

BROWNSVILLE AREA SCHOOL DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

**BROWNSVILLE AREA SCHOOL DISTRICT
FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2010

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Zelenkofske Axelrod LLC

Independent Auditor's Report

Members of the Board
Brownsville Area School District
Brownsville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the BROWNSVILLE AREA SCHOOL DISTRICT as of and for the year ended June 30, 2010, which collectively comprise the BROWNSVILLE AREA SCHOOL DISTRICT's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the BROWNSVILLE AREA SCHOOL 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and any 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.

As discussed in Note 2 to the financial statements, management has not recorded a liability for post-retirement benefits in the governmental activities and, accordingly, has not recorded the related expense associated with that liability. Accounting principles generally accepted in the United States of America require that the liability for post-retirement benefits and the related expense be recorded, which would increase liabilities and expenses and decrease net assets of the governmental activities, the business-type activities, and enterprise fund. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities, business-type activities, and enterprise fund is not reasonably determinable.

In our opinion, because of the effects of the matter disclosed discussed in the preceding paragraph the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, the business-type activities, and enterprise fund of the BROWNSVILLE AREA SCHOOL DISTRICT as of June 30, 2010, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the BROWNSVILLE AREA SCHOOL DISTRICT as of June 30, 2010, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Zelenkofske Axelrod LLC

Members of the Board
Brownsville Area School District
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In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010 on our consideration of the BROWNSVILLE 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BROWNSVILLE AREA SCHOOL DISTRICT's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

November 12, 2010
Pittsburgh, Pennsylvania

Brownsville Area School District
Management's Discussion and Analysis
June 30, 2010

The discussion and analysis of the Brownsville Area School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended **June 30, 2010**. The intent of this discussion and analysis is to review the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements to help their understanding of the School District's financial position.

FINANCIAL HIGHLIGHTS

The trends indicated that for the fiscal year 2009-2010 the School District would experience the continued increase in health care costs. There was also an increase in the Public School Employees' Retirement System (PSERS) rate. At the end of 2009-2010, increases in energy costs, salaries due to retirements, additional debt service, and limited increases in revenues has negatively affected the School District's financial position.

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements report information about the School District generally 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 financial statements report the School District's net assets and how they have changed. Net assets, the School District's assets less the School District's liabilities, are one way to measure the School District's financial position.

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

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

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

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

Fund Financial Statements

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

Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2010

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and/or change in financial position, not on income determination. They are reported on a modified accrual basis of 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 School District's operations and the services it provides. Governmental fund information helps the reviewer determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District 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 Fund – These funds are used to account for the School District's activities that are similar to private business operations or where the reporting is on determining net income, financial position, change in financial position, and the significant portion of funding through user charges. When the School District charges customers for services it provides, whether to outside customers or other units in the School District, these services are generally reported as proprietary funds. The food-service fund is the School 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 flow.

Fiduciary Fund – The School District is trustee, or fiduciary, for certain student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance the School District's operations.

Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2010

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT

The School District's total net assets were a deficit of \$4,709,082 at June 30, 2010.

Condensed Statement of Net Assets (Deficit)
Fiscal Years Ended June 30, 2010

	Governmental Activities	Business-Type Activities	2010 Total	2009 Total
Current and other assets	\$ 12,774,843	\$ 159,960	\$ 12,934,803	\$ 9,972,975
Capital assets	<u>19,779,581</u>	<u>42,932</u>	<u>19,822,513</u>	<u>20,614,951</u>
Total Assets	\$ 32,554,424	\$ 202,892	\$ 32,757,316	\$ 30,587,926
Current and other liabilities	\$ 2,068,782	\$ 650,140	\$ 2,718,922	\$ 3,644,815
Long-term liabilities	<u>35,194,724</u>	<u>-</u>	<u>35,194,724</u>	<u>30,886,828</u>
Total Liabilities	37,263,506	650,140	37,913,646	34,531,643
Net Assets:				
Invested in capital assets, net of related debt	(1,920,075)	42,932	(1,877,143)	(2,088,307)
Retirement of Long-Term Debt	452,919	-	452,919	
Program purposes	124,908	-	124,908	158,071
Unrestricted	<u>(3,366,834)</u>	<u>(490,180)</u>	<u>(3,857,014)</u>	<u>(2,013,481)</u>
Total Net Assets (Deficit)	<u>\$ (4,709,082)</u>	<u>\$ (447,248)</u>	<u>\$ (5,156,330)</u>	<u>\$ (3,943,717)</u>

Most of the School District's net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are a combination of designated and undesignated amounts. The designated balances are amounts set aside to fund future purchases or capital projects as planned by the School District.

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 School District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania and the local taxes assessed to community taxpayers.

The next table takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the year.

Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2010

Changes in Net Assets (Deficit)
Fiscal Years Ended June 30, 2010

	Governmental Activities	Business-Type Activities	2010 Total	2009 Total
Revenues:				
Program revenues:				
Charges for services	\$ 211,315	\$ 250,328	\$ 461,643	\$ 317,719
Operating grants and contributions	7,827,261	726,936	8,554,197	7,886,304
Capital grants and contributions	45,779	-	45,779	-
General revenues:				
Property taxes	3,362,561	-	3,362,561	2,721,411
Other taxes	881,029	-	881,029	1,231,872
Grants, subsidies, and contributions, not-restricted	10,601,555	-	10,601,555	11,617,576
Investment earnings	20,070	89	20,159	144,685
Other	19,827	-	19,827	39,772
Transfers	(47,084)	47,084	-	-
Total Revenues	<u>22,922,313</u>	<u>1,024,437</u>	<u>23,946,750</u>	<u>23,959,339</u>
Expenses:				
Instruction	14,992,557	-	14,992,557	14,949,365
Instructional student support	1,058,090	-	1,058,090	1,256,617
Administration and financial support	2,182,256	-	2,182,256	1,635,881
Operation and maintenance of plant	2,307,709	-	2,307,709	2,654,007
Pupil transportation	1,775,030	-	1,775,030	1,775,879
Student activities	295,142	-	295,142	399,752
Community services	16,990	-	16,990	8,335
Interest on long-term debt	1,498,714	-	1,498,714	1,340,205
Food services	-	1,032,875	1,032,875	1,027,144
Total Expenses	<u>24,126,488</u>	<u>1,032,875</u>	<u>25,159,363</u>	<u>25,047,185</u>
Increase (Decrease) in Net Deficit	<u>\$ (1,204,175)</u>	<u>\$ (8,438)</u>	<u>\$ (1,212,613)</u>	<u>\$ (1,087,846)</u>

Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2010

GENERAL FUND BUDGET

For the 2009-2010 fiscal year, the administration did not authorize revisions to the original budget. A schedule showing the School District's budget amounts compared with amounts actually paid and received is provided on Page 49 in the required supplemental information.

CAPTIAL ASSET AND DEBT ACTIVITY

At June 30, 2010, the School District's governmental activities were invested in a broad range of capital assets, including land, site improvement, building, and furniture/equipment.

