest rates ranging from 1.0% to 5.00%, with new debt GON Series of 2014 in the amount of \$4,040,000 with interest of 2.64% with a start date of January 30, 2016. On January 30, 2016 the proceeds of the Note less issuance costs was put into an escrow account and those funds are to be used to make the regular debt service payments of the GOB Series B of 2011 until February 1 of 2017, at which time the remaining escrow balance will be used to pay off the rest of the debt.

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

SOURCES

Gross Proceeds of Bonds	\$ 4,040,000
Plus: Accrued Interest	-
Premium	-
Less: Original Issue Discount	-
Underwriter's Discount	-
TOTAL SOURCES	<u><u>\$ 4,040,000</u></u>

USES

Escrow Deposit	\$ 3,986,133
Issuance Costs	52,500
Sinking Fund Deposit	1,367
TOTAL USES	<u><u>\$ 4,040,000</u></u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows		\$ 5,048,104
Cash Flows From New Debt:		
New Debt Service Cash Flow	\$ 4,676,030	
Less: Excess Funds Deposited in Sinking Fur	<u>(1,367)</u>	
Net Cash Flows From New Debt		<u>4,674,663</u>
Net Difference in Cash Flows		<u><u>373,441</u></u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows		\$ 4,346,172
Present Value of New Debt Service Cash Flows	\$ 3,987,500	
Less: Excess Funds Deposited in Sinking Fund	<u>(1,367)</u>	
Total		<u>3,986,133</u>
Economic Gain		<u><u>\$ 360,039</u></u>

General Obligation Notes – Series of 2014

On August 18, 2014, the District authorized to issue \$4,040,000 of General Obligation Notes, - Series of 2014 which settled on January 30, 2016. The proceeds will be used: (1) to advance a portion of the outstanding GOB Series B of 2011 and (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, 2016 to February 1, 2023. Interest rate at 2.64% with total interest indebtedness of \$638,030.

The outstanding debt requirements at June 30, 2016, are:

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 5,000	\$ 107,108
2017-18	5,000	106,392
2018-19	40,000	106,260
2019-20	165,000	105,204
2020-21	185,000	100,848
2021-23	<u>3,635,000</u>	<u>108,108</u>
Sub-Total	\$ 4,035,000	\$ <u>633,920</u>
Unamortized Premium	<u>-</u>	
TOTAL OUTSTANDING	<u>\$ 4,035,000</u>	

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.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

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. 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
2016-17	\$ 107,287
2017-18	107,430
2018-19	<u>107,335</u>
TOTAL OUTSTANDING	<u>\$ 322,052</u>

Irrevocable Standby Letter of Credit

The School District has authorized an Irrevocable Standby Letter of Credit through Univest Bank & Trust Company, a member of the Federal Home Bank of Pittsburgh, in the amount of \$2,015,834,16. The credit amount is available in one drawing only, and can be made at any point up until August 31, 2016.

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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. SERIES 2002	G.O.B. SERIES A of 2011	G.O.N. SERIES of 2014	TOTAL PAYMENTS
2016-17	\$ 2,550,000	\$ 290,000	\$ 5,000	\$ 2,845,000
2017-18	2,675,000	300,000	5,000	2,980,000
2018-19	700,000	2,265,000	40,000	3,005,000
2019-20		3,020,000	165,000	3,185,000
2020-21		3,115,000	185,000	3,300,000
2021-24	-	-	3,635,000	3,635,000
TOTAL	5,925,000	8,990,000	4,035,000	18,950,000
LESS PAYABLE WITHIN ONE YEAR	<u>2,550,000</u>	<u>290,000</u>	<u>5,000</u>	<u>2,845,000</u>
LONG-TERM PRINCIPAL DUE AFTER ONE YEAR	<u>\$ 3,375,000</u>	<u>\$ 8,700,000</u>	<u>\$ 4,030,000</u>	<u>\$ 16,105,000</u>

Summary of Principal and Interest Requirements

FISCAL YEAR	G.O.N. SERIES 2002	G.O.B. SERIES A of 2011	G.O.N. SERIES of 2014	TOTAL PAYMENTS
2016-17	\$ 2,699,619	\$ 585,266	\$ 112,108	\$ 3,396,993
2017-18	2,744,556	588,016	111,392	3,443,964
2018-19	712,569	2,544,466	146,260	3,403,295
2019-20		3,228,685	270,204	3,498,889
2020-21		3,224,025	285,848	3,509,873
2021-24	-	-	3,743,108	3,743,108
TOTAL	<u>\$ 6,156,744</u>	<u>\$ 10,170,458</u>	<u>\$ 4,668,920</u>	<u>\$ 20,996,122</u>

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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, professional employees are eligible for remuneration for unused sick days, at \$30 per day after 10 years of service. Administrators covered under the Administrator Evaluation Plan, and the superintendent. Administrators shall receive severance pay of their daily fee for each unused sick day accumulated up to a payment of \$15,000; business manager maximum is \$20,000. 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 position of \$84,678, which includes the employer's share of FICA tax (net of reimbursement). The portion that will use currently available financial resources is \$17,681, 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, 2016 in the General Fund that will use currently available financial resources is \$9,663, 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 position. The remaining balance of vacation leave, earned at June 30, 2016, of \$38,205, 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 position.

