

**REPORT ON
BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2012

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BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2012

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BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2012

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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, 2012, and have enclosed the Single Audit reporting package.

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

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

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

Respectfully submitted,

Gorman & Associates, P.C.

December 5, 2012



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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Brandywine Heights Area School District for the year ended June 30, 2012, and have issued our report thereon dated December 5, 2012.

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 August 25, 2012.

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

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

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

We have requested certain representations from management that are included in the management representation letter provided to us on December 5, 2012. 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 2011-12 basic financial statements.

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

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

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

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

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

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

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

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

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

CONTROL DEFICIENCIES

Athletic Program

During our review of game receipts, management was able to provide the necessary supporting documentation to verify the recorded receipts on season passes. However, during this process we discovered the Athletic Director is responsible for collecting the cash, generating the tickets, and depositing the receipts. This creates a potential problem in one person controlling the entire process without any segregation of duties. While we understand this is not a lot of money, anytime cash is handled there is a greater potential for errors.

As a result, we wish to suggest management implement a system where the forms requesting season tickets be pre-numbered, the athletic director collects the cash and forwards the forms to the business office, who releases the season passes to the applicants. This improvement would properly put appropriate controls in place segregating cash receipts from the submission of season passes.

Activity Fund

During our testing of invoices in the student clubs, we discovered that activity club advisors are being reimbursed for certain costs without providing sufficient documentation on what they are being reimbursed on. The only proof of purchase provided by advisors' are a copy of their bank statement or credit card statement showing the charge. This back-up does not provide sufficient documentation to explain exactly what was purchased.

We recommend management require club advisors or any other district personnel to provide written receipts showing the exact purchased product or service requiring reimbursement from the District or Student Club.

We also discovered an issue associated with the FBLA Student Club, when we noticed this Club paid an invoice made payable to FBLA – Fleetwood. Upon further investigation, we discovered the student advisor is also the treasurer for the Regional FBLA. As such, she has been using the District's student club to make payments and deposits for the regional FBLA.

We highly recommend management inform this individual to stop depositing receipts or paying invoices for another organization thru the Activity Fund of the Brandywine Heights Area School District's student clubs and organizations.

RECOMMENDATIONS

Athletic Receipts

During our review of athletic game receipts, we discovered the business office is posting all game receipts to function code 6710. While there is nothing wrong with this recording, we are suggesting the business office apply a sub-category to segregate the game receipts by sport, which will enable management and the governing body to have better oversight of the individual sports year after year.

OTHER INFORMATION

We would be remiss if we didn't keep the management and the Board of School Directors informed of changes in accounting principles that will affect the School District next year and future years. The Government Accounting Standards Board (GASB) has issued Statement Nos. 62, 63, 64, 65, 66, 67, and 68 that will come into effect in years to come. The statements that could affect the School District next year and future years are as follows:

GASB Statement No. 62

This statement incorporates other accounting principles established by the American Institute of Certified Public Accountants, known as APBs and ARBs, along with FASB accounting standards that apply to governments. This statement goes into effect next year; however there should be no current effect for the school district pertaining to this statement, except disclosure note changes.

GASB Statement No. 63

This statement goes into effect next year and institutes new classifications to be shown on the Statement of Net Assets, which has also changed to – Statement of Net Position. The new classifications are called: Deferred Inflow of Resources and Deferred Outflow of Resources.

Deferred Outflow of Resources is a consumption of net assets by the government that is applicable to a future reporting period. An example would be Prepaid Expenses that was previously classified as an asset. Deferred Inflow of Resources is an acquisition of net assets by the government that is applicable to a future reporting period. An example would be deferred revenue, whose title will no longer be used.

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

GASB Statement No. 65

This is a companion standard associated with Statement 63. It provides information on what items previously shown as assets, will be reclassified as deferred outflow of resources. And it reflects certain items previously classified as liabilities to deferred inflow of resources.

GASB Statement No. 68

This statement and its component statement no. 67 will have a massive impact on all governments' entity-wide financial statements. It will affect every government in the Commonwealth of PA and every other government located in all 50 states, including state governments.

It will require all governments to report the entire amount of the unfunded actuarial liability for any pension plans associated with each respective government onto their government-wide financial statements that are used by bond rating agencies to establish your debt ratings. Presently, governments only report approximately one-thirtieth of this liability on their financial statements assuming they have a stand-alone pension plan.

Those governments, like this School District, that don't report any pension obligation because they and you belong to a pension trust (PSERS), will soon have to report your proportionate share of the pension trust's unfunded actuarial pension liability. Your proportionate share of this significant liability will be based upon the percentage of your contributions into the plan compared to the total contributions submitted by all participating governments in the pension trust.

This standard will have a devastating effect for larger governments, whom are already in dire straits as a result of the poor economy. This standard becomes effective for your 2014-2015 fiscal year.

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.

Respectively submitted,

Norman Associates, P.C.

December 5, 2012

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

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Brandywine Heights Area School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards, generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Brandywine Heights Area School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles, generally accepted in the United States of America.

In accordance with Government Auditing Standards we have also issued our report dated December 5, 2012, on our consideration of the Brandywine Heights Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, on pages 10 – 21, and the Schedule of Funding Progress on page 71, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Respectfully submitted

Harnett & Associates, P.C.

December 5, 2012

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, 2012

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, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

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

FINANCIAL HIGHLIGHTS

The District's overall financial position, as represented by total net assets of \$20,816,048, reflected a 14.8 3% increase over the prior year. The increase was due to the scheduled \$2,365,000 reduction in bonds payable offset by other changes in net assets.

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

In governmental funds, the total general fund's fund balance increased \$1,403,813 to \$5,129,327. The General Fund budget included a \$638,781 decrease in fund balance for the fiscal year. The \$2,069,594 variance between budget and actual resulted primarily from a combination of unanticipated increases in the beginning fund balance, refinancing the 2006 bonds, converting the 2002 variable rate bonds to a low fixed rate, sale of two vacated school properties, additional state and federal revenues, staffing changes that occurred after the budget was approved, and the nonuse of the budget reserve appropriation. Actual total revenues were 101.5% of original budgeted revenues and actual total expenditures excluding budgetary reserve were 94.1% of original budgeted expenditures.

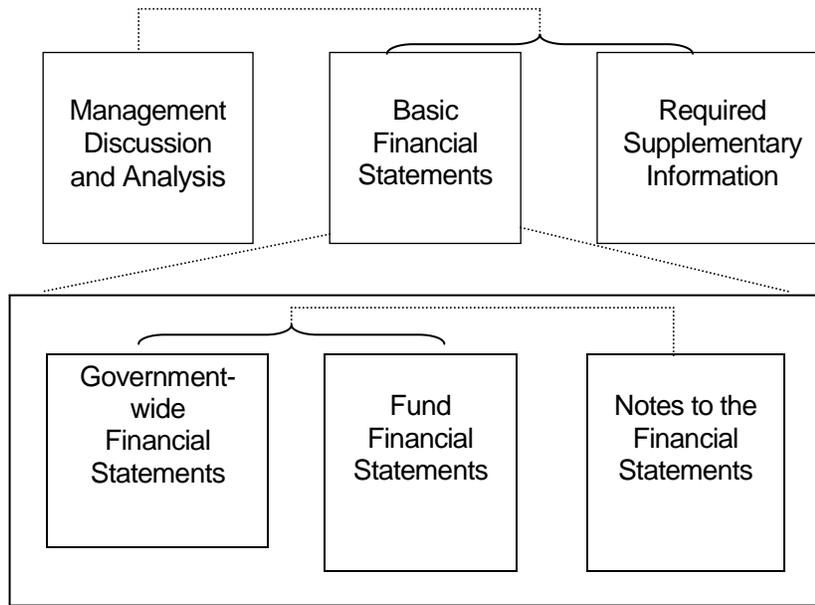
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future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

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

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

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



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

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

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

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

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management's Discussion and Analysis

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net assets were \$20,816,048 at June 30, 2012.

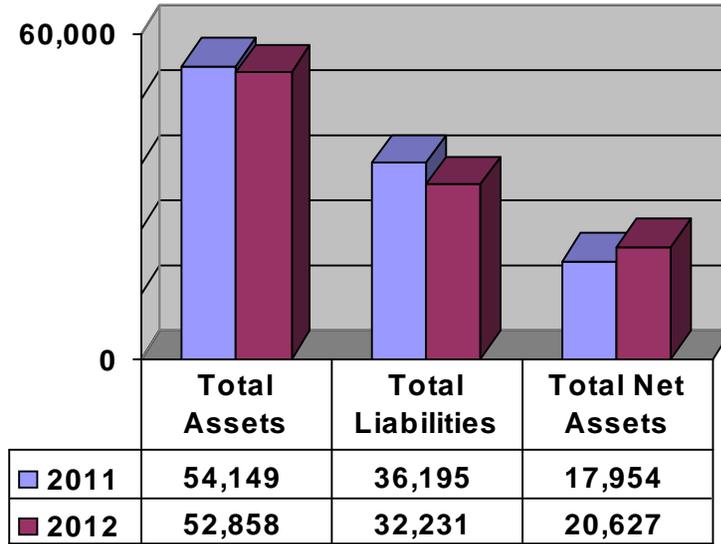
Table A-1
Net Assets
As of June 30, 2012 and June 30, 2011

	2012			2011		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
Current and other assets	\$ 9,318,692	\$ 112,231	\$ 9,430,923	\$ 12,760,569	\$ 212,921	\$ 12,973,490
Non Current assets	<u>43,539,664</u>	<u>92,116</u>	<u>43,631,780</u>	<u>41,388,288</u>	<u>77,150</u>	<u>41,465,438</u>
Total assets	\$ 52,858,356	\$ 204,347	\$ 53,062,703	\$ 54,148,857	\$ 290,071	\$ 54,438,928
Current and other liabilities	\$ 5,479,108	\$ 4,456	\$ 5,483,564	\$ 7,040,148	\$ 108,409	\$ 7,148,557
Long-term liabilities	<u>26,751,586</u>	<u>11,505</u>	<u>26,763,091</u>	<u>29,154,457</u>	<u>8,522</u>	<u>29,162,979</u>
Total Liabilities	32,230,694	15,961	32,246,655	36,194,605	116,931	36,311,536
Net Assets						
Invested in capital assets, net of related debt	15,332,061	92,116	15,424,177	13,905,541	77,150	13,982,691
Restricted	-	-	-	-	-	-
Unrestricted	<u>5,295,601</u>	<u>96,270</u>	<u>5,391,871</u>	<u>4,048,711</u>	<u>95,990</u>	<u>4,144,701</u>
Total Net Assets	<u>\$ 20,627,662</u>	<u>\$ 188,386</u>	<u>\$ 20,816,048</u>	<u>\$ 17,954,252</u>	<u>\$ 173,140</u>	<u>\$ 18,127,392</u>

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

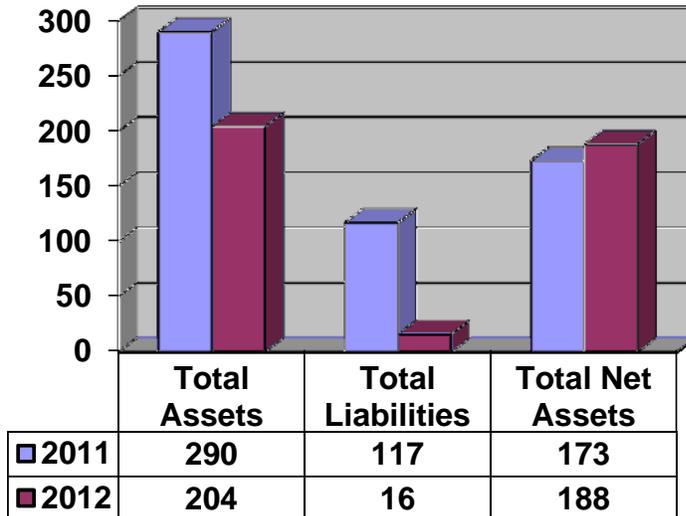
Graph 1

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



Graph 2

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



BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

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

Table A-2
Changes in Net Assets
Fiscal Years ended June 30, 2012 and June 30, 2011