Capital Assets (Net of Depreciation)	Land	Building Improvement	Vehicles/ Equipment	Construction in Progress	June 30, 2010 Total	June 30, 2009 Total
Governmental activities	\$ 701,440	\$ 17,658,650	\$ 1,036,546	\$ 382,945	\$ 19,779,581	\$ 20,613,930
Business-type activities	-	-	42,932	-	42,932	1,021

See financial statement Note 3E.

DEBT ACTIVITY

As of July 1, 2009, the School District had total outstanding principal of \$30,755,600. During the year, the School District made payments against principal of \$584,100 and incurred additional debt in the amount of \$4,980,000 resulting in ending outstanding debt as of June 30, 2010, of \$35,151,500. Future debt service payment, including principal and interest, will be approximately \$2.0 million per year.

	Outstanding Debt June 30, 2010				Amounts due within one year
	Beginning Balance	Additions	Retirements	Ending Balance	
Series 2003	\$ 3,105,000	\$ -	\$ (320,000)	\$ 2,785,000	\$ 315,000
Series 2005	9,425,000	-	(125,000)	9,300,000	130,000
Series 2006	8,870,000	-	(20,000)	8,850,000	20,000
Series 2007	8,530,000	-	(35,000)	8,495,000	35,000
Series 2008	825,600	-	(84,100)	741,500	116,000
Series 2009	-	980,000	-	980,000	-
Series A of 2009	-	4,000,000	-	4,000,000	-
Total	\$ 30,755,600	\$ 4,980,000	\$ (584,100)	\$ 35,151,500	\$ 616,000

Other obligations include accrued vacation pay and sick leave for specific employees of the School District. See financial statement note 3G.

Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2010

GOVERNMENTAL FUND BALANCES AND PROPRIETARY FUND NET ASSETS

Ending balances for governmental funds and net assets for proprietary funds at June 30, 2010 and 2009 were as follows:

<u>Fund</u>	<u>2010 Governmental Funds</u>	<u>2009 Governmental Funds</u>	<u>2010 Proprietary Funds</u>	<u>2009 Proprietary Funds</u>
General Fund	\$ 988,655	\$ (2,245,339)	\$ -	\$ -
Other Governmental Funds	8,674,473	8,368,128	-	-
Cafeteria Fund	-	-	(447,248)	(438,810)
Total	<u>\$ 9,663,128</u>	<u>\$ 6,122,789</u>	<u>\$ (447,248)</u>	<u>\$ (438,810)</u>

The decrease in fund balance is due to rising costs in the General Fund and no increase in real estate tax millage to accommodate the higher expenses. The decrease in the Cafeteria Fund is due to fewer students paying for lunches but the contracted food services not decreasing accordingly.

BOND RATING

The School District's bond rating from Standard and Poor's is "AAA". The "AAA" bond rating is secured by the purchase of bond insurance.

ECONOMIC FACTORS AND NEW YEAR'S BUDGET

The School District does not expect significant growth in the near future.

Barring substantial changes to programs or additional state or federal mandates, it is anticipated that the School District would not need to significantly increase or decrease the professional and non-professional staff.

The budget for the 2010-2011 year is \$22,682,260, a decrease of \$896,013 over the 2009-2010 budget. The mileages for 2010-2011 are 13.07 mills for Fayette County and 73.47 mills for Washington County, an increase of .923 mills and 5.153 mills, respectively.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the School District's finances, comply with finance related laws and regulations, and demonstrate the School District's commitment to public accountability. If you have any questions about this report or would like additional information, contact the School District's Business Office at the Brownsville Area School District, 1025 Lewis Street, Brownsville, Pennsylvania, 15417.

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 1,299,667	\$ 117,453	\$ 1,417,120
Investments	9,405,507	-	9,405,507
Accounts Receivable	8,606	508	9,114
Taxes Receivable	726,308	-	726,308
Due From Other Governments	390,496	9,000	399,496
Prepaid Assets	254,671	-	254,671
Deferred Issuance Costs on Bonds, Net	689,588	-	689,588
Inventory	-	32,999	32,999
Capital Assets: (Net)			
Depreciable	18,695,196	42,932	18,738,128
Non-depreciable	1,084,385	-	1,084,385
Total Assets	\$ 32,554,424	\$ 202,892	\$ 32,757,316
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	\$ 1,010,575	\$ 55,939	\$ 1,066,514
Accrued Expenses	1,110,412	36,582	1,146,994
Internal Balances	(557,619)	557,619	-
Due to Other Governments	70,519	-	70,519
Accrued Interest Payable on Debt	182,112	-	182,112
Deferred Revenues	252,783	-	252,783
Current Portions of Long-Term Liabilities:			
Loans and Notes Payable	616,000	-	616,000
Non-Current Portions of Long-Term Liabilities:			
Loans and Notes Payable	33,869,890	-	33,869,890
Compensated Absences	708,834	-	708,834
Total Liabilities	37,263,506	650,140	37,913,646
<u>Net Assets</u>			
Investment in Capital Assets, Net of Related Debt	(1,920,075)	42,932	(1,877,143)
Retirement of Long-Term Debt	452,919	-	452,919
Restricted Net Assets			-
Program Purposes	124,908	-	124,908
Unrestricted	(3,366,834)	(490,180)	(3,857,014)
Total Net Assets (Deficit)	\$ (4,709,082)	\$ (447,248)	\$ (5,156,330)

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

**BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
Instruction	\$ 14,992,557	\$ 175,742	\$ 4,634,217	-	\$ (10,182,598)	\$ (10,182,598)
Instructional Student Support	1,058,090	-	908,293	-	(149,797)	(149,797)
Administrative and Financial Support Services	2,182,256	-	1,208,224	-	(974,032)	(974,032)
Operation and Maintenance of Plant Services	2,307,709	-	-	45,779	(2,261,930)	(2,261,930)
Pupil Transportation	1,775,030	-	1,076,527	-	(698,503)	(698,503)
Student Activities	295,142	35,573	-	-	(259,569)	(259,569)
Community Services	16,990	-	-	-	(16,990)	(16,990)
Interest on Long-Term Debt	1,498,714	-	-	-	(1,498,714)	(1,498,714)
Total Governmental Activities	24,126,488	211,315	7,827,261	45,779	(16,042,133)	(16,042,133)
Business-Type Activities:						
Food Service	1,032,875	250,328	726,936	-	-	(55,611)
Total Business-Type Activities	1,032,875	250,328	726,936	-	-	(55,611)
Total Primary Government	\$ 25,159,363	\$ 461,643	\$ 8,554,197	\$ 45,779	\$ (16,042,133)	\$ (16,087,744)
General Revenues:						
Taxes:						
Property					3,362,561	3,362,561
Other taxes levied					881,029	881,029
Grants, subsidies, and contributions not restricted					10,601,555	10,601,555
Investment Earnings					20,070	20,159
Miscellaneous					19,827	19,827
Transfers					(47,084)	-
Total General Revenues and Transfers					14,837,958	14,885,131
Change in Net Assets					(1,204,175)	(8,438)
Net Assets (Deficit) - Beginning					(3,504,907)	(3,943,717)
Net Assets (Deficit) - Ending					\$ (4,709,082)	\$ (5,156,330)