Defined Benefit Pension Plan

The Government Accounting Standards Board (GASB) requires that state and local governmental employers disclose in their notes to financial statements, certain information about the public employee retirement systems to which they contribute.

General Information about the Pension Plan

Plan Description

The Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Member Contributions:

Active members, who joined the System prior to July 22, 1983, contributed at 5.25 percent (Membership Class T-C) or at 6.50 percent (Membership Class T-D) 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 T-C) or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contributes at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2016 was 25.00% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$2,904,203 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$41,227,694 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, with rolling forward the System's total pension liability as of June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was 0.0951 percent, which was a decrease of 0.0083 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,933,232. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Proportionate Share vs Actual		
Paid Separately Finance Liabilities	\$ -	\$ 2,602
Changes in Assumptions	-	-
Net difference between projected and actual contributions made		562
Net difference between projected and actual earnings on pension plan investments	-	83,000
Difference between expected and actual experience		170,000
Changes in proportion of the Net Pension Liability	746,000	2,629,000
District contributions subsequent to the measurement date	<u>2,904,203</u>	<u>-</u>
Total	<u>\$ 3,650,203</u>	<u>\$ 2,885,163</u>

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

\$2,904,203 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Amount</u>
2016	\$ (880,000)
2017	(882,767)
2018	(882,767)
2019	501,233
2020	5,138
Thereafter	-
Total	<u>\$ (2,139,163)</u>

Actuarial assumptions

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method - Entry Age Normal – level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disable Tables (male and female) with age set back 7 years for males and 3 years for females. The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	-14.0%	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate, using the net pension liability reported by PSERS before adjusting for differences on projected vs actual contributions made.

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 50,774,000	\$ 41,193,000	\$ 33,140,000

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Public School Employees' Retirement System's *Comprehensive Annual Financial Report* (CAFR) that includes financial statements and required supplementary information for the plan, which can be found at www.psers.state.pa.us.

Defined Contribution Pension Plan

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 \$150 per year up to a maximum of \$3,000. Employees must submit their intention to retire prior to March 1; however, if notice is received after March 1, employees are only entitled to \$90 per year, up to a maximum of \$3,000.

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 \$67,089, 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 position. The remaining estimate of severance benefits in the amount of \$125,735, 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 position.

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, 2016**

Summary of Plan Provisions			
Group	Eligibility	Coverage And Premium Sharing	Duration
<u>I. ADMINISTRATORS</u>	<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 has at least 15 years of District service District will pay \$5,000 per year. Upon member reaching Medicare age, a younger spouse can continue to receive coverage but must pay 100% of the premium. <p>If member does not reach 15 years of District service, 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: 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>Exception: The former Business Manager has a separate agreement where the District pays \$7,500 per year instead. All other terms remain the same.</p>	<p>Member coverage continues until Medicare age.</p> <p>Spouse coverage continues until the later of member reaches Medicare age or spouse Medicare age.</p>
<u>II. ALLOTHER EMPLOYEES</u>	Same as I	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug, Dental and Vision • Premium Sharing: Retiree pays 100% of premium • Dependents: 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 I

Notes: Act 110/43 Eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement

PSERS Retirement:

1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 62 with 5 years of PSERS Service or 2) 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.

2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 65 with 10 years of PSERS Service or 2) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service, or upon attainment of a total combination of age plus service equal to or greater than 92 a minimum of 35 years of PSERS service.

3) All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service.

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, 2016

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		231
Annual Required Contribution	\$	197,733
Interest on net OPEB obligation		20,040
Adjustment to annual required contribution		<u>(27,340)</u>
Annual OPEB cost		190,433
Contributions made		<u>(132,632)</u>
Increase in net OPEB obligation		57,801
Net OPEB obligation - beginning of year		<u>445,333</u>
Net OPEB obligation - end of year	\$	<u><u>503,134</u></u>

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

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 190,433	69.6%	\$ 503,134
6/30/2015	191,318	71.8%	445,333
6/30/2014	171,823	78.5%	391,299
6/30/2013	172,159	88.1%	354,397
6/30/2012	181,061	67.8%	333,915

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

Funding Status and Funding Process. The funded status of the benefits as of June 30, 2016, was as follows:

	State-mandated Healthcare Benefit
Actuarial accrued liability (a)	\$ 1,690,978
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 1,690,978</u>
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 11,136,950
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	15.2%

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 position 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:

	State-mandated Healthcare Benefit
Actuarial Valuation Date	1/1/2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar method over a 30 year period
Amortization Factor	16.2889
Asset Valuation Method	pay as you go basis
Actuarial Assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.75% to 6.25%
Healthcare inflation rate	
2016	5.5%
2016 +	5.3% to 4.2%

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

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, 2016, 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, 2016, the most recent available financial statements, the consortium did not have a deficit, in which the ultimate responsibility to pay for a deficit belongs to the member districts

Note 7 - Fund Balance Allocations

Nonspendable Fund Balance

The General Fund had \$19,000, in nonspendable fund balance at June 30, 2016, comprised of prepaid expenditures.

Committed Fund Balance

The governing body (Board of School Directors) has committed \$1,624,000, of the General Fund's year end fund balance for future retirement rate increases.