	<u>2012</u>			<u>2011</u>		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
REVENUES						
<i>Program revenues:</i>						
Charges for services	\$ 105,186	\$ 398,667	\$ 503,853	\$ 57,242	\$ 446,442	\$ 503,684
Operating grants and contributions	3,867,240	223,818	4,091,058	4,806,540	250,257	5,056,797
Capital grants and contributions	251,527	-	251,527	415,895	-	415,895
<i>General revenues:</i>						
Property taxes	17,042,175	-	17,042,175	16,748,388	-	16,748,388
Other taxes	1,715,915	-	1,715,915	1,656,953	-	1,656,953
Grants, subsidies and contributions, unrestricted	4,637,408	-	4,637,408	4,073,660	-	4,073,660
Other	250,822	46,242	297,064	107,413	50,059	157,472
TOTAL REVENUES	\$ 27,870,273	\$ 668,727	\$ 28,539,000	\$ 27,866,091	\$ 746,758	\$ 28,612,849
EXPENSES						
Instruction	\$ 14,632,394	\$ -	\$ 14,632,394	\$ 15,073,785	\$ -	\$ 15,073,785
Instructional student support	2,061,386	-	2,061,386	2,047,236	-	2,047,236
Administrative and financial support	2,151,580	-	2,151,580	2,298,755	-	2,298,755
Operation and maintenance of plant	2,051,233	-	2,051,233	2,638,899	-	2,638,899
Pupil transportation	1,661,584	-	1,661,584	1,670,696	-	1,670,696
Student activities	522,984	-	522,984	521,220	-	521,220
Community services	63	-	63	-	-	-
Interest on long-term debt	1,220,982	-	1,220,982	1,057,370	-	1,057,370
Unallocated depreciation expense	894,657	-	894,657	893,625	-	893,625
Food Services	-	653,481	653,481	-	740,170	740,170
TOTAL EXPENSES	\$ 25,196,863	\$ 653,481	\$ 25,850,344	\$ 26,201,586	\$ 740,170	\$ 26,941,756
Increase (decrease) in net assets	\$ 2,673,410	\$ 15,246	\$ 2,688,656	\$ 1,664,505	\$ 6,588	\$ 1,671,093

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, 2012 and June 30, 2011

Functions/Programs	<u>2012</u>		<u>2011</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 14,632,394	\$ 12,134,598	\$ 15,073,785	\$ 11,665,400
Instructional Student Support	2,061,386	1,746,130	2,047,236	1,773,231
Administrative and Financial Support	2,151,580	2,052,200	2,298,755	2,222,426
Operation and Maintenance of Plant	2,051,233	1,999,123	2,638,899	2,590,585
Pupil Transportation	1,661,584	745,750	1,670,696	666,685
Student Activities	522,984	430,997	521,220	468,282
Community Services	63	-	-	-
Interest on Long-Term Debt	1,220,982	969,455	1,057,370	641,675
Unallocated Depreciation Expense	894,657	894,657	893,625	893,625
Total Governmental Activities	\$ 25,196,863	\$ 20,972,910	\$ 26,201,586	\$ 20,921,909
Less:				
Unrestricted grants, subsidies		4,637,408		4,073,660
Total needs from local taxes and other revenues		\$ 16,335,502		\$ 16,848,249

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

Table A-4
Fiscal Years ended June 30, 2012 and June 30, 2011
Business-type Activities

Functions/Programs	<u>2012</u>		<u>2011</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	\$ 653,481	\$ 30,996	\$ 740,170	\$ 43,471
Less:				
Transfers In		51,908		50,000
Gain (Loss) on sale of capital assets		(5,728)		-
Investment earnings and other		62		59
Total cost of business-type activities		\$ (15,246)		\$ (6,588)

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

THE DISTRICT FUNDS

At June 30, 2012, the District governmental funds reported a combined fund balance of \$5,600,819, which is a decrease of \$1,589,545. The major changes are:

General Fund:

The General Fund balance increased by \$1,430,813 to \$5,129,327. This is \$2,529,682 over the original budget's ending fund balance. The actual expenditures were \$1,508,879 or 5.4% under budget, the revenues were \$146,880 or 0.5% over budget and the beginning fund balance was \$460,088 or 14.2% over budget.

The expenditure variance represents the unused budgetary reserve \$200,000 and unused appropriations for salaries/benefits \$683,000, debt service interest savings \$400,000 through refinancing one bond issue and converting a variable rate bond issue to a low fixed rate, savings in student transportation contracted services and operations/maintenance of \$118,000 and \$149,000 respectively.

The revenue variance resulted from additional state and federal revenues not anticipated at the time of the budget adoption. The sale of two vacated school properties resulted in \$257,000 of other resources.

Local tax revenue provides approximately 67% of the District's total revenues. These revenues are difficult to budget for because changing economic conditions directly impact both the basis and current collection rates. These revenues include real estate, interim real estate, delinquent real estate, earned income, real estate transfer, per capita, delinquent per capita, and occupation privilege taxes.

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

The increases in the governmental funds combined fund balance were off-set by a decrease of \$3,019,972 in the capital projects fund balance. The decrease is a result of project expenditures to replace the roof on the elementary and intermediate/middle schools, upgrade electrical and lighting in the same two schools, and to improve security in all of the schools. A portion of the elementary school project as postponed until summer 2012 so that education was not disrupted by construction activities.

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

Business Type Activity:

The food service program reduced loss of \$36,662 at June 30, 2012, before a \$51,908 transfer from the General Fund. The loss is almost \$7,000 less than the previous year loss. The District explored contracted food service during 2010-11. The support staff union matched the savings offered by the food service management company through a salary freeze, benefits reductions, and staffing cuts. The closure of one elementary school and staffing/benefit reductions in 2011-12, 25% of the Director of Technology/Food Services salary and benefits previously funded in the general fund were paid by the food service fund.

The food service program purchased a walk-in freezer unit for the storage of bulk purchases and government commodities, and a point of service system. The general fund transfer to food service was to cover the cost of the two major pieces of equipment and \$11,000 for other equipment repairs and small equipment purchases.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the District had \$43,360,838 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 \$2,203,731, or 5.35% from last year.

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

	<u>2012</u>	<u>2011</u>
Land & Land Improvements	\$ 822,282	\$ 775,087
Buildings	36,323,833	37,252,279
Furniture, Equipment, & Vehicles	647,683	727,848
Construction in Progress	5,567,040	2,401,893

DEBT ADMINISTRATION

**Table A-5
Outstanding Debt**

	<u>2012</u>	<u>2011</u>
General Obligation Bonds:		
- Refunding Series of 2002	\$ 1,105,000	\$ 1,625,000
- Series of 2002	13,860,000	15,345,000
- Series of 2003	310,000	575,000
- Series of 2006	90,000	155,000
- Refunding of Series A of 2011	9,970,000	9,995,000
- Series B of 2011	3,845,000	3,850,000

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

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The revenue budget for the 2012-2013 year is \$958,581 more than the original budget for 2011-2012. This represents 3.5% increase in budgeted revenues. The District's real estate tax rate increase of 2.3% was levied to offset increases to the districts retirement fund obligations, increases in medical coverage costs, and to produce a budget that does not require use of fund balance. The District exceeded the Act 1 Index 0.2% by using a portion of an approved index exception for retirement fund costs.

For the fifth consecutive year state gaming funds will be available to provide tax relief for qualified homestead and farmstead properties. The district received \$788,401 which was passed on to provide approximately \$218 in tax relief to 3,619 property owners.

The expenditure budget increased \$317,800 to \$28,622,600 inclusive of no pay increase for any employee group, 9% increase in health insurance, and 43% increase in retirement system funding. 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 is currently negotiating contracts with unionized teachers and support staff.

During 2011-12 the District transferred \$360,000 to a capital project fund to augment funding for a significant capital project consisting of deferred maintenance and improvements to District facilities and to convert a portion of the existing Middle School to an Intermediate School. The District now has four schools located in three buildings in the Topton area. This configuration provides opportunities for further staffing changes and operational efficiencies. The District refunded a portion of the 2006 bond issue reducing debt service by more than \$100,000, and converted the variable rate portion of the 2002 bond issue to a low fixed rate, taking advantage of current market conditions.

Looking Forward

Financial planning for 2013-14 and beyond will become more challenging. The combined effects of economic conditions resulting in flat or declining tax revenues, historically low short term interest rates, and declining state and federal funding along with projected increases in health benefits 9+%, retirement system funding increasing to 16.75% for 2013-14 (up from 12.36% to 2012-13) and potential increases in salaries may require a significant increase in real estate tax rates. The difficulty is that our current Act 1 tax increase limit of 2.1% (down from a high of 5.9%) will likely continue at that rate or lower resulting in a need to use index exceptions, if available, or go to a public tax referendum.. The district is currently negotiating with unionized support staff and professional staff. The results of those negotiations will impact future budgets. The comparison of revenue and expenditure categories is as follows:

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
Management Discussion and Analysis

Table A-6
BUDGETED REVENUES

	<u>2012-2013</u>	<u>2011-2012</u>
Local	69.31%	70.21%
State	29.23%	28.40%
Federal/Other	1.46%	1.39%

BUDGETED EXPENDITURES

	<u>2012-2013</u>	<u>2011-2012</u>
Instruction	55.80%	53.61%
Support Services	29.76%	29.59%
Non-Instruction/Community	2.19%	2.17%
Facilities Acquisition, Construction and Improvement	0.00%	0.00%
Fund Transfers/Debt/Reserve	12.25%	14.63%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Nancy Krauss, Business Administrator/Board Secretary at Brandywine Heights Area School District, 200 West Weis Street, Tipton Pa. 19562, 610-682-5141, nankra@bhasd.org.