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

BROWNSVILLE AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Construction	Debt Service	Total Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 1,265,513	\$ 19	\$ 610	\$ 33,525	\$ 1,299,667
Investments	1,275,321	7,578,877	452,309	99,000	9,405,507
Receivables:					
Taxes	726,308	-	-	-	726,308
Other governmental grants	390,496	-	-	-	390,496
Other	8,606	-	-	-	8,606
Loans	-	-	-	-	-
Due from other funds	565,236	517,750	-	-	1,082,986
Prepaid assets	254,671	-	-	-	254,671
 Total assets	 4,486,151	 8,096,646	 452,919	 132,525	 13,168,241
<u>Liabilities</u>					
Accounts Payable	1,010,575	-	-	-	1,010,575
Accrued liabilities	1,110,412	-	-	-	1,110,412
Due to other funds	517,750	-	-	7,617	525,367
Due to other governments	70,519	-	-	-	70,519
Deferred revenues	788,240	-	-	-	788,240
 Total liabilities	 3,497,496	 -	 -	 7,617	 3,505,113
<u>Fund Balances</u>					
Reserved					
Prepaid Expenses	254,671	-	-	-	254,671
Retirement of Long-Term Debt	-	-	452,919	-	452,919
Capital Projects	-	8,096,646	-	-	8,096,646
Program Purposes	-	-	-	124,908	124,908
Unreserved					
Undesignated	733,984	-	-	-	733,984
 Total fund balances (deficits)	 988,655	 8,096,646	 452,919	 124,908	 9,663,128
 Total liabilities and fund balances	 \$ 4,486,151	 \$ 8,096,646	 \$ 452,919	 \$ 132,525	 \$ 13,168,241

The accompanying notes are in integral part of the financial statements.

BROWNSVILLE AREA SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balances of governmental funds		\$ 9,663,128
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$33,113,642 and the accumulated depreciation is \$13,334,061.		19,779,581
Property taxes receivable will be collected, but are not available soon enough to pay for current year's expenditures, and therefore are deferred in the Governmental Funds		535,457
Bond Premium and issuance costs are deferred and amortized in the Statement of Activities. These costs were reported in full in the Funds when the debt was first issued, whereas these amounts are deferred and amortized in the Statement of Activities		689,588
Long-term liabilities such as Debt, Accrued Interest, and Compensated Absences are not due and payable in the current period and accordingly are not reported as fund liabilities. Both current and long-term liabilities are reported in the Statement of Net Assets.		
Long-term Debt	\$ (35,151,500)	
Unamortized loss on debt refundings	665,610	
Accrued interest	(182,112)	
Compensated absences	<u>(708,834)</u>	<u>(35,376,836)</u>
Total net assets of governmental activities		<u>\$ (4,709,082)</u>

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

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Construction	Debt Service	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local Revenue Sources	\$ 3,907,388	\$ 12,044	\$ 2,564	\$ 324	\$ 3,922,320
State Revenue Sources	15,412,473	-	-	-	15,412,473
Federal Revenue Sources	3,323,765	-	-	-	3,323,765
Total Revenues	<u>22,643,626</u>	<u>12,044</u>	<u>2,564</u>	<u>324</u>	<u>22,658,558</u>
Expenditures					
Current operating:					
Instruction	14,313,155	-	-	-	14,313,155
Support Services	7,052,991	125,000	162,899	33,487	7,374,377
Noninstructional Services	298,389	-	-	-	298,389
Miscellaneous	104,684	455	-	-	105,139
Debt service					
Principal	-	-	1,944,523	-	1,944,523
Interest	10,098	-	-	-	10,098
Total Expenditures	<u>21,779,317</u>	<u>125,455</u>	<u>2,107,422</u>	<u>33,487</u>	<u>24,046,681</u>
Excess (deficiency) of revenues over expenditures	<u>864,309</u>	<u>(113,411)</u>	<u>(2,104,858)</u>	<u>(33,163)</u>	<u>(1,387,123)</u>
Other financing sources (uses)					
Proceeds from long term debt	-	-	4,980,000	-	4,980,000
Discount on bonds	-	-	(10,955)	-	(10,955)
Sale of Fixed Assets	5,501	-	-	-	5,501
Transfers in	3,884,136	-	1,472,868	-	5,357,004
Transfers out	<u>(1,519,952)</u>	<u>-</u>	<u>(3,884,136)</u>	<u>-</u>	<u>(5,404,088)</u>
Total other financing sources (uses)	<u>2,369,685</u>	<u>-</u>	<u>2,557,777</u>	<u>-</u>	<u>4,927,462</u>
Net change in fund balance	3,233,994	(113,411)	452,919	(33,163)	3,540,339
Fund balance (deficit), beginning of year	<u>(2,245,339)</u>	<u>8,210,057</u>	<u>-</u>	<u>158,071</u>	<u>6,122,789</u>
Fund balance, end of year	<u>\$ 988,655</u>	<u>\$ 8,096,646</u>	<u>\$ 452,919</u>	<u>\$ 124,908</u>	<u>\$ 9,663,128</u>

The accompanying notes are in integral part of the financial statements.

BROWNSVILLE AREA SCHOOL DISTRICT
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010

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

Net Change in fund balances - total governmental funds		\$ 3,540,339
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital outlays	30,326	
Depreciation expense	<u>(864,675)</u>	(834,349)
Payments of long-term debt and certain expenditures of debt issuance are expensed when paid in the Governmental Funds, but are amortized or recorded as a reduction of long term liabilities in the Statement of Net Assets		
Debt principle repayments	584,100	
New debt issued during current year	(4,980,000)	
Change in accrued interest	(20,101)	
Amortization of loss on debt refundings	(46,734)	
Current year bond issuance costs and discounts	173,854	
Amortization of bond discount and issuance costs	<u>(61,358)</u>	(4,350,239)
Governmental funds do not report the changes in compensated absences:		134,738
Real estate taxes reported in the funds include receipt of prior year delinquent taxes and do not include revenue attributable to the current year's delinquent tax receivable. This amount is the net effect of these differences.		
Current year	535,457	
Prior year	<u>(230,121)</u>	<u>305,336</u>
Changes in net assets of governmental activities		<u>\$ (1,204,175)</u>

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

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	Business-Type Activities - Enterprise Fund Cafeteria Fund
<hr/>	
Assets	
<hr/>	
Current Assets:	
Cash and cash equivalents	\$ 117,453
Due from other governments	9,000
Inventories	32,999
Other current assets	508
Total current assets	<u>159,960</u>
Noncurrent assets:	
Capital Assets (net of accumulated depreciation of \$111,392)	<u>42,932</u>
Total noncurrent assets	<u>42,932</u>
Total assets	<u>\$ 202,892</u>
<hr/>	
Liabilities	
<hr/>	
Current liabilities:	
Accounts payable	\$ 55,939
Accrued expenses	36,582
Due to other funds	557,619
Total current liabilities	<u>650,140</u>
Total liabilities	<u>650,140</u>
<hr/>	
Net Assets	
<hr/>	
Invested in Capital Assets, net of Related Debt	42,932
Unrestricted	<u>(490,180)</u>
Total net assets (deficit)	<u>(447,248)</u>
Total liabilities and net assets	<u>\$ 202,892</u>