Assigned Fund Balance

The General Fund has \$1,850,000, assigned for maintenance projects, \$228,000 for technology purchases, \$1,674,800, to balance the 2016-2017 budget, \$60,000 for litigation, \$53,000 for state-mandated healthcare, \$75,000 for Innovation Program Initiatives, and \$225,000 for Early Education, and \$2,140,000 for State Budget Delay Reserve.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

Note 8 – Restricted Net Position

Net Investment in Capital Assets

The components of this restriction are total capital assets of \$40,880,671 and related debt of \$18,579,647, which includes unamortized bonds discounts, premiums, and deferred refunding charges. The business-type activities column reflects \$86,619 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, 2016.

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.

Note 10 – New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following standards, which have not yet been implemented:

- Statement No. 74, *Financial Reporting for Postemployment Benefits Other than Pension Plans* – The objective of this statement is to improve the usefulness of information about other postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces the requirements of Statement No. 44, *Financial Reporting for Postemployment Benefits Other than Pension Plans*.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* – This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.
- Statement No. 77, *Tax Abatement Disclosures* – The requirements of this Statement enhances the disclosure of information about the nature and magnitude of tax abatements to make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

- Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* – This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) provides benefits to governmental employees and non-governmental employees, and (3) has no predominant state or local governmental employer. This Statement, at present, will not apply to this government.

- Statement No. 80, *Blending Requirements for Certain Component Units* – This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion, in this Statement, requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

- Statement No. 81, *Irrevocable Split-Interest Agreements* – The purpose of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement, at present, will not apply to this government.

- Statement No. 82, *Pension Issues (an amendment of GASB Statements No. 67, No. 68, and No. 73)* – This Statement addresses certain issues that have been raised on previous issued Statements pertaining to Pension Plans. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**REQUIRED
SUPPLEMENTAL INFORMATION**

**Brandywine Heights Area School District
Schedule of Funding Progress
Fiscal Year Ended June 30, 2016**

<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)
1/1/2014	\$ -	\$ 1,690,978	\$ 1,690,978	0.0%	\$ 11,136,950	15.18%
1/1/2012	-	1,592,086	1,592,086	0.0%	10,994,005	14.48%
1/1/2010	-	1,536,849	1,536,849	0.0%	11,677,961	13.16%

**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2015-16</u>	<u>2014-15</u>
District's proportion of the net pension liability (asset)	9.5100%	0.1034%
District's proportionate share of the net pension liability (asset)	\$ 41,193,000	\$ 36,770,000
District's covered employee payroll	11,616,812	11,805,224
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	28.20%	32.11%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2016

	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Contractually required contribution	\$ 2,904,203	\$ 2,420,071	\$ 1,851,188	\$ 1,380,716	\$ 982,539	\$ 667,438	\$ 518,720	\$ 509,355	\$ 793,865	\$ 651,133
Contributions in relation to the contractually required contribution	<u>2,904,203</u>	<u>2,420,071</u>	<u>1,851,188</u>	<u>1,380,716</u>	<u>982,539</u>	<u>667,438</u>	<u>518,720</u>	<u>509,355</u>	<u>793,865</u>	<u>651,133</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 11,616,812	\$ 11,805,224	\$ 11,569,925	\$ 12,006,225	\$ 12,281,743	\$ 13,348,759	\$ 12,967,998	\$ 12,733,867	\$ 12,327,099	\$ 11,383,444
Contributions as a percentage of covered employee payroll	25.00%	20.50%	16.00%	11.50%	8.00%	5.00%	4.00%	4.00%	6.44%	5.72%

**Brandywine Heights Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2016**

Public School Employees' Retirement System

Changes of benefit terms

None

Changes in assumptions

None

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. The following methods and assumptions were used to determine contribution rates reported:

- Investment return – 7.50%, includes inflation at 3.00%.
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real growth rate of 1%, and merit or seniority increases of 1.50%.
- Benefit payments – no postretirement benefit increases assumed in the future.
- Multiple decrement tables – mortality, vesting, retirement age, and withdrawal estimates are based upon tables provided by the actuary.

Proportionate Share of the Net Pension Liability

The amount reported as the District's proportionate share of the net pension liability (asset) does not include the adjustment for the difference between projected vs actual contributions made.

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 Position
Private-Purpose Trust Funds
As of June 30, 2016

	ALUMNI FUND	BORDNER FUND	KLINE FUND	LAVENDOSKI FUND	REIFINGER FUND	MARY SENG FUND	SCHWOYER FUND	ZACHARY SMITH FUND	MOSSER FUND	SCHOL. FUND	TOTAL
ASSETS & DEFERRED OUTFLOWS OF RESOURCES											
Cash and Cash Equivalents	\$ 41	\$ 47	\$ 1,172	\$ 4,875	\$ 185	\$ 1,913	\$ 3,120	\$ 257	\$ 31	\$ 6,710	\$ 18,351
Investments	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-
Deferred Charges on Refundings, net	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 41	\$ 47	\$ 1,172	\$ 4,875	\$ 185	\$ 1,913	\$ 3,120	\$ 257	\$ 31	\$ 6,710	\$ 18,351
LIABILITIES & DEFERRED INFLOWS OF RESOURCES											
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ 3,550	\$ 4,050
Interfund Payables	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	500	-	3,550	4,050
NET POSITION											
Held in Trust for future recipients	41	47	1,172	4,875	185	1,913	3,120	(243)	31	3,160	14,301
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	\$ 41	\$ 47	\$ 1,172	\$ 4,875	\$ 185	\$ 1,913	\$ 3,120	\$ 257	\$ 31	\$ 6,710	\$ 18,351