BASIC FINANCIAL STATEMENTS

Brandywine Heights Area School District
Statement of Net Assets
As of June 30, 2012

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 7,054,985	\$ 48,213	\$ 7,103,198
Restricted Cash	5,001		5,001
Investments	473,681	-	473,681
Receivables, net	1,103,460	-	1,103,460
Internal Balances	935	-	-
Due From Other Governments	635,154	21,487	656,641
Other Receivables	19,578	8	19,586
Inventories	17,413	42,523	59,936
Prepaid Expenses	8,485	-	8,485
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	<u>9,318,692</u>	<u>112,231</u>	<u>9,429,988</u>
NON-CURRENT ASSETS:			
Land	388,388	-	388,388
Site Improvements (net of depreciation)	433,894	-	433,894
Building and Bldg. Improvements (net of depreciation)	36,323,833	-	36,323,833
Machinery and Equipment (net of depreciation)	555,567	92,116	647,683
Construction in Progress	5,567,040	-	5,567,040
Bond Issuance Costs (net of amortization)	270,942	-	270,942
TOTAL NON-CURRENT ASSETS	<u>43,539,664</u>	<u>92,116</u>	<u>43,631,780</u>
TOTAL ASSETS	<u>\$ 52,858,356</u>	<u>\$ 204,347</u>	<u>\$ 53,061,768</u>
LIABILITIES			
CURRENT LIABILITIES:			
Internal Balances	\$ -	\$ 935	\$ -
Due to other governments	105,997	-	105,997
Accounts Payable	518,119	3,521	521,640
Current Portion of Long-Term Obligations	2,587,247	-	2,587,247
Accrued Salaries and Benefits	1,401,472	-	1,401,472
Payroll Deductions and Withholdings	595,433	-	595,433
Deferred Revenue	-	-	-
Other Current Liabilities	270,840	-	270,840
TOTAL CURRENT LIABILITIES	<u>5,479,108</u>	<u>4,456</u>	<u>5,482,629</u>
NON-CURRENT LIABILITIES:			
Bonds Payable	26,174,093	-	26,174,093
Long-Term Portion of Compensated Absences	73,955	-	73,955
Net OPEB Obligation	322,410	11,505	333,915
Other Retirement Benefits	181,128	-	181,128
TOTAL LIABILITIES	<u>32,230,694</u>	<u>15,961</u>	<u>32,245,720</u>
NET ASSETS			
Invested in capital assets, net of related debt	15,332,061	92,116	15,424,177
Restricted for:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	-	-	-
Other Restrictions	-	-	-
Unrestricted (deficit)	5,295,601	96,270	5,391,871
TOTAL NET ASSETS	<u>20,627,662</u>	<u>188,386</u>	<u>20,816,048</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 52,858,356</u>	<u>\$ 204,347</u>	<u>\$ 53,061,768</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, 2012

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 14,632,394	\$ 31,910	\$ 2,465,886	\$ -	\$ (12,134,598)	\$ -	\$ (12,134,598)
Instructional Student Support	2,061,386	-	315,256	-	(1,746,130)	-	(1,746,130)
Admin. & Fin'l Support Services	2,151,580	-	99,380	-	(2,052,200)	-	(2,052,200)
Oper. & Maint. Of Plant Svcs.	2,051,233	-	52,110	-	(1,999,123)	-	(1,999,123)
Pupil Transportation	1,661,584	-	915,834	-	(745,750)	-	(745,750)
Student activities	522,984	73,276	18,711	-	(430,997)	-	(430,997)
Community Services	63	-	63	-	-	-	-
Interest on Long-Term Debt	1,220,982	-	-	251,527	(969,455)	-	(969,455)
Unallocated Depreciation Expense	894,657	-	-	-	(894,657)	-	(894,657)
TOTAL GOVERNMENT ACTIVITIES	25,196,863	105,186	3,867,240	251,527	(20,972,910)	-	(20,972,910)
BUSINESS-TYPE ACTIVITIES:							
Food Services	653,481	398,667	223,818	-	-	(30,996)	(30,996)
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 25,850,344	\$ 503,853	\$ 4,091,058	\$ 251,527	\$ (20,972,910)	\$ (30,996)	\$ (21,003,906)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 17,042,175	\$ -	\$ 17,042,175
Taxes levied for specific purposes					1,715,915	-	1,715,915
Grants, subsidies, & contributions not restricted					4,637,408	-	4,637,408
Investment Earnings					61,555	62	61,617
Miscellaneous Income					81,852	-	81,852
Special item - Gain (Loss) on sale of capital assets					159,323	(5,728)	153,595
Extraordinary Items					-	-	-
Transfers					(51,908)	51,908	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					23,646,320	46,242	23,692,562
CHANGE IN NET ASSETS					2,673,410	15,246	2,688,656
NET ASSETS - BEGINNING					17,954,252	173,140	18,127,392
NET ASSETS - ENDING					\$ 20,627,662	\$ 188,386	\$ 20,816,048

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

**Brandywine Heights Area School District
Balance Sheet
Governmental Funds
As of June 30, 2012**

	GENERAL	CAPITAL PROJECTS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 6,509,044	\$ 545,940	\$ -	\$ 7,054,984
Restricted Cash	-	5,001	-	5,001
Investments	473,681	-	-	473,681
Taxes Receivable, net	804,222	-	-	804,222
Due from other funds	3,740	240	-	3,980
Due from Other Governments	635,154	-	-	635,154
Other Receivables	16,773	-	-	16,773
Prepaid Expenditures	8,485	-	-	8,485
Other Current Assets	-	-	-	-
TOTAL ASSETS	\$ 8,451,099	\$ 551,181	\$ -	\$ 9,002,280
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Due to Other Funds	\$ 240	\$ -	\$ -	\$ 240
Due to Other Governments	105,997	-	-	105,997
Current Portion of Compensated Absences	57,901	-	-	57,901
Other Post Retirement Benefits	24,346	-	-	24,346
Accounts Payable	438,429	79,689	-	518,118
Accrued Salaries and Benefits	1,401,472	-	-	1,401,472
Payroll Deductions and Withholdings	595,433	-	-	595,433
Deferred Revenues	660,712	-	-	660,712
Other Current Liabilities	37,242	-	-	37,242
TOTAL LIABILITIES	3,321,772	79,689	-	3,401,461
FUND BALANCES:				
Nonspendable Fund Balance	8,485	-	-	8,485
Restricted Fund Balance	-	471,492	-	471,492
Committed Fund Balance	1,299,000	-	-	1,299,000
Assigned Fund Balance	480,000	-	-	480,000
Unassigned Fund Balance	3,341,842	-	-	3,341,842
TOTAL FUND BALANCES	5,129,327	471,492	-	5,600,819
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,451,099	\$ 551,181	\$ -	\$ 9,002,280

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

**Brandywine Heights Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
As of June 30, 2012**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,600,819

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$57,592,477 and the accumulated depreciation is \$14,323,755. 43,268,722

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

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 959,950

The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net assets uses the consumption method of inventory. 17,413

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	\$ (28,408,151)	
Accrued interest on the bonds	(233,598)	
Compensated absences	(73,955)	
Net OPEB Obligation	(322,410)	
Other Post Retirement Benefits	(181,128)	(29,219,242)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 20,627,662**

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, 2012

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 19,369,822	\$ 3,954	\$ -	\$ 19,373,776
State Sources	7,951,552	-	-	7,951,552
Federal Sources	<u>489,526</u>	<u>-</u>	<u>-</u>	<u>489,526</u>
TOTAL REVENUES	<u>27,810,900</u> -----	<u>3,954</u> -----	<u>-</u> -----	<u>27,814,854</u> -----
EXPENDITURES				
Instruction	14,564,747	-	-	14,564,747
Support Services	7,762,092	1,272	-	7,763,364
Operation of Non-Instructional Services	514,558	-	-	514,558
Capital Outlay	-	3,382,654	-	3,382,654
Debt Service	<u>3,383,523</u>	<u>-</u>	<u>386</u>	<u>3,383,909</u>
TOTAL EXPENDITURES	<u>26,224,920</u>	<u>3,383,926</u>	<u>386</u>	<u>29,609,232</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,585,980</u>	<u>(3,379,972)</u>	<u>(386)</u>	<u>(1,794,378)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	-	-
Interfund Transfers in	-	360,000	-	360,000
Sale/Compensation for Fixed Assets	256,741	-	-	256,741
Bond Premium	-	-	-	-
Bond Discount	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Operating Transfers Out	<u>(411,908)</u>	<u>-</u>	<u>-</u>	<u>(411,908)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(155,167)</u>	<u>360,000</u>	<u>-</u>	<u>204,833</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,430,813	(3,019,972)	(386)	(1,589,545)
FUND BALANCES - BEGINNING	<u>3,698,514</u>	<u>3,491,464</u>	<u>386</u>	<u>7,190,364</u>
FUND BALANCES - ENDING	<u>\$ 5,129,327</u>	<u>\$ 471,492</u>	<u>\$ -</u>	<u>\$ 5,600,819</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, 2012**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,589,545)

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	\$ 1,008,992	
	less - capital outlays	<u>3,295,177</u>	2,286,185

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of fixed assets sold. (97,418)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred revenues increased by this amount this year. (51,996)

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,365,000

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. (32,246)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **2,879,980**

**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, 2012**

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING
 (cont'd)**

\$ 2,879,980

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.

(202,075)

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

-

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

-

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

(4,495)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 2,673,410

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

Brandywine Heights Area School District
Statement of Net Assets
Proprietary Funds
As of June 30, 2012

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 48,213	\$ -	\$ 48,213
Investments	-	-	-
Due from other funds	-	-	-
Due From Other Governments	21,487	-	21,487
Other Receivables	8	-	8
Inventories	42,523	-	42,523
Prepaid expenses	-	-	-
TOTAL CURRENT ASSETS	112,231	-	112,231
	-----	-----	-----
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	92,116	-	92,116
Furniture and Fixtures (net)	-	-	-
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	92,116	-	92,116
TOTAL ASSETS	\$ 204,347	\$ -	\$ 204,347
 LIABILITIES			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 935	\$ -	\$ 935
Due to Other Governments	-	-	-
Accounts Payable	3,521	-	3,521
Accrued Salaries and Benefits	-	-	-
Deferred Revenue	-	-	-
Other Current Liabilities	-	-	-
TOTAL CURRENT LIABILITIES	4,456	-	4,456
	-----	-----	-----
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	-	-	-
Net OPEB Obligation	11,505	-	11,505
TOTAL NON-CURRENT LIABILITIES	11,505	-	11,505
TOTAL LIABILITIES	15,961	-	15,961
 NET ASSETS			
Invested in capital assets, with no related debt	92,116	-	92,116
Retirement of Long-Term Debt	-	-	-
Restricted for Legal Purposes	-	-	-
Unrestricted	96,270	-	96,270
TOTAL NET ASSETS	188,386	-	188,386
TOTAL LIABILITIES AND NET ASSETS	\$ 204,347	\$ -	\$ 204,347

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

Brandywine Heights Area School District
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Food Service Revenue	\$ 391,485	\$ -	\$ 391,485
Charges for Services		-	-
Other Operating Revenues	<u>7,182</u>	-	<u>7,182</u>
TOTAL OPERATING REVENUES	<u>398,667</u>	-	<u>398,667</u>
	-----	-----	-----
OPERATING EXPENSES:			
Salaries	238,036	-	238,036
Employee benefits	93,862	-	93,862
Purchased Professional and Technical Services	-	-	-
Purchased Property Service	14,145	-	14,145
Other Purchased Services	273	-	273
Supplies	298,565	-	298,565
Depreciation	8,088	-	8,088
Dues and Fees	512	-	512
Other Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>653,481</u>	-	<u>653,481</u>
OPERATING INCOME (LOSS)	<u>(254,814)</u>	-	<u>(254,814)</u>
	-----	-----	-----
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	62	-	62
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	(5,728)	-	(5,728)
State Sources	41,584	-	41,584
Federal Sources	182,234	-	182,234
Interest Expenses	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>218,152</u>	-	<u>218,152</u>
	-----	-----	-----
INCOME (LOSS) BEFORE CONTRIBUTIONS	(36,662)	-	(36,662)
Capital contributions		-	-
Transfers in (out)	<u>51,908</u>	-	<u>51,908</u>
CHANGES IN NET ASSETS	<u>15,246</u>	-	<u>15,246</u>
	-----	-----	-----
TOTAL NET ASSETS - BEGINNING	<u>173,140</u>	-	<u>173,140</u>
	-----	-----	-----
TOTAL NET ASSETS - ENDING	<u>\$ 188,386</u>	<u>\$ -</u>	<u>\$ 188,386</u>

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

Brandywine Heights Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2012

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 393,326	\$ -	\$ 393,326
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	7,182	-	7,182
Cash Payments to Employees for Services	(328,915)	-	(328,915)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(377,834)	-	(377,834)
Cash Payments to Other Operating Expenses	(1,746)	-	(1,746)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(307,987)	-	(307,987)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	44,999	-	44,999
Federal Sources	171,284	-	171,284
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	51,908	-	51,908
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	268,191	-	268,191
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(28,882)	-	(28,882)
Gain/Loss on Sale of Fixed Assets (Proceeds)	100	-	100
Proceeds from Extended Term Financing	-	-	-
Capital Contributions	-	-	-
Interest paid on Financing Agreements	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(28,782)	-	(28,782)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	62	-	62
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	62	-	62
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(68,516)	-	(68,516)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	116,729	-	116,729
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 48,213	\$ -	\$ 48,213