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

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET DEFICIT
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Fund <u>Cafeteria Fund</u>
Operating Revenues	
Receipts from Providing Services	\$ 249,053
Other Revenue	<u>1,275</u>
Total Operating Revenues	<u>250,328</u>
Operating Expenses	
Food Service	1,029,006
Depreciation and amortization	<u>3,868</u>
Total Operating Expenses	<u>1,032,874</u>
Operating Loss	(782,546)
Nonoperating Revenues (Expenses)	
Interest Income	88
Grants	<u>726,936</u>
Total Nonoperating Revenues (Expenses)	<u>727,024</u>
Deficiency of revenues over expenditures	(55,522)
Transfers from other funds	<u>47,084</u>
Total other financing sources (uses)	<u>47,084</u>
Changes in Net Assets	(8,438)
Net Deficit - Beginning of Year	<u>(438,810)</u>
Net Deficit - End of Year	<u>\$ (447,248)</u>

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

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	<u>2010</u>
Cash flows from operating activities	
Cash received from customers	\$ 249,820
Cash paid to employees	(565,531)
Cash paid to suppliers	<u>(384,547)</u>
Net cash used in operating activities	<u>(700,258)</u>
Cash flows from investing activities	
Interest income	<u>89</u>
Net cash provided by investing activities	<u>89</u>
Cash flows from non-capital financing activities	
Grant payments received	799,049
Transfers from other funds	<u>47,084</u>
Net cash provided by non-capital financing activities	<u>846,133</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>(45,779)</u>
Net cash used in capital and related financing activities	<u>(45,779)</u>
Net increase in cash and cash equivalents	100,185
Beginning cash and cash equivalents	<u>17,268</u>
Ending cash and cash equivalents	<u>\$ 117,453</u>
RECONCILIATION OF OPERATING Loss TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (782,547)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization	3,868
(Increase) decrease in assets	
Account receivable	(508)
Inventories	(21,346)
Prepaid expenses	52,394
Increase (decrease) in liabilities	
Accounts payable	45,627
Accrued expenses	<u>2,254</u>
Net cash used in operating activities	<u>\$ (700,258)</u>

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

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Other Agency Funds</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 34,524
Total Assets	<u>\$ 34,524</u>
<u>Liabilities</u>	
Liabilities	
Funds Held in Fiduciary Capacity	\$ 34,524
Total Liabilities	<u>34,524</u>
Total Net Assets	<u>\$ -</u>

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

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: ORGANIZATION

The Brownsville Area School District (the School District) is a Third Class school district located mostly in Fayette County, Pennsylvania. It encompasses an area of approximately 56 square miles and includes Brownsville Borough, Brownsville Township, Luzerne Township, Redstone Township, and West Brownsville Borough. West Brownsville Borough is in Washington County. Additionally, a portion of West Brownsville Borough is in the California Area School District.

The School District provides basic educational services to approximately 2,000 students in three elementary buildings and one middle school/senior high school building. All buildings are publicly owned.

A. REPORTING ENTITY:

The Board of School Directors has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the School District. The School District receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the School District is not included in any governmental "reporting entity" since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

The School District has investigated the existence of agencies that should be evaluated for possible inclusion in the financial statements of the School District. The School District has determined through this investigation that there are no agencies to be evaluated. Thus, the School District's financial statements do not include any other agency as part of the reporting entity.

B. JOINTLY GOVERNED ORGANIZATIONS:

Intermediate Unit I:

The School District is a participating member of the Intermediate Unit I (IU I). The IU I 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 IU I's annual operating budget. The IU I is a self-sustaining organization that provides services for fees to participating districts. As such, the School District has no on-going financial interest or financial responsibility in the IU I. The IU I contracts with participating districts to supply special education services and acts as a conduit for certain federal programs.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 1: ORGANIZATION (CONTINUED)

B. JOINTLY GOVERNED ORGANIZATIONS (CONTINUED):

Fayette County Area Vocational Technical School:

The School District is one of four member school districts of the Fayette County Area Vocational Technical School (FCAVTS). The FCAVTS's Joint Operating Committee is made up of three school board members from each of the four member districts. These board members are appointed to this position by their Board of Directors. This committee makes business-related decisions pertaining to the FCAVTS. No member of this committee exercises specific control over the fiscal policies or operations of FCAVTS. The FCAVTS provides vocational-technical training and education to participating students of the member districts. The School District's share of annual operating costs for FCAVTS fluctuates based on the number of participating students from the School District each year.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the School District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 enterprise fund provided they do not conflict with or contradict GASB pronouncements. The School District follows accounting practices prescribed by the *Manual of Accounting and Financial Reporting for Pennsylvania Public Schools*, issued by the Pennsylvania Department of Education, which are in conformity with the above-mentioned GAAP. Following are the more significant of the School District's accounting policies.

A. BASIS OF PRESENTATION:

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

1. Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities and display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The statements distinguish governmental activities that are supported by taxes and other intergovernmental revenues from business-type activities that are financed in whole or in part with fees charged for services.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. BASIS OF PRESENTATION (CONTINUED):

1. Government-Wide Financial Statements (Continued):

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments and other items not properly included among program revenues are reported as general revenues.

2. Fund Financial Statements:

Fund financial statements, which include governmental, proprietary, and fiduciary funds, are designed to present financial information of the School District at a 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. Fiduciary funds are reported by type.

B. FUND ACCOUNTING:

1. Governmental Fund Types:

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. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances/net assets, and revenues and expenditures or expenses, as appropriate. There are three categories of funds: governmental, proprietary, and fiduciary. The School District maintains the following funds:

a. General Fund:

The general fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. FUND ACCOUNTING (CONTINUED):

1. Governmental Fund Types (Continued):

b. Special Revenue Funds:

Special revenue funds are used to account for financial resources that are legally restricted to expenditures for specified purposes. The School District's special revenue fund consists of the capital reserve fund.

The capital reserve fund is used to account for financial resources designated for major improvements and repairs to existing structures.

c. Capital Project Funds:

Capital project funds are used to account for financial resources related to general fixed asset acquisitions, construction, and improvements.

d. Debt Service Funds:

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

e. Permanent Funds:

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's programs. The School District accounts for its scholarship fund as a permanent fund.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. FUND ACCOUNTING (CONTINUED):

2. Proprietary Fund Types:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The following is the School District's proprietary type fund:

a. Enterprise Fund:

The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the Board of School Directors has decided that the revenues earned, costs incurred, and net income are necessary to management accountability. The School District accounts for food service as an enterprise fund.

3. Fiduciary Fund Types:

Fiduciary fund 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 not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District maintains one agency fund, the activity fund, which is used to account for the assets which belong to various student groups.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. MEASUREMENT FOCUS:

Measurement focus is commonly used to describe the types of transactions and events that are reported in the operating statements.

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using a flow of 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. As a general rule, the effect of inter-fund activity has been eliminated from government-wide financial statements.