Brandywine Heights Area School District
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Year Ended June 30, 2016

	<u>ALUMNI FUND</u>	<u>BORDNER FUND</u>	<u>KLINE FUND</u>	<u>LAVENDOSKI FUND</u>	<u>REIFINGER FUND</u>	<u>MARY SENG FUND</u>	<u>SCHWOYER FUND</u>	<u>ZACHARY SMITH FUND</u>	<u>MOSSER FUND</u>	<u>SCHOL. FUND</u>	<u>TOTAL</u>
ADDITIONS:											
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 450	\$ -	\$ -	\$ 1,500	\$ -	\$ 17,065	\$ 19,015
Interfund Transfers In								1,000			1,000
INVESTMENT EARNINGS:											
Interest and dividends	-	-	2	7	-	3	4	-	-	8	24
TOTAL ADDITIONS	-	-	2	7	450	3	4	2,500	-	17,073	20,039
DEDUCTIONS:											
Fees	-	-	-	-	-	-	-	-	-	-	-
Interfund Transfers Out										1,000	1,000
Awards	-	-	250	500	150	1,000	-	3,000	-	20,818	25,718
TOTAL DEDUCTIONS	-	-	250	500	150	1,000	-	3,000	-	21,818	26,718
CHANGES IN NET POSITION	-	-	(248)	(493)	300	(997)	4	(500)	-	(4,745)	(6,679)
NET POSITION - BEGINNING OF YEAR	41	47	1,420	5,368	(115)	2,910	3,116	257	31	7,905	20,980
NET POSITION - END OF THE YEAR	<u>\$ 41</u>	<u>\$ 47</u>	<u>\$ 1,172</u>	<u>\$ 4,875</u>	<u>\$ 185</u>	<u>\$ 1,913</u>	<u>\$ 3,120</u>	<u>\$ (243)</u>	<u>\$ 31</u>	<u>\$ 3,160</u>	<u>\$ 14,301</u>

**Brandywine Heights Area School District
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2016**

	<u>DISTRICT TOWNSHIP</u>	<u>LONGSWAMP TOWNSHIP</u>	<u>ROCKLAND TOWNSHIP</u>	<u>BOROUGH OF TOPTON</u>	<u>TOTAL</u>
CURRENT REAL ESTATE TAXES					
Assessed Value	\$ 73,996,900	\$ 245,145,900	\$ 197,642,600	\$ 78,313,000	\$ 595,098,400
Millage Rate	0.03230	0.03230	0.03230	0.03230	0.03230
Total	<u>2,390,100</u>	<u>7,918,213</u>	<u>6,383,856</u>	<u>2,529,510</u>	<u>19,221,679</u>
Less: Act 1 Deduction	<u>93,619</u>	<u>338,101</u>	<u>255,749</u>	<u>101,262</u>	<u>788,731</u>
TOTAL TAXABLE DUPLICATE	2,296,481	7,580,112	6,128,107	2,428,248	18,432,948
PLUS - Additions	602	724	1,825	-	3,151
- Penalties	6,289	20,253	12,076	3,622	42,240
- Prior Year Unpaid Additions	-	19	-	-	19
TOTAL TAXES TO BE COLLECTED	<u>2,303,372</u>	<u>7,601,108</u>	<u>6,142,008</u>	<u>2,431,870</u>	<u>18,478,358</u>
LESS - Discounts	39,043	126,129	103,207	39,414	307,793
- Reductions	-	2,176	-	-	2,176
- Refunds	-	5,948	1,248	710	7,906
- Returned to County	78,171	243,748	181,050	77,314	580,283
- Outstanding	-	-	-	-	-
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 2,186,158</u>	<u>\$ 7,223,107</u>	<u>\$ 5,856,503</u>	<u>\$ 2,314,432</u>	<u>\$ 17,580,200</u>
INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 7,988</u>	<u>\$ 17,887</u>	<u>\$ 27,504</u>	<u>\$ -</u>	<u>\$ 53,379</u>
CURRENT PER CAPITA TAXES					
No. of Persons Assessed	875	3,703	2,716	1,247	8,541
Tax Rate	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
TAXABLE VALUATION	<u>\$ 8,750</u>	<u>\$ 37,030</u>	<u>\$ 27,160</u>	<u>\$ 12,470</u>	<u>\$ 85,410</u>
PLUS - Additions	-	-	220	-	220
- Penalties	<u>44</u>	<u>182</u>	<u>180</u>	<u>112</u>	<u>518</u>
TOTAL TAXES TO BE COLLECTED	8,794	37,212	27,560	12,582	86,148
LESS - Discounts	125	457	387	161	1,130
- Exonerations	530	1,280	1,370	660	3,840
- Reductions	-	-	-	-	-
- Refunds	-	-	-	-	-
- Outstanding	<u>790</u>	<u>8,170</u>	<u>2,270</u>	<u>1,370</u>	<u>12,600</u>
NET CURRENT PER CAPITA TAXES COLLECTED	<u>\$ 7,349</u>	<u>\$ 27,305</u>	<u>\$ 23,533</u>	<u>\$ 10,391</u>	<u>\$ 68,578</u>