Brandywine Heights Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2012

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)	\$ (254,814)	\$ -	\$ (254,814)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	8,088	-	8,088
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	35,981	-	35,981
CHANGES IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	1,841	-	1,841
(Increase) Decrease in Inventories	1,887	-	1,887
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Other Current Assets	-	-	-
Increase (Decrease) in Accounts Payable	(61)	-	(61)
Increase (Decrease) in Advances to Other Funds	(103,892)	-	(103,892)
Increase (Decrease) in Accrued Salaries and Benefits	2,983	-	2,983
Increase (Decrease) in Other Current Liabilities	-	-	-
TOTAL ADJUSTMENTS	<u>(53,173)</u>	<u>-</u>	<u>(53,173)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (307,987)</u>	<u>\$ -</u>	<u>\$ (307,987)</u>

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

Brandywine Heights Area School District
Statement of Net Assets
Fiduciary Funds
As of June 30, 2012

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY
ASSETS			
Cash and cash equivalents	\$ 31,427	\$ -	\$ 75,985
Investments	-	-	-
Due from Other Funds	-	-	-
Inventories	-	-	-
Prepaid Expenditures	-	-	-
Other Receivables	-	-	25
Land	-	-	-
Site Improvements (net)	-	-	-
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	-	-	-
TOTAL ASSETS	\$ 31,427	\$ -	\$ 76,010
LIABILITIES			
Accounts Payable	\$ 2,000	\$ -	\$ -
Due to Other Funds	-	-	2,805
Due to Other Governments	-	-	-
Deferred Revenues	-	-	-
Other Current Liabilities	-	-	73,205
TOTAL LIABILITIES	2,000	-	76,010
NET ASSETS			
Invested in Capital Assets	-	-	-
Restricted	-	-	-
Unrestricted	29,427	-	-
TOTAL NET ASSETS	\$ 29,427	\$ -	\$ -

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

**Brandywine Heights Area School District
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012**

	<u>PRIVATE- PURPOSE TRUST FUND</u>	<u>PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS</u>
ADDITIONS		
Contributions	\$ 15,295	\$ -
Transfers from other funds	-	-
INVESTMENT EARNINGS:		
Interest and Dividends	-	-
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	<u>15,295</u>	<u>-</u>
	-----	-----
 DEDUCTIONS		
Transfers to other funds	-	-
Administrative charges	68	-
Scholarships	<u>17,645</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>17,713</u>	<u>-</u>
 CHANGE IN NET ASSETS	 (2,418)	 -
 NET ASSETS - BEGINNING OF YEAR	 <u>31,845</u>	 <u>-</u>
 NET ASSETS - END OF YEAR	 <u>\$ 29,427</u>	 <u>\$ -</u>

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

Brandywine Heights Area School District
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2012

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>(BUDGETARY BASIS)</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u>	<u>BUDGET TO</u> <u>GAAP</u> <u>DIFFERENCE</u>	<u>ACTUAL</u> <u>AMOUNTS</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>		<u>GAAP BASIS</u>
REVENUES						
Local Sources	\$ 19,422,122	\$ 19,422,122	\$ 19,369,822	\$ (52,300)	\$ -	\$ 19,369,822
State Sources	7,856,358	7,856,358	7,951,552	95,194	-	7,951,552
Federal Sources	385,539	385,539	489,526	103,987	-	489,526
TOTAL REVENUES	<u>27,664,019</u>	<u>27,664,019</u>	<u>27,810,900</u>	<u>146,881</u>	<u>-</u>	<u>27,810,900</u>
EXPENDITURES						
Regular Instruction	10,535,435	10,440,105	10,060,703	379,402	-	10,060,703
Special Programs	3,876,215	3,974,295	3,758,541	215,754	-	3,758,541
Vocational Programs	738,502	745,252	710,610	34,642	-	710,610
Other Instructional Programs	18,264	41,754	34,893	6,861	-	34,893
Nonpublic School Programs	4,500	4,500	-	4,500	-	-
Adult Education Programs	-	-	-	-	-	-
Community College Programs	-	-	-	-	-	-
Pupil Personnel Services	822,303	864,223	816,638	47,585	-	816,638
Instructional Staff Services	994,832	1,066,392	876,642	189,750	-	876,642
Nonpublic Support Services	-	730	530	200	-	530
Administrative Services	1,367,501	1,410,801	1,346,294	64,507	-	1,346,294
Pupil Health	352,822	376,572	357,692	18,880	-	357,692
Business Services	447,532	471,962	446,727	25,235	-	446,727
Operation & Maintenance of Plant Services	2,241,541	2,217,571	1,930,582	286,989	-	1,930,582
Student Transportation Services	1,776,754	1,712,604	1,646,081	66,523	-	1,646,081
Central Support Services	351,306	361,216	318,569	42,647	-	318,569
Other Support Services	22,100	22,340	22,337	3	-	22,337
Student Activities	614,393	592,913	514,495	78,418	-	514,495
Community Services	500	500	63	437	-	63
Facilities, Acquisition and Construction	-	-	-	-	-	-
Debt Service	3,569,300	3,389,160	3,383,523	5,637	-	3,383,523
TOTAL EXPENDITURES	<u>27,733,800</u>	<u>27,692,890</u>	<u>26,224,920</u>	<u>1,467,970</u>	<u>-</u>	<u>26,224,920</u>
Excess (deficiency) of revenues over expenditures	(69,781)	(28,871)	1,585,980	1,614,851	-	1,585,980
OTHER FINANCING SOURCES (USES)						
Sale of Bonds	-	-	-	-	-	-
Interfund Transfers In	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	2,000	2,000	256,741	254,741	-	256,741
Interfund Transfers Out	(371,000)	(411,910)	(411,908)	2	-	(411,908)
Budgetary Reserve	(200,000)	(200,000)	-	200,000	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(569,000)</u>	<u>(609,910)</u>	<u>(155,167)</u>	<u>454,743</u>	<u>-</u>	<u>(155,167)</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>(638,781)</u>	<u>(638,781)</u>	<u>1,430,813</u>	<u>2,069,594</u>	<u>-</u>	<u>1,430,813</u>
FUND BALANCE - JULY 1, 2011	<u>\$ 3,238,426</u>	<u>\$ 3,238,426</u>	<u>\$ 3,698,514</u>	<u>\$ 460,088</u>	<u>\$ -</u>	<u>\$ 3,698,514</u>
FUND BALANCE - JUNE 30, 2012	<u>\$ 2,599,645</u>	<u>\$ 2,599,645</u>	<u>\$ 5,129,327</u>	<u>\$ 2,529,682</u>	<u>\$ -</u>	<u>\$ 5,129,327</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, 2012

Note 1 - Description of the School District and Reporting Entity

School District

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

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

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

Board of School Directors

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

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

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

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

Administration

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

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

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

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 2011-2012 was \$710,610. During the 1998-99 fiscal year, the by-laws of the Center were amended to state that any school district terminating their active participation in paying ongoing operating costs and debt, shall cease being a participating member district and shall have no further obligation to the Center.

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

Jointly Governed Organizations

Berks County Intermediate Unit

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

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

Note 2 - Summary of significant accounting policies

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

General Fund

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

Capital Projects Fund

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

The District has the following Capital Project Funds:

Construction Fund

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

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

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

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

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

C. Measurement Focus

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

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

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

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

D. Basis of Accounting

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

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

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

E. Budgetary Process

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

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

Accelerated Budget Process Option

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

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

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

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

Board Resolution Option

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

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2011-12 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. Assets, Liabilities, and Net Assets

Cash and Cash Equivalents

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

Investments

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

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

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

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, 2012, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

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

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

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. A physical inventory taken at June 30, 2012, shows \$17,413 as an asset in the governmental activities column of the government-wide statement of net assets; a physical inventory taken at June 30, 2012, shows \$42,523 as an asset in the business-type activities column of the government-wide statement of net assets.

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

Inventory type items in Proprietary Funds use the consumption method, in which items are purchased for inventory and charged to expenses when used. The only Proprietary Fund of the District is the Food Service Fund. Inventory within this fund consists of donated commodities, which are valued at U.S.D.A.'s approximate costs, and purchased food. Inventories on hand at June 30, 2012, consist of:

Purchased Food	\$	8,655
Supplies		3,233
Donated Commodities		30,635
TOTAL	\$	42,523

Prepaid Expenses

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

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

Capital Assets

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

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

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

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

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

Compensated Absences

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

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

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

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

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, bond issuance costs, and deferred amounts on refundings are deferred and amortized over the life of the bonds using modification of the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and any deferred amount on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts and premiums on debt issuances are reported as other financing uses or sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2012, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements reported on the modified accrual basis of accounting.

Net Assets

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

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

Fund Balance Categories

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

Nonspendable Fund Balance

This category includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance

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

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

Committed Fund Balance

This category pertains to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action.

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Contributions of Capital

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

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

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

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

The details of this \$29,219,242 difference are:

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

Bonds payable	\$ 29,180,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(613,795)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(270,942)
Less: Issuance discount (to be amortized as interest expense)	(91,666)
Add: Issuance premium (to be amortized as a contra to interest expense)	204,554
Accrued interest payable	233,598
Other Post Retirement Benefits	181,128
Net OPEB Obligation	322,410
Compensated absences	73,955
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	\$ 29,219,242

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, 2012

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

	TOTAL GOVERN- MENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANS- ACTIONS	TOTAL FOR STATEMENT OF ACTIVITIES
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 17,102,871	\$ (60,696)	\$ -	\$ -	\$ 17,042,175
Taxes levied for specific purposes	1,707,215	8,700	-	-	1,715,915
Interest and investment earnings	61,555	-	-	-	61,555
Miscellaneous	80,387	-	-	-	80,387
Contributions and Donations	1,465	-	-	-	1,465
Charges for Services	105,186	-	-	-	105,186
Grants, subsidies & contributions not restricted	4,637,408	-	-	-	4,637,408
Transfers in	-	-	-	-	-
Bond Premiums	-	-	-	-	-
Bond Issue Proceeds	-	-	-	-	-
Proceeds from Refunding of Bonds	-	-	-	-	-
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating and Capital grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating and Capital grants and contributions	3,315,580	-	-	-	3,315,580
FEDERAL SOURCES:					
Operating and Capital grants and contributions	803,187	-	-	-	803,187
SPECIAL AND EXTRAORDINARY ITEMS:					
Gain or (Loss) on disposal of assets	256,741	-	(97,418)	-	159,323
TOTAL REVENUES	28,071,595	(51,996)	(97,418)	-	27,922,181
EXPENDITURES/EXPENSES					
Instruction	14,564,747	35,535	32,112	-	14,632,394
Instructional Student Support	2,051,502	5,733	4,151	-	2,061,386
Admin. & Fin'l Support Services	2,133,927	737	16,916	-	2,151,580
Oper. & Maint. Of Plant Svcs.	2,077,814	(6,851)	(19,730)	-	2,051,233
Pupil Transportation	1,646,081	556	14,947	-	1,661,584
Student activities	514,495	1,032	7,457	-	522,984
Community Services	63	-	-	-	63
Capital Outlay	3,236,695	-	(3,236,695)	-	-
Debt Service	3,383,909	-	-	(2,162,927)	1,220,982
Transfers Out	51,908	-	-	-	51,908
Depreciation - unallocated	-	-	894,657	-	894,657
TOTAL EXPENDITURES/EXPENSES	29,661,141	36,742	(2,286,185)	(2,162,927)	25,248,771
NET CHANGE FOR THE YEAR	\$ (1,589,546)	\$ (88,738)	\$ 2,188,767	\$ 2,162,927	\$ 2,673,410

Note 4 - Stewardship, Compliance, and Accountability

A. Compliance with finance related legal and contractual provisions

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

B. Deficit fund balance or net assets of individual funds

No individual fund contains a deficit fund balance or net assets at June 30, 2012.