2. Fund Financial Statements:

The governmental funds are accounted for using a flow of current financial resources measurement focus. Accordingly, only current assets and current liabilities are included on the governmental fund balance sheets, and the fund balances reflect spendable or appropriable resources. The statement of revenues, expenditures, and changes in fund balances reflects 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The proprietary funds are accounted for using a flow of economic resources measurement focus, as in the government-wide financial statements. All assets and liabilities (current and noncurrent) associated with the operation of the funds are included on the statement of net assets. The statement of changes in revenues, expenses, and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its proprietary funds. Depreciation of proprietary fund equipment is charged as expense against current operations using the straight-line method. Accumulated depreciation is reported on the proprietary fund statement on net assets.

The fiduciary fund is also accounted for using a flow of economic resources measurement focus, as in the government-wide financial statements.

The School District Reports the following major governmental funds:

The General Fund is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. ASSETS, LIABILITIES, AND NET ASSETS OR FUND BALANCE (CONTINUED):

4. Inventory (Continued):

Food service inventory includes government donated commodities which are valued at estimated fair market value. An annual physical inventory of food and supplies is taken by food service and reported in the enterprise fund.

5. Prepaid Items:

Payments made to vendors for services that will benefit periods beyond the current fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and expenditure/expense is reported in the year which services are consumed.

6. Capital Assets:

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

All capital assets should be capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets should be recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of \$1,500.

All capital assets, except land and construction in progress, are depreciated. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the Board of School Directors, no salvage value is taken into consideration for depreciation purposes. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 – 20 years
Buildings and building improvements	15 – 50 years
Furniture and fixtures	5 – 10 years
Vehicles	7 – 10 years
Equipment	5 – 10 years

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. ASSETS, LIABILITIES, AND NET ASSETS OR FUND BALANCE
(CONTINUED):

9. Compensated Absences:

It is the School District's policy to permit employees to accumulate unused sick leave and, upon termination, pay employees based upon an amount per unused sick day. Liabilities for accumulated leaves and termination compensation are recognized in the year that the rights to such benefits are earned. The liability to present employees is based upon current contract arrangements. The entire compensated absence liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as expenditures to the extent payments come due each period as a result of employee resignations and retirements. Following is a summary of the School District's compensated absence policies:

a. Vacation:

School District employees who are required to work on a twelve-month schedule are credited with vacation rates which vary with length of service or job classification. Unused vacation days for administrators and secretaries are added to sick days. Vacation days of other twelve-month employees are noncumulative.

b. Sick Leave:

Teachers and twelve-month employees are credited with ten to twelve days of sick leave annually, as set forth in their contracts, to an unlimited maximum. Upon retirement, administrators (Act 93 employees) are paid \$150 per day up to a maximum of 200 days for unused sick days. Upon retirement, teachers are paid \$80 for each accumulated, unused sick day up to a maximum of 200 days. School District administrative office secretaries are paid \$30 for each accumulated, unused sick day up to a maximum of 200 days. Service Employees International Union (SEIU) employees are paid \$20 for each accumulated, unused sick day up to a maximum of 200 days.

c. Personal Days:

In addition to vacation and sick leave, School District employees are entitled to three to five personal days, varying according to job classification, which may be added to sick days if not used. Teachers also have the option to receive payment for unused personal days at the rate of \$42 per unused day.

Compensated absences decreased by \$134,738 during the year and had a balance of \$708,834 as of June 30, 2010.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. ASSETS, LIABILITIES, AND NET ASSETS OR FUND BALANCE
(CONTINUED):

10. Interfund Transactions:

Interfund balances between governmental and business-type activities on the government-wide statements are reported as "internal balances." On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the enterprise fund. Interfund transfers within governmental activities and within business-type activities are eliminated on the government-wide statement of activities.

11. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing 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 the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

12. Fund Balance Reserves:

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

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. ASSETS, LIABILITIES, AND NET ASSETS OR FUND BALANCE
(CONTINUED):

13. Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

14. Adoption of Governmental Accounting Standards Board Statements

The School District adopted the provisions of GASB Statement No. 51, *"Accounting and Financial Reporting for Intangible Assets"*. The adoption of this statement had no effect on the financial reporting information of the School District.

The School District adopted the provisions of GASB Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments"*. The adoption of this statement had no effect on the financial reporting information of the School District.

15. Pending Changes in Accounting Principles (Continued)

In March 2009, the GASB issued Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions"*. The School District is required to adopt Statement No. 54 for its school year 2010/2011 financial statements.

In December 2009 the GASB issued Statement No. 57, *"OPEB Measurements by Agent Employers and Agent Multiple-Employers Plans."* The School District is required to adopt Statement No. 57 for its school year 2010/2011 financial statements.

In December 2009 the GASB issued Statement No. 58, *"Accounting and Financial Reporting for Chapter 9 Bankruptcies."* The School District is required to adopt Statement No. 58 for its calendar year 2010 financial statements.

In June 2010 the GASB issued Statement No. 59, *"Financial Instruments Omnibus."* The School District is required to adopt Statement No. 59 for its school year 2010/2011 financial statements

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. ASSETS, LIABILITIES, AND NET ASSETS OR FUND BALANCE
(CONTINUED):

16. GAAP Departure

The School District did not adopt the provisions of GASB Statement No. 45, *"Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions"* and therefore Post employment benefits are not presented in the financial statements.

G. USE OF ESTIMATES:

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

NOTE 3: DETAILED NOTES ON ALL FUNDS:

A. CASH AND INVESTMENTS:

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds in the following types of investments:

1. U.S. treasury bills; short-term securities (have a maturity of less than 13 months) of the U.S. Government, its agencies, or its instrumentalities; and obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith of and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. CASH AND INVESTMENTS (CONTINUED):

2. Shares of investment companies, provided they meet certain stringent requirements and that the underlying investments held by the companies are limited to the categories of securities listed above.
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

The deposit and investment policy of the School District adheres to state statutes. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

1. Deposits:

a. Custodial Credit Risk:

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$1,341,183 of the School District's bank balance of \$1,599,898 was exposed to custodial credit risk as uninsured and collateral was held by the pledging bank's trust department and not in the School District's name.