Brandywine Heights Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2016

<u>6000 - Revenue from Local Sources</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
6111 Current Real Estate Taxes	\$ 17,635,163	\$ 17,580,200	\$ (54,963)
6112 Interim Real Estate Taxes	38,000	53,379	15,379
6113 Public Utility	24,328	23,372	(956)
6114 Payment in Lieu of Taxes	169	169	-
6120 Current Per Capita Taxes - 511	36,000	34,289	(1,711)
6141 Current Per Capita Taxes - 679	36,000	34,289	(1,711)
6143 Local Services Tax	16,200	18,033	1,833
6151 Earned Income Tax	1,616,000	1,685,687	69,687
6153 Real Estate Transfer Tax	130,000	165,278	35,278
6411 Delinquent Real Estate Taxes	722,000	742,052	20,052
6420 Delinquent Per Capita Taxes - 511	2,500	2,895	395
6441 Delinquent Per Capita Taxes - 679	2,500	2,895	395
6510 Interest	50,000	52,018	2,018
6710 Admissions	28,000	26,708	(1,292)
6740 Fees	59,000	73,442	14,442
6790 Other Student Activity Income	1,000	-	(1,000)
6832 I/U Services - Federal	263,808	260,696	(3,112)
6836 Federal ARRA Race to the Top	-	338	338
6910 Rentals	46,800	54,721	7,921
6920 Contributions	7,200	22,267	15,067
6942 Summer School	8,000	2,626	(5,374)
6961 Transportation Services Provided Other PA Schools	-	2,929	2,929
6990 Refunds and Other Miscellaneous Revenue	-	413	413
6991 Refunds of a Prior Year Expenditure	-	8,533	8,533
6999 Other Revenues Not Specified Above	<u>29,000</u>	<u>10,364</u>	<u>(18,636)</u>
TOTAL REVENUE FROM LOCAL SOURCES	\$ 20,751,668	\$ 20,857,593	\$ 105,925
<u>7000 - Revenue from State Sources</u>			
7110 Basic Subsidy - ESBE	4,212,303	4,005,057	(207,246)
7160 Orphan Tuition	25,000	7,373	(17,627)
7271 Special Education	1,074,174	1,032,383	(41,791)
7311 Transportation (Regular and Additional)	650,000	570,789	(79,211)
7312 Transportation (Nonpublic and Charter School)	-	43,120	43,120
7320 Rental and Sinking Fund Payments / Building Reimb	294,234	288,576	(5,658)
7330 Health Services	29,700	27,415	(2,285)
7340 State Property Tax Reduction Allocation	788,786	788,786	-
7505 Ready to Learn Grant	-	205,220	205,220
7810 FICA Revenue	478,890	447,515	(31,375)
7820 Retirement Revenue	<u>1,579,435</u>	<u>1,589,828</u>	<u>10,393</u>
TOTAL REVENUE FROM STATE SOURCES	9,132,522	9,006,062	(126,460)
<u>8000 - Revenue from Federal Sources</u>			
8514 Title I	200,000	191,757	(8,243)
8515 Title II	68,000	67,902	(98)
8810 Medical Assistance Reimbursements (Access)	140,000	58,195	(81,805)
8820 Medical Assistance Reimbursement for Health-Related	<u>1,000</u>	<u>501</u>	<u>(499)</u>
TOTAL REVENUE FROM FEDERAL SOURCES	409,000	318,355	(90,645)
<u>9000 - Other Financing Sources</u>			
9300 Proceeds from Extended Term Financing	-	-	-
9400 Sale of Fixed Assets	<u>2,000</u>	<u>5,598</u>	<u>3,598</u>
TOTAL OTHER FINANCING SOURCES	<u>2,000</u>	<u>5,598</u>	<u>3,598</u>
 TOTAL REVENUES AND OTHER FINANCING SOURCES	 <u>\$ 30,295,190</u>	 <u>\$ 30,187,608</u>	 <u>\$ (107,582)</u>