C. Excess of expenditures over appropriations in individual funds

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

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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, 2012. 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, 2012, \$0 of the District's bank balance of \$4,923,261, along with \$5,001 in restricted cash, was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$ 5,001
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	-
TOTAL	\$ 5,001

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 4,923,261
Plus: Insured Amount	-
Less: Outstanding Checks	(11,497)
Carrying Amount - Bank balances	4,911,764
Plus: Petty Cash	-
Restrict Cash held in escrow	1,150
Deposits in Investment Pool Considered Cash Equivalents	2,302,696
Less: Certificates of Deposit considered Investment by School Code	-
TOTAL CASH PER FINANCIAL STATEMENTS	\$ 7,215,610

Investments

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

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

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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

As of June 30, 2012, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
Pa. School District Liquid Asset Fund	N/A	\$ 1,597,241
WSFS Bank		705,455
National Penn Bank - Repurchase Agreement		473,681
TOTAL		\$ 2,776,377

Interest Rate Risk

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

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2012, 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 25.41% held in a pooled money market account with WSFS Bank, and 17.06% in a repurchase agreement with National Penn Bank.

Government Activities has 25.82% invested in a pooled money market account with WSFS Bank, and 17.34% in a repurchase agreement with National Penn Bank. The General Fund has 32.28% held in a pooled money market account with WSFS Bank, and 21.67%.in a repurchase agreement with National Penn Bank.

Custodial Credit Risk

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

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Reconciliation to Financial Statements

Total Investments Above	\$ 2,776,377
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(2,302,696)</u>
Total Investments Per Financial Statements	<u>\$ 473,681</u>

Property Taxes

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$590,859,900. In accordance with Act 1 of 2006, the District received \$788,237 in property tax reduction funds for the 2011-12 fiscal year. The tax rate for the year was \$3.0544 per \$100 of assessed valuation or 30.54 mills.

The property tax calendar is:

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

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

Receivables

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

	GENERAL FUND	CAPITAL PROJECTS FUND	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	804,222	-	-	-	-	804,222
Accounts	16,773	-	8	-	25	16,806
Intergovernmental	<u>635,154</u>	-	<u>21,487</u>	-	-	<u>763,901</u>
GROSS RECEIVABLES	1,456,149	-	21,495	-	25	1,584,929
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	<u>\$ 1,456,149</u>	<u>\$ -</u>	<u>\$ 21,495</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 1,584,929</u>

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

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

Schedule on Deferred Revenue - Unavailable and Unearned

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 660,712	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 660,712	\$ -

Capital Assets

Capital asset balances and activity for the year ending June 30, 2012, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 388,388	\$ -	\$ -	\$ 388,388
Construction in Progress	2,401,893	3,165,147	-	5,567,040
Total Capital Assets not being depreciated	2,790,281	3,165,147	-	5,955,428
Capital Assets being depreciated:				
Site Improvements	1,182,826	71,548	-	1,254,374
Buildings and Building Improvements	49,471,012	7,015	(667,964)	48,810,063
Furniture and Equipment	1,610,905	51,465	(89,758)	1,572,612
TOTAL CAPITAL ASSETS BEING DEPRECIATED	52,264,743	130,028	(757,722)	51,637,049
Less accumulated depreciation for:				
Site Improvements	(796,127)	(24,353)	-	(820,480)
Buildings and Building Improvements	(12,218,733)	(868,664)	601,167	(12,486,230)
Furniture and Equipment	(960,207)	(115,975)	59,137	(1,017,045)
TOTAL ACCUMULATED DEPRECIATION	(13,975,067)	(1,008,992)	660,304	(14,323,755)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	38,289,676	(878,964)	(97,418)	37,313,294
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 41,079,957	\$ 2,286,183	\$ (97,418)	\$ 43,268,722
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 416,476	\$ 28,881	\$ (52,840)	\$ 392,517
Less accumulated depreciation	(339,326)	(8,088)	47,013	(300,401)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 77,150	\$ 20,793	\$ (5,827)	\$ 92,116

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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

Regular Instruction	\$ 30,778
Special Instruction	1,334
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Community College Instruction	-
Pupil Services	-
Instructional Staff Svcs.	4,151
Administrative Services	-
Health Services	-
Business Services	-
Operation & Maintenance of Plant Svcs.	25,436
Pupil Transportation	14,947
Central Services	30,231
Other Support Services	-
Student Activities	7,458
Community Services	-
Depreciation - unallocated	894,657
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 1,008,992</u>

The governmental activities disposed of \$757,722 in capital assets during the year, with \$660,304 in accumulated depreciation. Proceeds received of \$256,741, left a gain on disposition of \$159,323. The business-type activities disposed of \$52,840 in capital assets during the year with \$47,013 in accumulated depreciation. Proceeds received of \$99, left a loss on disposition of \$5,728.

Commitments

Encumbrances

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

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

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables existed on June 30, 2012:

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 3,740	\$ 240
Enterprise (Food Service) Fund	-	935
Agency (Activity) Fund		2,805
Capital Projects Fund	240	-
TOTAL	\$ 3,980	\$ 3,980

Interfund Transfers

The District made the following interfund transfers during the fiscal year ended June 30, 2012:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ -	\$ 411,908
Food Service Fund	51,908	-
Capital Projects Fund	360,000	-
TOTAL	\$ 411,908	\$ 411,908

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2012, were:

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 30,974,210	\$ 89,313	\$ 2,384,430	\$ 28,679,093	\$ 2,505,000
Other than capital projects	-		-	-	-
Capital Leases	-	-	-	-	-
Total general obligation debt	<u>30,974,210</u>	<u>89,313</u>	<u>2,384,430</u>	<u>28,679,093</u>	<u>2,505,000</u>
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	104,894	-	11,213	93,681	49,970
Sick pay	27,970	10,205	-	38,175	7,931
Net OPEB Obligation	267,062	55,348	-	322,410	-
Retirement termination benefits	206,089	-	615	205,474	24,346
Total other liabilities	<u>606,015</u>	<u>65,553</u>	<u>11,828</u>	<u>659,740</u>	<u>82,247</u>
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	<u>\$ 31,580,225</u>	<u>\$ 154,866</u>	<u>\$ 2,396,258</u>	<u>\$ 29,338,833</u>	<u>\$ 2,587,247</u>
<u>BUSINESS-TYPE ACTIVITIES</u>					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB Obligation	8,522	2,983	-	11,505	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	<u>\$ 8,522</u>	<u>\$ 2,983</u>	<u>\$ -</u>	<u>\$ 11,505</u>	<u>\$ -</u>

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:	<u>EXPENSE</u>	<u>PAID</u>
General obligation debt	\$ 1,107,704	\$ 905,631
Refund of Prior Year Receipts	113,278	113,278
TOTAL INTEREST	<u>\$ 1,220,982</u>	<u>\$ 1,018,909</u>

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

General Obligation Notes - Series of 2002

On July 1, 2002, the District issued \$21,150,000 of General Obligation Notes - Series of 2002. The purposes of this issue are to provide funds for: (i) the costs of the planning, acquiring, furnishing, and equipping of alterations, additions, renovations, and improvements to various public school facilities including, but not limited to the construction of the new Brandywine Heights Area High School and the renovation of the former High School facility; (ii) payment of interest during construction; (iii) current refunding of the General Obligation Note - Series A of 2000, and (iv) payment of the costs to issue the Participant Note. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The notes mature from January 25, 2004, to January 25, 2019. Interest is a variable weekly rate not to exceed 15% per annum determined by the Municipal Swap Index for each week as provided by the Municipal Swap Index Calculation agent. The outstanding debt service requirements using the interest rate of 3.077% at June 30, 2012, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 1,560,000	\$ 405,957
2013-14	1,630,000	357,035
2014-15	2,315,000	297,871
2015-16	2,430,000	225,626
2016-17	2,550,000	148,777
2017-19	<u>3,375,000</u>	<u>81,003</u>
Sub-Total	\$ 13,860,000	\$ 1,516,269
Unamortized Deferred Amt.	<u>(14,648)</u>	
TOTAL OUTSTANDING	<u>\$ 13,845,352</u>	

Contractual Obligation

As a result of the District's decision to enter into a fixed rate obligation, the Delaware Valley Authority entered into an interest rate swap arrangement with a counterparty to provide the District with a synthetic fixed rate of interest. Since the swap agreement is not in the name of the District, they entered into a contractual arrangement with the Authority, to pay or receive, to or from the Authority upon termination of this agreement, the fair value of the Authority's derivative instrument with their counterparty. At June 30, 2012, the derivative instrument had a positive fair value of \$2,129,230, 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 of 2002

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

The outstanding debt service requirements at June 30, 2012, are:

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 540,000	\$ 46,215
2013-14	565,000	25,425
Sub-Total	\$ 1,105,000	\$ 71,640
Unamortized Premium	4,548	
Unamortized Discount	(789)	
Unamortized Deferred Amt.	(21,421)	
TOTAL OUTSTANDING	\$ 1,087,338	

General Obligation Notes - Series of 2003

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

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

The remaining debt service requirements at June 30, 2012, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 275,000	\$ 11,677
2013-14	35,000	1,365
Sub-Total	\$ 310,000	\$ 13,042
Unamortized Premium	282	
TOTAL OUTSTANDING	\$ 310,282	

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

General Obligation Bonds – Series of 2006

On October 15, 2006, the District issued \$9,995,000 of the General Obligation Bonds – Series of 2006. The purpose of this issue is to advance refund a portion of the General Obligation Notes – Series of 2003, and to pay the costs and expenses of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 1, 2007 to February 1, 2021. Interest rates range from 3.45% to 4.0% with total interest indebtedness of \$4,861,271.92. On May 4, 2011, the District refunded the Series of 2006 (\$9,550,000), with interest rates ranging from 3.65% to 4.0%, with new debt in the amount of \$9,995,000 with interest rates ranging from 0.85% to 3.50%:

The remaining outstanding debt service requirements at June 30, 2012, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 65,000	\$ 3,252
2013-14	25,000	912
Sub-Total	\$ 90,000	\$ 4,164
Unamortized Discount	(58)	
Unamortized Deferred Amt.	(403)	
TOTAL OUTSTANDING	\$ 89,539	

General Obligation Bonds – Series A of 2011

On May 4, 2011, the District issued \$9,995,000 of the General Obligation Bonds – Series of A of 2011. The proceeds will be used: (1) to currently refund a portion of the outstanding GOB Series of 2006 (2) To pay related costs, fees and expenses. In accordance with the Local Governmental Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 1, 2011 to February 1, 2021. Interest rates ranging from .85% to 3.25% with total interest indebtedness of \$2,647,385.06. The remaining outstanding debt service requirements at June 30, 2012, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 60,000	\$ 313,326
2013-14	360,000	312,606
2014-15	280,000	307,027
2015-16	280,000	301,426
2016-17	290,000	295,266
2017-21	8,700,000	885,192
Sub-Total	\$ 9,970,000	\$ 2,414,843
Unamortized Premium	-	
Unamortized Discount	(90,819)	
Unamortized Deferred Chgs.	(577,322)	
TOTAL OUTSTANDING	\$ 9,301,859	

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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 Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 1, 2011 to February 1, 2023. Interest rates ranging from 1.0% to 5.0% with total interest indebtedness of \$2,012,103. The remaining outstanding debt service requirements at June 30, 2012, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 5,000	\$ 187,254
2013-14	5,000	187,196
2014-15	5,000	187,121
2015-16	5,000	187,021
2016-17	5,000	186,906
2017-22	3,375,000	915,438
2022-23	445,000	22,250
Sub-Total	\$ 3,845,000	\$ 1,873,186
Unamortized Premium	199,723	
Unamortized Discount	-	
Unamortized Deferred Chgs.	-	
TOTAL OUTSTANDING	\$ 4,044,723	

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

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Sublease) or capital outlays are shared in proportion to each participating school district's market valuation of taxable real estate to the total valuation of all participating school districts. As a result of this debt, the participating school districts amended Section 11 of the BCTC's By-Laws to read: The obligations of each of the participating school districts to pay its proportionate share of the rentals shall be subject to an annual appropriation by each school district. Any school district that does not budget, appropriate and pay its proportionate share of the rentals payable hereunder shall lose all of its rights as a participating school district, including the right to send students to the Center. It is the intent of Brandywine Heights Area School District to continue to participate.