2. Investments (Continued):

a. Interest Rate Risk:

The School District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

b. Credit Risk/Concentration of Credit Risk:

The School District's policy does not limit its investment choices to certain credit rating, nor does it place a limit on the amount that may be invested in any one issuer.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. CASH AND INVESTMENTS (CONTINUED):

2. Investments (Continued):

b. Credit Risk/Concentration of Credit Risk (Continued):

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
FHLMC Discount Note	\$ 749,925	Less than 1 year	A
FNMA Discount Note	3,096,080	Less than 1 year	A
Federal Home Loan Bank Discount Note	1,097,990	Less than 1 year	A
First American Government Obligation	397,530	Less than 1 year	A
U.S. Treasury Bill	499,640	Less than 1 year	AAA
PA Invest Daily	1,275,068	Less than 1 year	AAA
U.S. Treasury Notes State & Local Gov't	452,309	Less than 1 year	AAA
Certificate of Deposits	<u>1,836,965</u>	Less than 1 year	N/A
Total Investments	<u>\$ 9,405,507</u>		

Because the money market mutual fund as of June 30, 2010, was comprised entirely of short-term U.S. Government Investments, it is presented as an investment with a maturity of less than 13 months.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. TAXES RECEIVABLE AND DEFERRED REVENUES:

The balances at June 30, 2010, were as follows:

	<u>Gross Taxes Receivable</u>	<u>Tax Revenues Recognized</u>	<u>Deferred Taxes</u>
Real estate taxes	\$ 630,505	\$ 95,048	\$ 535,457
Earned income taxes	90,185	90,185	-
Real estate transfer taxes	<u>5,618</u>	<u>5,618</u>	<u>-</u>
Total	<u>\$ 726,308</u>	<u>\$ 190,851</u>	<u>\$ 535,457</u>

C. DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments represent receivables for revenues earned by the School District or collections made by other governmental units on behalf of the School District. At June 30, 2010, the following amounts were due from other governmental units:

<u>Due From</u>	<u>General Fund</u>	<u>Enterprise Fund</u>
Federal	\$ 208,617	\$ 9,000
State	<u>181,879</u>	<u>-</u>
Total	<u>\$ 390,496</u>	<u>\$ 9,000</u>

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. INTERFUND TRANSACTIONS:

The composition of interfund balances is as follows:

	Due from	Due to
General Fund	\$ 565,236	\$ 517,750
Construction Fund	517,750	-
Other Nonmajor Fund	-	7,617
Enterprise Fund	-	557,619
Total	<u>\$ 1,082,986</u>	<u>\$ 1,082,986</u>

	Transfer in	Transfer out
General Fund	\$ 3,884,136	\$ 1,519,952
Debt Service Fund	1,472,868	3,884,136
Enterprise Fund	47,084	-
Total	<u>\$ 5,404,088</u>	<u>\$ 5,404,088</u>

E. CAPITAL ASSETS:

Capital asset activity of the School District's governmental activities for the fiscal year ended June 30, 2010, is listed below.

GOVERNMENTAL ACTIVITIES	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 701,440	\$ -	\$ -	\$ 701,440
Construction in Progress	382,945	-	-	382,945
Total Capital Assets, Not Being Depreciated	<u>1,084,385</u>	-	-	<u>1,084,385</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	28,069,587	-	-	28,069,587
Equipment and Vehicles	3,929,344	30,326	-	3,959,670
Total Capital Assets, Being Depreciated	<u>31,998,931</u>	<u>30,326</u>	-	<u>32,029,257</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(9,814,067)	(596,870)	-	(10,410,937)
Equipment and Vehicles	(2,655,319)	(267,805)	-	(2,923,124)
Total Accumulated Depreciation	<u>(12,469,386)</u>	<u>(864,675)</u>	-	<u>(13,334,061)</u>
Total Capital Assets, Being Depreciated, Net	<u>19,529,545</u>	<u>(834,349)</u>	-	<u>18,695,196</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,613,930</u>	<u>\$ (834,349)</u>	<u>\$ -</u>	<u>\$ 19,779,581</u>

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. CAPITAL ASSETS (CONTINUED):

Construction in Progress:

During the 2009-2010 fiscal year, the School District did not accumulate any additional amount of construction in progress toward the new elementary school so the amount for that project remained the same. Total construction in progress at June 30, 2010 was \$382,945.

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 814,140
Instructional student support	36,792
Student activities	<u>13,743</u>
Total	<u>\$ 864,675</u>

BUSINESS TYPE ACTIVITIES	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Furniture, Fixtures, Vehicles & Equipment	\$ 108,545	\$ 45,779	\$ -	\$ 154,324
Total Capital Assets, Being Depreciated	<u>108,545</u>	<u>45,779</u>	<u>-</u>	<u>154,324</u>
Less Accumulated Depreciation For:				
Furniture, Fixtures, Vehicles & Equipment	(107,524)	(3,868)	-	(111,392)
Total Accumulated Depreciation	<u>(107,524)</u>	<u>(3,868)</u>	<u>-</u>	<u>(111,392)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,021</u>	<u>41,911</u>	<u>-</u>	<u>42,932</u>
Business Type Activities Capital Assets, Net	<u>\$ 1,021</u>	<u>\$ 41,911</u>	<u>\$ -</u>	<u>\$ 42,932</u>

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. SHORT-TERM DEBT:

During fiscal year 2009-2010, the School District authorized a Tax Anticipation Note in the amount of \$1,200,000 at an interest rate of 3.65%. The note was paid in full as of June 30, 2010. Total interest paid on this note was \$10,098.

G. GENERAL LONG-TERM DEBT:

Changes in the School District's long-term debt during fiscal year 2010 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts due within one year
Series 2003	\$ 3,105,000	\$ -	\$ (320,000)	\$ 2,785,000	\$ 315,000
Series 2005	9,425,000	-	(125,000)	9,300,000	130,000
Series 2006	8,870,000	-	(20,000)	8,850,000	20,000
Series 2007	8,530,000	-	(35,000)	8,495,000	35,000
Series 2008	825,600	-	(84,100)	741,500	116,000
Series 2009	-	980,000	-	980,000	-
Series A of 2009	-	4,000,000	-	4,000,000	-
Total	\$ 30,755,600	\$ 4,980,000	\$ (584,100)	\$ 35,151,500	\$ 616,000
Less: Deferred Loss on Refunding (NOTE 3N)				(665,610)	
Less: Amount due within on year				(616,000)	
Total Long-term Debt				<u>\$ 33,869,890</u>	

Year ended June 30:	Principal	Interest	Total
2011	\$ 616,000	\$ 1,436,112	\$ 2,052,112
2012	1,115,500	1,409,701	2,525,201
2013	1,149,500	1,376,139	2,525,639
2014	1,188,000	1,338,085	2,526,085
2015	1,237,000	1,295,021	2,532,021
2016-2020	7,380,500	5,643,863	13,024,363
2021-2025	5,410,000	4,316,606	9,726,606
2026-2030	6,645,000	3,081,275	9,726,275
2031-2035	8,435,000	1,433,025	9,868,025
2036	1,975,000	44,438	2,019,438
Total	<u>\$ 35,151,500</u>	<u>\$ 21,374,265</u>	<u>\$ 56,525,765</u>

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

H. STATE PUBLIC SCHOOL BUILDING AUTHORITY, SCHOOL REVENUE BONDS, SERIES OF 2003:

The Series of 2003 Bonds, in the amount of \$20,400,000 were used for the purpose of providing funds for (a) refunding the School District's outstanding General Obligation Note, Series of 2000; (b) fund a capitalized interest fund; (c) fund the costs of construction of renovations and improvements to various capital facilities of the School District, including, particularly the Redstone Elementary/Middle School Complex and high school building; and (d) pay certain costs associated with issuance of the 2003 Bonds.

The bonds bear interest at rates ranging from 2.000% to 4.750% payable semi-annually on May 15 and November 15. Bonds maturing on or after November 15, 2014, are subject to optional redemption prior to maturity by the Authority at the direction of the School District on or after November 15, 2013.