Brandywine Heights Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2016

1000 - Instruction		Budget	Actual	Variance
1110	Regular Programs - Elem./Secondary	\$ 11,468,009	\$ 11,466,922	\$ 1,087
1190	Federally Funded Regular Programs	264,523	258,893	5,630
1211	Life Skills Support - Public	505,484	504,073	1,411
1220	Sensory Support	307,521	306,067	1,454
1230	Emotional Support - Public	827,144	826,058	1,086
1241	Learning Support - Public	1,715,835	1,713,451	2,384
1243	Gifted Support	233,618	229,245	4,373
1260	Physical Support	70,500	50,780	19,720
1280	Early Intervention Support	23,000	22,120	880
1290	Other Support	428,000	426,295	1,705
1390	Other Vocational Education Programs	699,648	692,379	7,269
1420	Summer School	2,736	1,800	936
1430	Homebound Instruction	5,790	4,369	1,421
1500	Nonpublic School Programs	1,500	737	763
	Total Instruction	16,553,308	16,503,189	50,119
2000 - Support Services				
2111	Supervision of Pupil Personnel	66,376	65,608	768
2120	Guidance Services	672,018	671,999	19
2140	Psychological Services	212,483	210,188	2,295
2170	Student Accounting Services	49,486	46,197	3,289
2220	Technology Support Services	63,646	62,842	804
2240	Computer-Assisted Instruction Support Services	171,107	168,983	2,124
2250	School Library Services	423,665	413,445	10,220
2260	Instructional & Curriculum Dev. Service	322,622	320,795	1,827
2270	Instructional Staff Development Services	88,323	87,628	695
2280	Nonpublic Support Services	200	29	171
2290	Other Instructional Staff Services	1,200	677	523
2310	Board Services	57,384	56,973	411
2320	Board Treasurer Services	250	100	150
2330	Tax Assessment & Collection Service	76,260	72,857	3,403
2350	Legal Services	70,100	63,988	6,112
2360	Office of the Superintendent Services	242,062	239,845	2,217
2370	Community Relation Services	1,000	405	595
2380	Office of the Principal Services	833,267	831,234	2,033
2390	Other Administrative Services	33,850	31,380	2,470
2420	Medical Services	1,100	756	344
2440	Support Services - Nursing Services	344,287	342,455	1,832
2450	Nonpublic Health Services	659	-	659
2511	Supervision of Fiscal Services	249,354	247,355	1,999
2513	Receiving and Disbursing Funds Services	58,721	57,060	1,661
2514	Payroll Services	89,835	88,920	915
2515	Financial Accounting Services	88,063	87,748	315
2520	Purchasing Services	40,723	39,560	1,163
2530	Warehousing and Distributing Services	9,550	8,665	885
2590	Other Support Services - Business	5,000	4,411	589
2611	Supervision of Operation and Maintenance of Plant	101,608	101,270	338
2619	Operation & Maintenance of Plant	73,199	72,174	1,025
2620	Operation of Buildings Services	1,880,766	1,879,077	1,689
2630	Care and Upkeep of grounds services	114,602	113,334	1,268
2640	Care and Upkeep of Equipment Services	17,650	16,934	716
2650	Vehicle Operation and Maintenance Services	51,700	50,766	934
	SUB-TOTAL - SUPPORT SERVICES	6,512,116	6,455,658	56,458

Brandywine Heights Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
SUB-TOTAL - SUPPORT SERVICES (carried forward)	6,512,116	6,455,658	56,458
2660 Security Services	27,231	25,988	1,243
2711 Supervision of Student Transportation Services	62,190	55,146	7,044
2720 Vehicle Operation Services	1,058,254	1,055,241	3,013
2750 Nonpublic Transportation	279,078	278,251	827
2818 System-wide Technology Services	366,408	358,935	7,473
2823 Public Information Services	950	750	200
2831 Supervision of Staff Services	62,545	52,217	10,328
2832 Recruitment and Placement Services	2,500	2,500	-
2834 Staff Development Services - Non-Instructional, Certified	10,860	10,560	300
2836 Staff Development Services - Non-Instructional, Non-Certified	4,900	1,973	2,927
2839 Other Staff Services	1,500	1,089	411
2840 Data Processing Services	35,161	34,325	836
2850 State & Federal Agency Liaison Services	16,163	15,706	457
2910 Support services not listed elsewhere in the 2000	<u>23,368</u>	<u>23,311</u>	<u>57</u>
 Total Support Services	 8,463,224	 8,371,650	 91,574
 <u>3000 - Operation of Non-Instructional Services</u>			
3210 Student Activities	46,513	45,797	716
3250 School Sponsored Athletics	<u>537,713</u>	<u>535,885</u>	<u>1,828</u>
 Total Non-Instructional Services	 584,226	 581,682	 2,544
 <u>4000 - Facilities Acquisition, Construction, and Improvement Svcs.</u>			
4200 Existing Site Improvement Services	198,500	197,370	1,130
4400 Architecture and Engineering Services	<u>15,000</u>	<u>12,691</u>	<u>2,309</u>
 Total Facilities Acquisition, Construction, and Improvement Svcs.	 213,500	 210,061	 3,439
 <u>5000 - Other Expenditures and Financing Uses</u>			
5110 Debt Service	3,449,232	3,433,958	15,274
5130 Refund of Prior Yr. Receipts	700	14	686
5230 Capital Projects Fund Transfers	1,031,000	1,030,234	766
5900 Budgetary Reserve	<u>200,000</u>	<u>-</u>	<u>200,000</u>
 Total Other Expenditures and Financing Uses	 <u>4,680,932</u>	 <u>4,464,206</u>	 <u>216,726</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 <u>\$ 30,495,190</u>	 <u>\$ 30,130,788</u>	 <u>\$ 364,402</u>
 TOTAL REVENUES AND OTHER FINANCING SOURCES	 \$ 30,295,190	 \$ 30,187,608	 \$ (107,582)
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 <u>30,495,190</u>	 <u>30,130,788</u>	 <u>364,402</u>
 NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	 (200,000)	 56,820	 256,820
 Special Items	 -	 -	 -
Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>
 NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES AFTER SPECIAL ITEMS AND EXTRAORDINARY ITEMS	 (200,000)	 56,820	 256,820
 FUND BALANCE - JULY 1, 2015	 <u>8,896,685</u>	 <u>9,808,509</u>	 <u>911,824</u>
 FUND BALANCE - JUNE 30, 2016	 <u>\$ 8,696,685</u>	 <u>\$ 9,865,329</u>	 <u>\$ 1,168,644</u>