The proceeds to be realized by the Authority will be used to finance certain capital projects of BCTC, including renovations, alterations, and additions to the East Campus and West Campus of the Berks Career and Technology Center, to pay capitalized interest on the Bonds, to fund a debt service reserve fund and to pay the costs of issuance of the Bonds. 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
2012-13	\$ 107,363
2013-14	107,383
2014-15	107,344
2015-16	107,418
2016-17	107,287
2017-19	214,765
TOTAL OUTSTANDING	\$ 751,560

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Combined Long-Term Debt

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

Summary of Principal Requirements

FISCAL YEAR	G.O.N.	G.O.B.	G.O.N.	G.O.B.	G.O.B.	G.O.B.	TOTAL PAYMENTS
	SERIES 2002	SERIES 2002	SERIES 2003	SERIES 2006	SERIES A of 2011	SERIES B of 2011	
2012-13	\$ 1,560,000	\$ 540,000	\$ 275,000	\$ 65,000	\$ 60,000	\$ 5,000	\$ 2,505,000
2013-14	1,630,000	565,000	35,000	25,000	360,000	5,000	2,620,000
2014-15	2,315,000	-	-	-	280,000	5,000	2,600,000
2015-16	2,430,000	-	-	-	280,000	5,000	2,715,000
2016-17	2,550,000	-	-	-	290,000	5,000	2,845,000
2017-22	3,375,000	-	-	-	8,700,000	3,375,000	15,450,000
2022-26	-	-	-	-	-	445,000	445,000
TOTAL	13,860,000	1,105,000	310,000	90,000	9,970,000	3,845,000	29,180,000
LESS PAYABLE WITHIN ONE YEAR	<u>1,560,000</u>	<u>540,000</u>	<u>275,000</u>	<u>65,000</u>	<u>60,000</u>	<u>5,000</u>	<u>2,505,000</u>
LONG-TERM PRINCIPAL DUE AFTER ONE YEAR	\$ 12,300,000	\$ 565,000	\$ 35,000	\$ 25,000	\$ 9,910,000	\$ 3,840,000	\$ 26,675,000

Summary of Principal and Interest Requirements

FISCAL YEAR	G.O.N.	G.O.B.	G.O.N.	G.O.B.	G.O.B.	G.O.B.	TOTAL PAYMENTS
	SERIES 2002	SERIES 2002	SERIES 2003	SERIES 2006	SERIES A of 2011	SERIES B of 2011	
2012-13	\$ 1,965,957	\$ 586,215	\$ 286,677	\$ 68,252	\$ 373,326	\$ 192,254	\$ 3,472,681
2013-14	1,987,035	590,425	36,365	25,912	672,606	192,196	3,504,539
2014-15	2,612,871	-	-	-	587,026	192,121	3,392,018
2015-16	2,655,626	-	-	-	581,427	192,021	3,429,074
2016-17	2,698,777	-	-	-	585,266	191,906	3,475,949
2017-22	3,456,003	-	-	-	9,585,192	4,290,438	17,331,633
2022-26	-	-	-	-	-	467,250	467,250
TOTAL	\$ 15,376,269	\$ 1,176,640	\$ 323,042	\$ 94,164	\$ 12,384,843	\$ 5,718,186	\$ 35,073,144

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

Compensated Absences

Sick-Pay

Under the District's administrative regulations, professional employees, cafeteria workers, custodians, aides and secretaries accumulate unused sick days from year to year. These accumulated sick days are cumulative with no limitation. Upon retirement, employees are not eligible for remuneration for unused sick days, except for administrators covered under the Administrator Evaluation Plan, Non-Union support staff and the superintendent. Administrators shall receive severance pay of their daily fee for each unused sick day accumulated up to a payment of \$18,000; business manager maximum is \$20,000. Non-union support staff receives \$20 per day up to \$4,500. To be eligible for severance pay a minimum of 120 days' notice must be given prior to leaving.

The District maintains records on the eligible accumulated unused sick days. In accordance with GASB Statement No. 16, the District has recorded a long-term liability within the governmental activities column of the government-wide statement of net assets of \$30,244, which includes the employer's share of FICA tax (net of reimbursement). The portion that will use currently available financial resources is \$7,931, 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, 2012, in the General Fund that will use currently available financial resources is \$49,970, which includes the employer's share of FICA tax and retirement contributions (net of reimbursement). This amount is shown as current portion of long-term debt in the governmental activities column of the government-wide statement of net assets. The remaining balance of vacation leave, earned at June 30, 2012, of \$43,711, which includes the employer's share of FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net assets.

Defined benefit pension plans

Plan Description

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

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

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

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

Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P. O. Box 125, Harrisburg, PA 17108-0125. The report is also available in the publications section of the PSERS website at www.psers.state.pa.us.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

Funding Policy

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

Contribution Rates

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

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%.

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2012, the rate of employer contribution was 8.65 percent of covered payroll. The 8.65 percent rate is comprised of a contribution rate of 8.00 percent for pension benefits and 0.65 percent for healthcare insurance premium assistance.

The employer's current year covered payroll was \$12,624,204 and total payroll was \$13,224,728.

The total employee and employer contributions for this current year were \$688,136 and \$1,112,756 respectively.

Other Post Retirement Benefits

Retirement Termination Benefit

All professional employees of the District are entitled at retirement with a minimum of ten years' service with the District, to receive \$150 per year up to a maximum of \$6,000. Employees must submit their intention to retire prior to March 1; however, if notice is received after March 1, employees are only entitled to \$90 per year, up to a maximum of \$3,000.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

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 \$24,346, including the employer's share of FICA tax (net of reimbursement), is recorded in the General Fund and as a current portion of long-term debt in governmental activities column of the government-wide statement of net assets. The remaining estimate of severance benefits in the amount of \$181,128, including the employer's share of FICA tax (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net assets.

Other Post Employment Benefits

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

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

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Summary of Plan Provisions

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

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

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

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

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

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

Contribution Rates:	OPEB Benefit Actuarially Determined
Interest Rate	4.5%
Plan Members	250
Annual Required Contribution	\$ 185,578
Interest on net OPEB obligation	12,402
Adjustment to annual required contribution	<u>(16,919)</u>
Annual OPEB cost	181,061
Contributions made	<u>(122,730)</u>
Increase in net OPEB obligation	58,331
Net OPEB obligation - beginning of year	<u>275,584</u>
Net OPEB obligation - end of year	<u>\$ 333,915</u>

The following table shows the benefit separated by fund:

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

Actuarial Valuation by Fund

	Other Post Employment Benefit Plan		
	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Demographic Information:			
Active Participants	214	8	222
Retired Participants	<u>27</u>	<u>1</u>	<u>28</u>
Total	<u><u>241</u></u>	<u><u>9</u></u>	<u><u>250</u></u>
Annual Payroll of Active Participants	\$11,532,437	\$145,524	\$11,677,961
Annual Required Contributions	\$ 182,521	\$ 3,057	\$ 185,578
Interest on Net OPEB Obligation	12,197	205	12,402
Adjustment to Annual Required Contribution	<u>(16,640)</u>	<u>(279)</u>	<u>(16,919)</u>
Annual OPEB Cost	178,078	2,983	181,061
Contributions made	<u>(122,730)</u>	<u>-</u>	<u>(122,730)</u>
Increase in Net OPEB Obligation	55,348	2,983	58,331
Net OPEB Obligation - beginning of year	<u>267,062</u>	<u>8,522</u>	<u>275,584</u>
Net OPEB Obligation - end of year	<u><u>\$ 322,410</u></u>	<u><u>\$ 11,505</u></u>	<u><u>\$ 333,915</u></u>

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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

<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 181,061	67.8%	\$ 333,915
6/30/2011	182,265	59.7%	275,584
6/30/2010	198,878	52.2%	202,126
6/30/2009	200,633	46.7%	107,032

Funding Status and Funding Process. The funded status of the benefits as of June 30, 2012, was as follows:

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

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

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

**Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

	State-mandated Healthcare Benefit
Actuarial Valuation Date	1/1/2010
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar method over a 30 year period
Remaining amortization period	27 years
Asset Valuation Method	pay as you go basis
Actuarial Assumptions:	
Investment rate of return	4.5%
Projected salary increases	4.25% to 7.25%
Healthcare inflation rate	
2012	6.5%
2013	6.0%
2014	5.5%
2015	5.0%
2016 +	5.0%

Note 6 - Risk Management

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

Above the level of retention, the Consortium pays claims up to the level of coverage of \$100,000 for the year ended June 30, 2012, 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, 2012, the most recent available financial statements, the consortium did not have a deficit, in which the ultimate responsibility to pay for a deficit belongs to the member districts.

Brandywine Heights Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

Note 7 - Fund Balance Allocations

Nonspendable Fund Balance

The General Fund had \$8,485, in nonspendable fund balance at June 30, 2012, comprised of prepaid expenditures.

Restricted Fund Balance

The debt covenant on the 2011B Bond issue restricts the proceeds shown in the 2011B Construction Fund for the purposes outlined in the bond resolution. As such, the \$471,492, in fund balance, at year end within this fund is considered restricted.

Committed Fund Balance

The governing body (Board of School Directors) has committed \$1,099,000, of the General Fund's year end fund balance for future retirement rate increases and \$200,000 for self-insurance.

Assigned Fund Balance

The General Fund has \$265,000, assigned for maintenance projects, and \$215,000, for technology purchases.

Note 8 - Restricted Net Assets

Invested in Capital Assets, Net of Related Debt

The components of this restriction are total capital assets of \$43,268,722, unspent proceeds of \$471,492, and related debt of \$28,408,153, which includes unamortized bonds discounts, premiums, issuance costs and deferred refunding charges. The business-type activities column reflects \$92,116 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, 2012.