I. GENERAL OBLIGATION BONDS, SERIES OF 2005:

The General Obligation Bonds, Series of 2005, in the aggregate principal amount of \$9,665,000, are dated November 15, 2005. Interest, at rates ranging from 3.000% to 4.500%, is payable May 15 and November 15 with the first interest payable on May 15, 2006. The Bonds are subject to optional redemption on and after November 15, 2010, at 100% of the principal amount.

The Series of 2005 Bonds were issued for (a) the construction of a new elementary school and demolition of an existing school building and may include construction, renovation, improvement, relocation, and/or repair of athletic facilities and maintenance facilities of the District; (b) capitalized interest; (c) currently refunding the outstanding portion of the School District's

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

J. GENERAL OBLIGATION BONDS, SERIES OF 2005 (CONTINUED):

General Obligation Note, Series of 2004 in the amount of \$32,351, plus accrued interest; and (d) paying the cost of issuing these bonds.

Under terms of agreement with the purchaser of the Bonds, a Sinking Fund with U.S. Bank, National Association located in Pittsburgh, Pennsylvania, was established into which funds from general revenues of the School District are to be deposited in amounts sufficient for the payment of interest and principal.

K. GENERAL OBLIGATION BONDS, SERIES 2006:

The General Obligation Bonds, Series 2006, in the aggregate principal amount of \$9,000,000, are dated January 15, 2006. Interest, at rates ranging from 3.200% to 4.500%, is payable May 15 and November 15 with the first interest payable on May 15, 2006. The Bonds are subject to optional redemption on and after November 15, 2013, at 100% of the principal amount.

The Series of 2006 Bonds were issued to (a) prepay a portion (\$8,395,000) of the School District's General Obligation Bond, Series of 2003, on an advance refunding basis, which note was issued to secure the State Public School Building Authority's School Revenue Bonds, Series of 2003 and (b) paying the cost of issuing these bonds.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

K. GENERAL OBLIGATION BONDS, SERIES 2006 (CONTINUED):

Under terms of agreement with the purchaser of the Bonds, a Sinking Fund with U.S. Bank, National Association located in Pittsburgh, Pennsylvania, was established into which funds from general revenues of the School District are to be deposited in amounts sufficient for the payment of interest and principal.

L. GENERAL OBLIGATION BONDS, SERIES OF 2007:

The General Obligation Bonds, Series of 2007, in the aggregate principal amount of \$8,580,000, are dated April 1, 2007. Interest, at rates ranging from 3.550% to 4.000%, is payable May 15 and November 15 with the first interest payable on May 15, 2007. The Bonds are subject to optional redemption on and after November 15, 2014, at 100% of the principal amount.

The Series of 2007 Bonds were issued to (a) prepay a portion (\$7,940,00) of the School District's General Obligation Bond, Series of 2003, on an advance refunding basis, which note was issued to secure the State Public School Building Authority's School Revenue Bonds, Series of 2003 and (b) paying the cost of issuing these bonds.

Under terms of agreement with the purchaser of the Bonds, a Sinking Fund with U.S. Bank, National Association located in Pittsburgh, Pennsylvania, was established into which funds from general revenues of the School District are to be deposited in amounts sufficient for the payment of interest and principal.

M. GENERAL OBLIGATION NOTES, SERIES OF 2008

The General Obligation Notes, Series of 2008, in the aggregate principal amount of \$825,600, are dated November 1, 2008. Interest at 4.10% is payable May 1 and November 1 with principle payments on November 1 and the first interest payable on May 1, 2009.

The Series of 2008 Notes were issued to (a) repay the outstanding portion (\$815,000) of the Series of 1997 Bonds and (b) to pay the cost of issuing these bonds.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

N. GENERAL OBLIGATION NOTES, SERIES OF 2009

In December of 2009 the School District issued General Obligation Notes, Series of A of 2009, with a tax exempt portion of \$980,000 and a federally taxable portion of \$4,000,000. The notes are dated December 1, 2009 and mature on November 15, 2009, with interest only payments on May 15th and interest and principle payments on November 15th of each year. The notes have interest rates varying from 1.81% to 5%. The proceeds are to be used to refund a portion of the Series of 2003 and Series of 2005 Bonds, to pay the various costs of issuance of the bonds, and to fund unfunded debt incurred as a result of a shortfall of budgeted revenues and insufficient cash reserves.

L. Defeased Bonds – General Obligation Bonds, Series of 2003

A portion of the proceeds of the General Obligation Bonds, Series of 2006 and 2007, were used for the prepayment on an advance refunding basis of \$8,395,000 and \$7,940,000, respectively, aggregate principal amount of the School District's General Obligation Note Series 2003, which was issued pursuant to a Loan Agreement dated as of March 15, 2003, between the State Public School Authority and the School District to secure the Authority's School Revenue Bonds, Series of 2003, issued by the Authority, on behalf the School District, pursuant to a Trust Indenture dated as of March 15, 2003, between the Authority and J.P. Morgan Trust Company, National Association.

Series 2006 refunded (a) \$180,000 of the principal payment due on the 2003 Note in 2006, (b) \$645,000 of the principal payment due on the 2003 Note in 2026, and (c) \$7,570,000 of principal payments due on the 2003 Note in the years 2027 through 2032.

Series 2007 refunded (a) \$7,530,000 of the principal payments dues on the 2003 Note in the years 2017 through 2025 and (b) \$410,000 of the principal payment due on the 2003 Note in 2026.

The Refunded Notes are being prepaid in order to effectuate the refunding of an equal amount of the 2003 Bonds maturing (or subject to mandatory redemption) on the same dates and in the same amounts as the payments on the Refunded Notes (the Refunded Bonds). Such funds will be irrevocably deposited under the terms of the Escrow Agreements be the Bank of New York Trust Company, N.A. (the Escrow Agent) and the School District, and applied toward the purchase of Government Obligations.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

N. Defeased Bonds – General Obligation Bonds, Series of 2003 (Continued)

The Government Obligations will mature at such times and be in such amounts to provide funds from the maturing principal, interest income, and any cash balances, sufficient to (a) prepay the Refunded Notes on November 15, 2013 (the Redemption Date) and (b) pay interest on the Refunded Notes as the same becomes due to and including the Redemption Date. Pursuant to the terms of the indenture, such payments will be applied to (a) redeem the Refunded Bonds on the Redemption Date and (b) pay the interest on the Refunded Bonds as the same becomes due to and including the Redemption Date.

With the execution of these documents and the deposit of these funds, the Escrow Agent has accepted responsibility for the retirement of this portion of the outstanding Series 2003 Bonds. Accordingly, this portion of the Series of 2003 Bonds and the above-mentioned escrow account are no longer considered an integral part of the School District's operations and have been excluded from these financial statements.

As a result of these advance refundings, the difference between the reacquisition price of the old debt and the net carrying amount of the old debt is required to be deferred and amortized as an element of interest expense over the life of the new debt. This amount is reported as a reduction against the refunding debt liability on the statement of net assets.