Brandywine Heights Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2016

OPERATING REVENUES

Sales to Students	\$	290,380	
Sales to Adults		12,012	
State Social Security Reimbursement		7,227	
State Retirement Reimbursement		24,783	
State Subsidies		17,636	
Federal Subsidies		201,879	
Donated Commodities Received		45,478	
Special Functions		8,008	
Transfer from General Fund		-	
Miscellaneous Revenue		324	
Federal Revenue Received from Other Sources		-	
Gain or (Loss) from Sale of Fixed Assets		-	
Interest		184	
		<u>184</u>	\$ 607,911

COST OF GOODS SOLD

Beginning Inventory - Food and Commodities - July 1, 2015	27,495	
Food and Milk (Purchases)	177,816	
Supplies	21,205	
Donated Commodities Used	45,478	
LESS-Ending Inventory-Food and Commodities - June 30, 2016	<u>(17,898)</u>	<u>254,096</u>
GROSS PROFIT		353,815

OPERATING EXPENSES

Salaries	192,852	
Employees Insurance	33,327	
Social Security	14,455	
Retirement	48,190	
Unemployment Comp.	-	
Workmen's Compensation	1,735	
Other Employee Benefits	182	
Professional Services	44,228	
Training and Development	-	
Repairs and Maintenance	21,690	
Printing	-	
Gasoline	223	
Insurance	300	
Software	1,488	
Dues and Fees	269	
Other Expenses	-	
Depreciation	<u>5,223</u>	<u>364,162</u>
CHANGES IN FUND NET POSITION		(10,347)
FUND NET POSITION - JULY 1, 2015		(440,047)
FUND NET POSITION - JUNE 30, 2016		<u>\$ (450,394)</u>

**Brandywine Heights Area School District
Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2016**

FUND BALANCE - JULY 1, 2015		\$	-
<u>REVENUES AND OTHER FINANCING SOURCES</u>			
Transfer from General Fund	\$ 1,030,234		
Proceeds from Bond Issues	-		
Refund of Prior Year Expenditures	-		
Interest Earnings	101		
	101		1,030,335
 TOTAL FUNDS AVAILABLE			 1,030,335
<u>EXPENDITURES AND OTHER FINANCING USES</u>			
INSTRUCTIONAL:			
Supplies		-	
SUPPORT SERVICES:			
Professional Services		-	
Insurance		-	
Supplies		-	
NON-INSTRUCTIONAL SERVICES:			
Equipment		-	
CAPITAL OUTLAY			
Professional Services		-	
Site Improvements		-	
Construction costs	1,030,335		
Repairs and Maintenance		-	
Equipment		-	
Supplies		-	
OTHER FINANCING USES			
Transfer to General Fund		-	
Transfer to Other Funds		-	
	-		1,030,335
 FUND BALANCE - JUNE 30, 2016		 \$	 -

**Brandywine Heights Area School District
GON 2014 Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2016**

FUND BALANCE - JULY 1, 2015		\$ -
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding Bond Issues	\$ 4,040,000	
Interest Earnings	-	<u>4,040,000</u>
 TOTAL FUNDS AVAILABLE		 4,040,000
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
INSTRUCTIONAL:		
Supplies	-	
SUPPORT SERVICES:		
Professional Services	52,500	
Insurance	-	
NON-INSTRUCTIONAL SERVICES:		
Equipment	-	
CAPITAL OUTLAY		
Professional Services	-	
Site Improvements	-	
Construction costs	-	
OTHER FINANCING USES		
Debt Service - Interest	1,367	
Payment to Refunded Bonds Escrow Agent	<u>3,986,133</u>	<u>4,040,000</u>
 FUND BALANCE - JUNE 30, 2016		 \$ -

Brandywine Heights Area School District
Schedule on General Obligation Notes - Series of 2002
For the Year Ended June 30, 2016

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	\$ 149,619	\$ 2,550,000
2017-18	69,556	2,675,000
2018-19	12,569	700,000
TOTAL OUTSTANDING - JUNE 30, 2015	<u>\$ 231,744</u>	<u>\$ 5,925,000</u>

Schedule on General Obligation Bonds - Series A of 2011
For the Year Ended June 30, 2016

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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, 2015	<u>\$ 1,180,458</u>	<u>\$ 8,990,000</u>

Schedule on General Obligation Notes - Series of 2014
For the Year Ended June 30, 2016

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	\$ 107,108	\$ 5,000
2017-18	106,392	5,000
2018-19	106,260	40,000
2019-20	105,204	165,000
2020-21	100,848	185,000
2021-22	95,964	3,175,000
2022-23	12,144	460,000
TOTAL OUTSTANDING - JUNE 30, 2015	<u>\$ 633,920</u>	<u>\$ 4,035,000</u>