Litigation

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

**REQUIRED
SUPPLEMENTAL INFORMATION**

**Brandywine Heights Area School District
 Schedule of Funding Progress
 For the Year Ended June 30, 2012**

<u>State mandated healthcare benefit</u>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2010	\$ -	\$ 1,536,849	\$ 1,536,849	0.0%	\$ 11,677,961	13.16%
1/2/2008	\$ -	\$ 1,656,937	\$ 1,656,937	0.0%	\$ 11,310,679	14.65%
1/1/2006	-	-	-	0.0%	-	0.00%

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

Brandywine Heights Area School District
Combining Statement of Fiduciary Net Assets
Private-Purpose Trust Funds
As of June 30, 2012

	ALUMNI FUND	BORDNER FUND	KLINE FUND	LAVENDOSKI FUND	REIFINGER FUND	MARY SENG FUND	SCHWOYER FUND	ZACHARY SMITH FUND	MOSSER FUND	SCHOL. FUND	CHRIS M. COLE FUND	KYLE BENWARE FUND	TOTAL
ASSETS													
Cash and Cash Equivalents	\$ 2,144	\$ 349	\$ 2,171	\$ 6,375	\$ 335	\$ 3,915	\$ 3,620	\$ 756	\$ 132	\$ 11,132	\$ 499	\$ (1)	\$ 31,427
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 2,144	\$ 349	\$ 2,171	\$ 6,375	\$ 335	\$ 3,915	\$ 3,620	\$ 756	\$ 132	\$ 11,132	\$ 499	\$ (1)	\$ 31,427
LIABILITIES													
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ 1,500	\$ -	\$ -	\$ 2,000
Interfund Payables	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	-	500	-	1,500	-	-	2,000
NET ASSETS													
Held in Trust for future recipients	2,144	349	2,171	6,375	335	3,915	3,620	256	132	9,632	499	(1)	29,427
TOTAL LIABILITIES & NET ASSETS	\$ 2,144	\$ 349	\$ 2,171	\$ 6,375	\$ 335	\$ 3,915	\$ 3,620	\$ 256	\$ 132	\$ 11,132	\$ 499	\$ (1)	\$ 31,427

Brandywine Heights Area School District
Combining Statement of Changes in Fiduciary Net Assets
Private-Purpose Trust Funds
For the Year Ended June 30, 2012

	ALUMNI FUND	BORDNER FUND	KLINE FUND	LAVENDOSKI FUND	REIFINGER FUND	MARY SENG FUND	SCHWOYER FUND	ZACHARY SMITH FUND	MOSSER FUND	SCHOL. FUND	CHRIS M. COLE FUND	KYLE BENWARE FUND	TOTAL
ADDITIONS:													
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,295	\$ -	\$ -	\$ 15,295
Interfund Transfers In							-			-	-	-	-
INVESTMENT EARNINGS:													
Interest and dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ADDITIONS	-	-	-	-	-	-	-	-	-	15,295	-	-	15,295
DEDUCTIONS:													
Fees	5	-	6	16	9	1	8	12	-	10	1	-	68
Awards	-	100	250	500	150	-	-	1,500	-	15,145	-	-	17,645
TOTAL DEDUCTIONS	5	100	256	516	159	1	8	1,512	-	15,155	1	-	17,713
CHANGES IN NET ASSETS	(5)	(100)	(256)	(516)	(159)	(1)	(8)	(1,512)	-	140	(1)	-	(2,418)
NET ASSETS - BEGINNING OF YEAR	2,149	449	2,427	6,891	494	3,916	3,628	1,768	132	9,492	500	(1)	31,845
NET ASSETS - END OF THE YEAR	<u>\$ 2,144</u>	<u>\$ 349</u>	<u>\$ 2,171</u>	<u>\$ 6,375</u>	<u>\$ 335</u>	<u>\$ 3,915</u>	<u>\$ 3,620</u>	<u>\$ 256</u>	<u>\$ 132</u>	<u>\$ 9,632</u>	<u>\$ 499</u>	<u>\$ (1)</u>	<u>\$ 29,427</u>

**Brandywine Heights Area School District
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2012**

	DISTRICT TOWNSHIP	LONGSWAMP TOWNSHIP	ROCKLAND TOWNSHIP	BOROUGH OF TOPTON	TOTAL
CURRENT REAL ESTATE TAXES					
Assessed Value	\$ 73,171,400	\$ 243,338,000	\$ 195,918,600	\$ 78,431,900	\$ 590,859,900
Millage Rate	0.03054	0.03054	0.03054	0.03054	0.03054
Total	<u>2,234,653</u>	<u>7,431,540</u>	<u>5,983,352</u>	<u>2,395,309</u>	<u>18,044,854</u>
Less: Act 1 Deduction	<u>91,828</u>	<u>335,634</u>	<u>254,809</u>	<u>106,008</u>	<u>788,279</u>
TOTAL TAXABLE DUPLICATE	2,142,825	7,095,906	5,728,543	2,289,301	17,256,575
PLUS - Additions	3,894	101,751	3,441	-	109,086
- Penalties	5,594	22,148	14,261	3,685	45,688
- Prior Year Unpaid Additions	-	3,015	-	-	3,015
TOTAL TAXES TO BE COLLECTED	<u>2,152,313</u>	<u>7,222,820</u>	<u>5,746,245</u>	<u>2,292,986</u>	<u>17,414,364</u>
LESS - Discounts	36,339	116,337	94,094	39,739	286,509
- Reductions	4,263	21,380	213	1,643	27,499
- Refunds	-	8,780	1,187	-	9,967
- Returned to County	68,466	289,601	193,704	79,198	630,969
- Outstanding	3,894	80,290	-	-	84,184
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 2,039,351</u>	<u>\$ 6,706,432</u>	<u>\$ 5,457,047</u>	<u>\$ 2,172,406</u>	<u>\$ 16,375,236</u>
INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 11,491</u>	<u>\$ 19,482</u>	<u>\$ 5,540</u>	<u>\$ 4,350</u>	<u>\$ 40,863</u>
CURRENT PER CAPITA TAXES					
No. of Persons Assessed	1,017	3,705	2,759	1,297	8,778
Tax Rate	10	10	10	10	10
TAXABLE VALUATION	<u>\$ 10,170</u>	<u>\$ 37,050</u>	<u>\$ 27,590</u>	<u>\$ 12,970</u>	<u>\$ 87,780</u>
PLUS - Additions	-	30	20	10	60
- Penalties	47	198	125	84	454
TOTAL TAXES TO BE COLLECTED	<u>10,217</u>	<u>37,278</u>	<u>27,735</u>	<u>13,064</u>	<u>88,294</u>
LESS - Discounts	136	496	395	173	1,200
- Exonerations	1,050	150	830	730	2,760
- Reductions	-	150	-	-	-
- Refunds	-	-	-	-	-
- Outstanding	1,000	6,670	3,010	1,650	12,330
NET CURRENT PER CAPITA TAXES COLLECTED	<u>\$ 8,031</u>	<u>\$ 29,962</u>	<u>\$ 23,500</u>	<u>\$ 10,511</u>	<u>\$ 72,004</u>

Brandywine Heights Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012

REVENUES

LOCAL SOURCES:

Current Real Estate Taxes	\$ 16,375,236	
Interim Real Estate Taxes	40,863	
Public Utility	25,341	
Payment in Lieu of Taxes	169	
Current Per Capita Taxes - 511	36,002	
Current Per Capita Taxes - 679	36,002	
Occupational Privilege Tax	15,226	
Earned Income Tax	1,491,835	
Real Estate Transfer Tax	99,216	
Delinquent Real Estate Taxes	686,772	
Delinquent Per Capita Taxes - 511	1,712	
Delinquent Per Capita Taxes - 679	1,712	
Interest	57,601	
Admissions	23,501	
Fees	49,775	
Student Activities	-	
I/U Services - State	1,984	
I/U Services - Federal	313,113	
I/U Services - Federal (ARRA)	-	
Rentals	47,009	
Contributions	1,465	
Regular Day School Tuition	28,510	
Summer School	3,400	
Receipts from Other LEA's	-	
Transportation Services Provided Other LEA's	-	
Miscellaneous	24,272	
Refund of Prior Year Expenditures	9,106	
TOTAL LOCAL SOURCE REVENUE	9,106	\$ 19,369,822

STATE SOURCES:

Basic Subsidy - ESBE	3,849,171	
Charter Schools	-	
School Performance	-	
Orphan Tuition	28,854	
Driver Education	-	
Special Education	992,693	
Transportation	906,097	
Rentals	251,527	
Health Services	32,627	
State Property Tax Reduction Allocation	788,237	
Extra Grants	86,743	
FICA Revenue	466,882	
Retirement Revenue	546,019	
Other State Revenue	2,702	
TOTAL STATE SOURCE REVENUE	2,702	\$ 7,951,552

Brandywine Heights Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012

REVENUE (CONT'D)

FEDERAL SOURCES:

Title I	202,967	
Title I - ARRA	-	
Title IIA and II	71,181	
Education Jobs Grant	4,175	
State Fiscal Stabilization Fund - ARRA	-	
Medical Assistance Reimb.	211,203	
TOTAL FEDERAL SOURCE REVENUE		<u>489,526</u>
TOTAL REVENUE		<u>27,810,900</u>

EXPENDITURES

Regular Programs - Elem./Secondary	10,060,703	
Special Education	5,932	
Life Skills Support - Public	313,102	
Sensory Support	317,926	
Emotional Support - Public	578,917	
Learning Support - Public	1,781,355	
Gifted Support	244,717	
Physical Support	106,024	
Early Intervention Support	16,218	
Other Support	394,350	
Other Vocational Education Programs	710,610	
Summer School	11,739	
Homebound Instruction	12,460	
Adjudicated/Court Placed Programs	10,694	
Nonpublic School Programs	-	
Community College Programs	-	
Support Services - Pupil Personnel	-	
Guidance Services	664,898	
Attendance Services	-	
Psychological Services	151,740	
Other Pupil Personnel Services	-	
School Library Services	379,344	
Instructional & Curriculum Dev. Service	474,288	
Instructional Staff Development Services	23,010	
Other Instructional Staff Services	530	
Board Services	36,088	
Tax Assessment & Collection Service	61,563	
Legal Services	29,568	
Office of the Superintendent Services	250,093	
Community Relation Services	273	
Office of the Principal Services	943,240	
SUB-TOTAL	<u>17,579,382</u>	

Brandywine Heights Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012

SUB-TOTAL (carried forward)	\$	17,579,382	
Other Administrative Services		25,469	
Support Services - Pupil Health		357,692	
Support Services - Business		446,727	
Operation & Maintenance of Plant		1,930,582	
Operation of Building Services		-	
Student Transportation Services		1,646,081	
System-wide Technology Services		314,470	
Information Services		4,099	
Staff Services		-	
State & Federal Agency Liaison Services		-	
Other Support Services		22,337	
Student Activities		11,051	
School Sponsored Athletics		503,444	
Community Services		63	
Architecture and Engineering Services		-	
Building Acquisition and Construction		-	
Building Improvement		-	
Debt Service		3,270,245	
Refund of Prior Yr. Receipts		113,278	
TOTAL EXPENDITURES		113,278	\$ 26,224,920
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			 1,585,980
 <u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Extended Term Financing		-	
Transfer from Capital Projects		-	
Debt Service Fund Transfers		-	
Sale of Fixed Assets		256,741	
Special Revenue Fund Transfers		-	
Capital Projects Funds Transfers		(360,000)	
Food Service Fund Transfers		(51,908)	
Activity Fund Transfers		-	
TOTAL OTHER FINANCING SOURCES (USES)		(155,167)	
 Special Items		-	
Extraordinary Items		-	(155,167)
NET CHANGE IN FUND BALANCE		-	1,430,813
 FUND BALANCE - JULY 1, 2011			3,698,514
 FUND BALANCE - JUNE 30, 2012			\$ 5,129,327

Brandywine Heights Area School District
Food Service Fund
Statement of Revenues and Expenses
For the Year Ended June 30, 2012

OPERATING REVENUES

Sales to Students	\$	367,071	
Sales to Adults		24,414	
State Social Security Reimbursement		8,903	
State Retirement Reimbursement		10,228	
State Subsidies		22,453	
Federal Subsidies		151,162	
Value of Donated Commodities Received		31,072	
Special Functions		5,511	
Transfer from General Fund		51,908	
Miscellaneous Revenue		1,671	
Contributions and Donations		-	
Gain or (Loss) from Sale of Fixed Assets		(5,728)	
Interest		<u>62</u>	\$ 668,727

COST OF GOODS SOLD

Beginning Inventory - Food and Commodities - July 1, 2011	49,319	
Food and Milk (Purchases)	232,179	
Supplies	26,970	
Donated Commodities Received	31,072	
LESS -Ending Inventory-Food and Commodities - June 30, 2012	<u>(42,523)</u>	<u>297,017</u>
GROSS PROFIT		371,710