	<u>Series 2003</u>
Total Deferred Interest on Refunding	\$ 712,344
Current Year Interest Expense	<u>(46,734)</u>
	<u>\$ 665,610</u>

NOTE 4: OTHER INFORMATION:

A. CONTINGENT LIABILITIES:

1. Grant Programs:

The School District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items on noncompliance which would result in the disallowance of program expenditures.

2. Litigation:

In the normal course of operations, the School District may be involved in various civil disputes. Management is unaware of any such litigation that could result in a material adverse effect on the School District's financial position as of June 30, 2010.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 4: OTHER INFORMATION (CONTINUED):

B. POST RETIREMENT HEALTHCARE BENEFITS:

Upon retirement, most employees may continue to belong to the Blue Cross/ Blue Shield Health Care Insurance until age 65. Effective September 1, 1997, Bargaining Unit employees who retired and have not yet reached the age of 65 may retain Blue Cross/ Blue Shield benefits until age 65 by continuing to pay the group rate to the School District. For prior retirees, the School District pays varying amounts toward their Blue Cross/ Blue Shield coverage depending on the contract in effect when they retired. During the year ended June 30, 2010 the approximate annual cost to the School District was \$306,218.

C. ON-BEHALF OF PAYMENTS FOR FRINGE BENEFITS:

In accordance with GASB Statement No. 24, the School District recognizes as revenues and expenditures funds received from the Commonwealth of Pennsylvania for the payment of fringe benefits.

During the year ended June 30, 2010, the School District recognized as revenues and expenditures \$509,179 of Social Security/Medicare and expense of \$344,275 of pension contributions received from the Commonwealth of Pennsylvania.

D. HEALTH INSURANCE CONSORTIUM:

In an effort to reduce the cost of providing health insurance benefits for its employees, the School District joined in the Intermediate Unit I Health Consortium Trust (the Trust) (a public entity risk pool). The Trust's general objectives are (1) to formulate, develop, and administer on behalf of its subscribers, a program of insurance; (2) to obtain lower costs for the coverage; (3) to reward subscribers for lower usage of the coverage; (4) to establish a continuing voice with the Blue Cross/ Blue Shield; and (5) to manage the Trust's healthcare dollar most effectively. The School District is effectively purchasing a policy through the Trust. The School District has no exposure beyond the amount paid for the policy.

There has been no significant reduction in coverage from the previous three years.

During the year ended June 30, 2010, the School District paid \$2,088,585 into the health consortium for health insurance benefits for its employees, which included administration fees.

E. RISK MANAGEMENT:

The School District is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance. Settled claims have not exceeded coverage in any of the last three years, and there has been no significant reduction in coverage from the prior fiscal year.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 4: OTHER INFORMATION (CONTINUED):

F. DEFINED BENEFIT PENSION PLAN:

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: Retirements and disability, legislatively mandated *ad hoc* cost-of-living adjustments, health care 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, PO Box 125, Harrisburg, Pennsylvania 17108-0125. This publication is also available on the PSERS website at <http://www/psers.state.pa.us/publications/cafr/index.htm>.

Funding Policy

Authority: The contribution policy is established in the 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, contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the members 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 members 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.

Employer Contributions: Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2010, the rate of employer's contribution was 7.13 percent of covered payroll. The 7.13 percent rate is composed of a pension contribution rate of 6.44 percent for pension benefits and .69 percent for healthcare insurance premium assistance. The Contribution made by the School District for the 2009-2010 fiscal year was \$545,034 from the General Fund.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 4: OTHER INFORMATION (CONTINUED):

G. EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2009, expenditures exceeded appropriations in total in the General Fund by \$934,698. The over expenditures were funded by stimulus grant revenues that were received by the General Fund.

H. SUBSEQUENT EVENTS

In August of 2010 the School District issued a tax anticipation note in the amount of \$1,200,000, bearing interest of 3.0%, that is payable by June 30, 2011.

**REQUIRED
SUPPLEMENTAL
INFORMATION**

BROWNSVILLE AREA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Revenues				
Local Revenue Sources	\$ 4,990,448	\$ 4,990,448	\$ 3,907,388	\$ (1,083,060)
State Revenue Sources	16,731,326	16,731,326	15,412,473	(1,318,853)
Federal Revenue Sources	1,423,750	1,423,750	3,323,765	1,900,015
Total Revenues	23,145,524	23,145,524	22,643,626	(501,898)
Expenditures				
Current operating:				
Instruction	12,793,386	12,793,386	14,313,155	(1,519,769)
Support Services	7,640,460	7,640,460	7,052,991	587,469
Noninstructional Services	394,773	394,773	298,389	96,384
Miscellaneous	16,000	16,000	104,684	(88,684)
Interest	-	-	10,098	(10,098)
Total Expenditures	20,844,619	20,844,619	21,779,317	(934,698)
Excess (deficiency) of revenues over expenditures	2,300,905	2,300,905	864,309	(1,436,596)
Other financing sources (uses)				
Transfers in	15,000	15,000	3,884,136	3,869,136
Transfers out	(1,562,000)	(1,562,000)	(1,519,952)	42,048
Proceeds from sale of fixed assets	1,000	1,000	5,501	4,501
Total other financing sources (uses)	(1,546,000)	(1,546,000)	2,369,685	3,915,685
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 754,905	\$ 754,905	\$ 3,233,994	\$ 2,479,089

**OTHER
SUPPLEMENTAL
INFORMATION**

BROWNSVILLE AREA SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Capital Reserve Fund	Permanent Fund	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 6,777	\$ 26,748	\$ 33,525
Investments	<u>99,000</u>	<u>-</u>	<u>99,000</u>
Total assets	<u>\$ 105,777</u>	<u>\$ 26,748</u>	<u>\$ 132,525</u>
<u>Liabilities</u>			
Due to other funds	\$ 7,617	\$ -	\$ 7,617
Total liabilities	<u>7,617</u>	<u>-</u>	<u>7,617</u>
<u>Fund Balance</u>			
Fund balance:			
Reserved for program purposes	<u>98,160</u>	<u>26,748</u>	<u>124,908</u>
Total fund balance	<u>98,160</u>	<u>26,748</u>	<u>124,908</u>
Total liabilities and fund balance	<u>\$ 105,777</u>	<u>\$ 26,748</u>	<u>\$ 132,525</u>

BROWNSVILLE AREA SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Capital Reserve Fund	Permanent Fund	Total Nonmajor Governmental Funds
Revenues			
Local Sources	\$ 274	\$ 50	\$ 324
Total Revenues	<u>274</u>	<u>50</u>	<u>324</u>
Expenditures			
Current operating:			
Support services	33,487	-	33,487
Total Expenditures	<u>33,487</u>	<u>-</u>	<u>33,487</u>
Excess (deficiency) of revenues over expenditures	<u>(33,213)</u>	<u>50</u>	<u>(33,163)</u>
Net change in fund balance	(33,213)	50	(33,163)
Fund balance, beginning of year	<u>131,373</u>	<u>26,698</u>	<u>158,071</u>
Fund balance, end of year	<u>\$ 98,160</u>	<u>\$ 26,748</u>	<u>\$ 124,908</u>