SINGLE AUDIT SECTION

**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<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) 7/1/2015</u>	<u>REVENUE</u>	<u>EXPEND.</u>	<u>ACCRUED OR (DEFERRED) 6/30/2016</u>	<u>FOOTNOTES</u>
<u>U.S. DEPT. OF EDUCATION</u>											
<u>PASSED THROUGH THE PDE</u>											
ESEA - TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-15-0046 A	7/1/14 - 9/30/15	\$ 198,951	\$ 24,759	\$ 24,759	\$ -	\$ -	\$ -	2
ESEA - TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-16-0046 A	7/1/15 - 9/30/16	191,757	166,310	-	191,757	191,757	25,447	
TOTAL TITLE IA PROGRAM						191,069	24,759	191,757	191,757	25,447	
<u>PASSED THROUGH THE PDE</u>											
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-15-0046 A	7/1/14 - 9/30/15	68,172	9,054	9,054	-	-	-	2
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-16-0046 A	7/1/15 - 9/30/16	67,902	67,902	-	67,902	67,902	-	
TOTAL TITLE IIA PROGRAM						67,956	9,054	67,902	67,902	-	
<u>PASSED THROUGH THE BERKS COUNTY I.U.</u>											
IDEA - B	I	84.027	N/A	7/1/14 - 6/30/15	262,599	87,792	87,792	-	-	-	2
IDEA - B	I	84.027	N/A	7/1/15 - 6/30/16	259,468	95,959	-	259,468	259,468	163,509	1
IDEA - SECTION 619	I	84.173	N/A	7/1/15 - 6/30/16	1,228	1,228	-	1,228	1,228	-	1
TOTAL IDEA CLUSTER						184,979	87,792	260,696	260,696	163,509	
ARRA - RACE TO THE TOP	I	84.413A	N/A	1/1/14 - 6/30/16	13,297	338	-	338	338	-	5
TOTAL U. S. DEPARTMENT OF EDUCATION						453,342	121,605	520,693	520,693	188,956	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>											
<u>PASSED THROUGH THE PA PUBLIC DEPARTMENT OF WELFARE</u>											
ESEA - TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/15 - 9/30/16	N/A	268	-	501	501	233	2
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						268	-	501	501	233	
<u>U. S. DEPARTMENT OF AGRICULTURE</u>											
<u>PASSED THROUGH THE PA DEPT. OF EDUCATION:</u>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/14 - 6/30/15	N/A	2,111	2,111	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/15 - 6/30/16	N/A	155,155	-	175,717	175,717	20,562	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/14 - 6/30/15	N/A	387	387	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/15 - 6/30/16	N/A	22,826	-	26,162	26,162	3,336	
						180,479	2,498	201,879	201,879	23,898	
<u>PASSED THROUGH THE PA DEPT. OF AGRICULTURE:</u>											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/1/15 - 6/30/16	N/A	45,478	-	45,478	45,478	-	2
TOTAL CHILD NUTRITION CLUSTER						225,957	2,498	247,357	247,357	23,898	3,4
TOTAL U.S. DEPARTMENT OF AGRICULTURE						225,957	2,498	247,357	247,357	23,898	
TOTAL FEDERAL AWARDS						\$ 679,567	\$ 124,103	\$ 768,551	\$ 768,551	\$ 213,087	

SOURCE: D -DIRECT; I -INDIRECT

Brandywine Heights Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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 1.72% of its total general fund revenue in federal awards, and 40.71% of its total enterprise fund revenue.

Note 3 – Indirect Costs

The District did not charge any indirect costs to any of their federal grants and programs during this fiscal year. As such, the District did not use the 10% de minimus cost rate.

Note 4 - 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 Federal Grants were passed through the following entities in the totals below:

<u>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Department of Education	\$ 526,782	\$ 461,538
Berks County I.U.	536,592	261,034
PA Department of Public Welfare	N/A	501
PA Department of Agriculture	N/A	45,478
Totals	\$ 1,063,374	\$ 768,551

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$45,478 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2015-16 fiscal year, the District used \$45,478 in commodities and established a year-end inventory of \$0 at June 30, 2016.
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 programs reporting this footnote are grants received using funds from the American Recovery and Reinvestment Act.

FINANCIAL STATEMENT RECONCILIATION

General Fund Federal Source Revenues	\$ 318,355
Federal Grants in Local Sources	261,034
Food Service Fund Federal Revenue	<u>247,357</u>
Total Federal Revenue, per financial statements	826,746
Less - Medical Access	(58,195)
Plus - Change in Donated Commodities	<u>-</u>
Total Federal Revenue Reported on SEFA	<u>\$ 768,551</u>



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

**INDEPENDENT AUDITOR'S REPORT
UNDER GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement of the general fund of the Brandywine Heights Area School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Brandywine Heights Area School District's basic financial statements, and have issued our report thereon dated December 5, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brandywine Heights Area School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Accordingly, we do not express an opinion on the effectiveness of Brandywine Heights Area School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brandywine Heights Area School District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



December 5, 2016



**INDEPENDENT AUDITOR'S REPORT
UNDER UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Brandywine Heights Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement that could have a direct and material effect on each of Brandywine Heights Area School District's major federal programs for the year ended June 30, 2016*. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Brandywine Heights Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Brandywine Heights Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Brandywine Heights Area School District complied, in all material respects, with the types of 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, 2016.

Report on Internal Control over Compliance

Management of Brandywine Heights Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Brandywine Heights Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



December 5, 2016

**Brandywine Heights Area School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2016**

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance? yes no

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	IDEA Cluster

Percentage of program tested to total awards 33.9%

Dollar threshold used to distinguish between type A and type B program: \$ 750,000

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, 2016**

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 Uniform Guidance Section 200.516

Audit Follow-Up Procedures

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