OPERATING EXPENSES

Salaries	238,036	
Employees Insurance	45,391	
Social Security	17,807	
Retirement	20,456	
Unemployment Comp.	1,518	
Workmen's Compensation	5,655	
Other Employee Benefits	3,035	
Professional Services	-	
Training and Development	-	
Repairs and Maintenance	14,145	
Travel	273	
Meals and Refreshments	314	
Equipment	1,234	
Dues and Fees	512	
Depreciation	<u>8,088</u>	<u>356,464</u>
CHANGES IN NET ASSETS		15,246
FUND NET ASSETS - JULY 1, 2011		<u>173,140</u>
FUND NET ASSETS - JUNE 30, 2012		<u>\$ 188,386</u>

**Brandywine Heights Area School District
Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012**

FUND BALANCE - JULY 1, 2011		\$	3,491,464
 <u>REVENUES AND OTHER FINANCING SOURCES</u>			
Transfer from General Fund	\$	360,000	
Proceeds from Bond Issues		-	
Bond Premium		-	
Interest Earnings		3,954	363,954
		3,954	363,954
 TOTAL FUNDS AVAILABLE			 3,855,418
 <u>EXPENDITURES AND OTHER FINANCING USES</u>			
INSTRUCTIONAL:			
Supplies		-	
SUPPORT SERVICES:			
Professional Services		-	
Insurance		-	
Supplies		1,272	
NON-INSTRUCTIONAL SERVICES:			
Equipment		-	
CAPITAL OUTLAY			
Professional Services		66,117	
Site Improvements		96,989	
Construction costs		3,148,634	
Repairs and Maintenance		6,095	
Equipment		61,681	
Supplies		3,138	
OTHER FINANCING USES			
Transfer to General Fund		-	
Transfer to Other Funds		-	3,383,926
		-	3,383,926
 FUND BALANCE - JUNE 30, 2012		 \$	 <u>471,492</u>

**Brandywine Heights Area School District
2011A Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012**

FUND BALANCE - JULY 1, 2011	\$	386
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding Bond Issues	\$ -	
Bond Premium	-	
Interest Earnings	-	-
	-	-
 TOTAL FUNDS AVAILABLE		 386
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	-	
Insurance	-	
Printing	-	
DEBT SERVICE:		
Principal	-	
Interest	386	
OTHER FINANCING USES		
Payment to Refunded Bonds Escrow Agent	-	
Bond Discounts	-	386
	-	386
 FUND BALANCE - JUNE 30, 2012	 \$	 <u>-</u>

Brandywine Heights Area School District
Schedule on General Obligation Notes - Series of 2002
For the Year Ended June 30, 2012

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 405,957	\$ 1,560,000
2013-14	357,035	1,630,000
2014-15	297,871	2,315,000
2015-16	225,626	2,430,000
2016-17	148,777	2,550,000
2017-18	68,670	2,675,000
2018-19	12,333	700,000
TOTAL OUTSTANDING - JUNE 30, 2012	<u>\$ 1,516,269</u>	<u>\$ 13,860,000</u>

Schedule on General Obligation Bonds - Series of 2002
For the Year Ended June 30, 2012

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 46,215	\$ 540,000
2013-14	25,425	565,000
TOTAL OUTSTANDING - JUNE 30, 2012	<u>\$ 71,640</u>	<u>\$ 1,105,000</u>

Schedule on General Obligation Notes - Series of 2003
For the Year Ended June 30, 2012

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 11,677	\$ 275,000
2013-14	1,365	35,000
TOTAL OUTSTANDING - JUNE 30, 2012	<u>\$ 13,042</u>	<u>\$ 310,000</u>

Schedule on General Obligation Bonds - Series of 2006
For the Year Ended June 30, 2012

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 3,252	\$ 65,000
2013-14	912	25,000
TOTAL OUTSTANDING - JUNE 30, 2012	<u>\$ 4,164</u>	<u>\$ 90,000</u>

**Brandywine Heights Area School District
Schedule on General Obligation Bonds - Series A of 2011
For the Year Ended June 30, 2012**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 313,326	\$ 60,000
2013-14	312,606	360,000
2014-15	307,026	280,000
2015-16	301,427	280,000
2016-17	295,266	290,000
2017-18	288,016	300,000
2018-19	279,466	2,265,000
2019-20	208,685	3,020,000
2020-21	109,025	3,115,000
TOTAL OUTSTANDING - JUNE 30, 2012	<u>\$ 2,414,843</u>	<u>\$ 9,970,000</u>

**Schedule on General Obligation Bonds - Series B of 2011
For the Year Ended June 30, 2012**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 187,254	\$ 5,000
2013-14	187,196	5,000
2014-15	187,121	5,000
2015-16	187,021	5,000
2016-17	186,906	5,000
2017-18	186,744	5,000
2018-19	186,581	70,000
2019-20	184,306	100,000
2020-21	180,807	105,000
2021-22	177,000	3,095,000
2022-23	22,250	445,000
TOTAL OUTSTANDING - JUNE 30, 2012	<u>\$ 1,873,186</u>	<u>\$ 3,845,000</u>

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

**BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NO.	PASS THROUGH GRANTOR NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) 7/1/2011	REVENUE	EXPEND.	ACCRUED OR (DEFERRED) 6/30/2012	FOOTNOTES
<u>U.S. DEPT. OF EDUCATION</u>											
<u>PASSED THROUGH THE PDE</u>											
ESEA - TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-110046	7/1/10 - 9/30/11	\$ 197,538	\$ 39,352	\$ 20,699	\$ 18,653	\$ 18,653	\$ -	2
ESEA - TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-120046	7/1/11 - 9/30/12	\$ 185,724	150,974	-	184,314	184,314	33,340	
ESEA - TITLE I SCHOOL IMPROVEMENT	I	84.010	042-110046	7/1/10 - 9/30/11	\$ 52,659	5,543	5,543	-	-	-	
ARRA - ESEA - TITLE I - SCHOOL IMPROVEMENT	I	84.389	134-110046	7/1/10 - 9/30/11	\$ 36,541	11,539	11,539	-	-	-	
TOTAL TITLE I CLUSTER						207,408	37,781	202,967	202,967	33,340	
<u>PASSED THROUGH THE PDE</u>											
ESEA - TITLE IIA IMP TEACHER QUALITY	I	84.367	020-110046	7/1/10 - 9/30/11	\$ 81,760	10,724	10,724	-	-	-	2
ESEA - TITLE IIA IMP TEACHER QUALITY	I	84.367	020-120046	7/1/11 - 9/30/12	\$ 71,181	61,840	-	71,181	71,181	9,341	
ARRA - STATE FISCAL STABILIZATION FUND	I	84.394	126-110046	7/1/10 - 6/30/11	\$ 454,619	151,540	151,540	-	-	-	5
ARRA - EDUCATION JOBS FUND	I	84.410	140-129478	8/10/11 - 6/30/12	\$ 4,175	-	-	4,175	4,175	4,175	5
<u>PASSED THROUGH THE BERKS COUNTY I.U.</u>											
IDEA - B	I	84.027	N/A	7/1/10 - 6/30/11	\$ 315,635	176,724	176,724	-	-	-	2
IDEA - B	I	84.027	N/A	7/1/11 - 6/30/12	\$ 312,430	109,365	-	312,430	312,430	203,065	1
ARRA - IDEA - B	I	84.391	N/A	2/17/09 - 9/30/11	\$ 423,423	84,253	84,253	-	-	-	5
IDEA - SECTION 619	I	84.173	N/A	7/1/11 - 6/30/12	\$ 683	683	-	683	683	-	1
TOTAL IDEA CLUSTER						371,025	260,977	313,113	313,113	203,065	
TOTAL U. S. DEPARTMENT OF EDUCATION						802,537	461,022	591,436	591,436	249,921	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>PUBLIC DEPARTMENT OF WELFARE</u>											
ESEA - TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/10 - 9/30/11	N/A	1,436	-	1,436	1,436	-	2
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						1,436	-	1,436	1,436	-	
<u>U. S. DEPARTMENT OF AGRICULTURE</u>											
<u>PASSED THROUGH THE PA DEPT. OF EDUCATION:</u>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/10 - 6/30/11	N/A	32,492	32,492	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/11 - 6/30/12	N/A	146,091	32,492	129,583	129,583	15,984	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/10 - 6/30/11	N/A	6,479	6,479	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/11 - 6/30/12	N/A	25,193	6,479	21,579	21,579	2,865	
<u>PASSED THROUGH THE PA DEPT. OF AGRICULTURE:</u>											
U.S.D.A. COMMODITIES	I	10.555	N/A	7/1/11 - 6/30/12	N/A	31,071	(35,544)	35,981	35,981	(30,634)	2
TOTAL CHILD NUTRITION CLUSTER						241,326	42,398	187,143	187,143	(11,785)	3,4
TOTAL U.S. DEPARTMENT OF AGRICULTURE						241,326	42,398	187,143	187,143	(11,785)	
TOTAL FEDERAL AWARDS						\$ 1,045,299	\$ 503,420	\$ 780,015	\$ 780,015	\$ 238,136	

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, 2012

Note 1 - Significant Accounting Policies

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

Note 2 - Organization and Scope

The District recognized 2.9% of its total general fund revenue in federal awards, and 28.1% of its total enterprise fund revenue.

Note 3 - Program Disclosure – Footnotes

1. The federal awards passed through the Berks County Intermediate Unit under the U.S. Department of Education heading, is part of a consortium of participating school districts. In accordance with directions from the Commonwealth of Pennsylvania, these awards are reported on the basic financial statements as local source revenue
2. The 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	\$ 1,084,197	\$ 429,485
Berks County I.U.	1,052,171	313,113
PA Department of Public Welfare	N/A	1,436
PA Department of Agriculture	N/A	35,981
Totals	\$ 2,136,368	\$ 780,015

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$31,071 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2011-12 fiscal year, the District used \$35,981 in commodities and established a year-end inventory of \$30,634 at June 30, 2012.
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	\$ 489,526
Federal Grants in Local Sources	313,113
Food Service Fund Federal Revenue	182,234
Total Federal Revenue, per financial statements	984,873
Less - Medical Access	(209,768)
Plus - Change in Donated Commodities	4,910
Total Federal Revenue Reported on SEFA	\$ 780,015



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement for the General Fund of Brandywine Heights Area School District as of and for the year ended June 30, 2012, which collectively comprise Brandywine Heights Area School District's basic financial statements and have issued our report thereon dated December 5, 2012. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America, and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

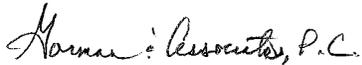
Compliance and Other Matters

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

We noted certain matters that we reported to management of Brandywine Heights Area School District in a separate letter dated December 5, 2012.

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

Respectfully submitted,



December 5, 2012



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

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

Compliance

We have audited Brandywine Heights Area School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A -133 *Compliance Supplement* that could have a direct and material effect on Brandywine Heights Area School District's major federal programs for the year ended June 30, 2012. Brandywine Heights Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Brandywine Heights Area School District's management. Our responsibility is to express an opinion on Brandywine Heights Area School District's compliance based on our audit.

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

In our opinion, Brandywine Heights Area School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of Brandywine Heights Area School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Brandywine Heights Area School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Brandywine Heights Area School District's internal control over compliance.

Brandywine Heights Area School District

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

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

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

Respectfully submitted,

Norman Associates, P.C.

December 5, 2012

**Brandywine Heights Area School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2012**

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.391,84.173	IDEA Cluster

Percentage of program tested to total awards 40.1%

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

Auditee qualified as low-risk auditee? yes no

**Brandywine Heights Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section II - Financial Statement Findings

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

Section III - Findings and Questioned Costs for Federal Awards

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

Audit Follow-Up Procedures

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