

BALDWIN-WHITEHALL SCHOOL DISTRICT

PITTSBURGH, PENNSYLVANIA

JUNE 30, 2010

AUDIT REPORT

BALDWIN-WHITEHALL SCHOOL DISTRICT

PITTSBURGH, PENNSYLVANIA

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PITTSBURGH, PENNSYLVANIA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Baldwin-Whitehall School District
4900 Cuny Road
Pittsburgh, Pennsylvania 15236

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 Baldwin-Whitehall School District, as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Baldwin-Whitehall 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 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 the 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.

Our audit was limited because we were unable to satisfy ourselves as to the expenses related to payroll, associated employment taxes, and retirement costs of the School District. Accordingly, we do not express an opinion on any expenses related to payroll, associated employment taxes, and retirement costs to the School District.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the payroll, associated employment taxes, and retirement costs of the District, 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 Baldwin-Whitehall School District, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof 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 2, 2010 on our consideration of the Baldwin-Whitehall School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 on pages i through xii 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 the Baldwin-Whitehall School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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.

COTTRILL, ARBUTINA & ASSOCIATES, P.C.

Certified Public Accountants

Cottrill, Arbutina & Associates, P.C.

Beaver, PA 15009

December 2, 2010

BALDWIN-WHITEHALL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2010

Our Management's Discussion and Analysis of Baldwin-Whitehall School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. Please review this in conjunction with the District's basic financial statements and notes which follow in order to obtain a thorough understanding of the District's financial condition at June 30, 2010.

FINANCIAL HIGHLIGHTS

- ▶ Total assets of the School District exceeded its liabilities at the close of the most recent year by \$23,832,733 (net assets). Of this amount, \$12,212,276 (unrestricted net assets) may be used to meet the District's ongoing obligations to its citizens and creditors
- ▶ The District's total net assets increased from 2009 by \$4,119,080 or 20.9%
- ▶ Unrestricted net assets decreased by \$3,283,065 or 26.9% in 2010
- ▶ Net assets invested in capital assets, net of related debt were \$7,992,208 at June 30, 2010, an increase of \$3,895,231
- ▶ The School District's real property tax rate was decreased from 23.61 to 23.50 mills
- ▶ The total fund balance of the General Fund at June 30, 2010 was \$13.1 million. The unreserved/undesignated portion of the fund balance was \$7.3 million, which is an increase of \$2.2 million from the prior year
- ▶ At June 30, 2010, the District had \$80,060,000 of debt outstanding. This represents a decrease of \$3,775,000, or 4.5% from the previous year
- ▶ The District maintained a strong investment grade bond rating of Aa3 from Moody's Investors Service for all related bond issuances and activities

USING THE BASIC ANNUAL FINANCIAL AUDIT REPORT

The annual financial audit report consists of the Management's Discussion and Analysis (this section) and a series of financial statements and notes to those statements. The statements are organized so that the reader can understand Baldwin-Whitehall School District as an entire operating entity.

The first two statements are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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

BALDWIN-WHITEHALL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2010

statements tell how general District services were financed in the short term as well as what remains for future spending. For the School District, the general fund is the most significant fund. Proprietary fund statements offer short- and long-term financial information about the activities that the District operates as a private enterprise. For Baldwin-Whitehall this is the Food Service Fund. Fiduciary fund or Agency 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. For Baldwin-Whitehall these are the Student Activity Funds.

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

Figure A-1
**REQUIRED COMPONENTS OF THE
BALDWIN-WHITEHALL SCHOOL DISTRICT'S
FINANCIAL REPORT**

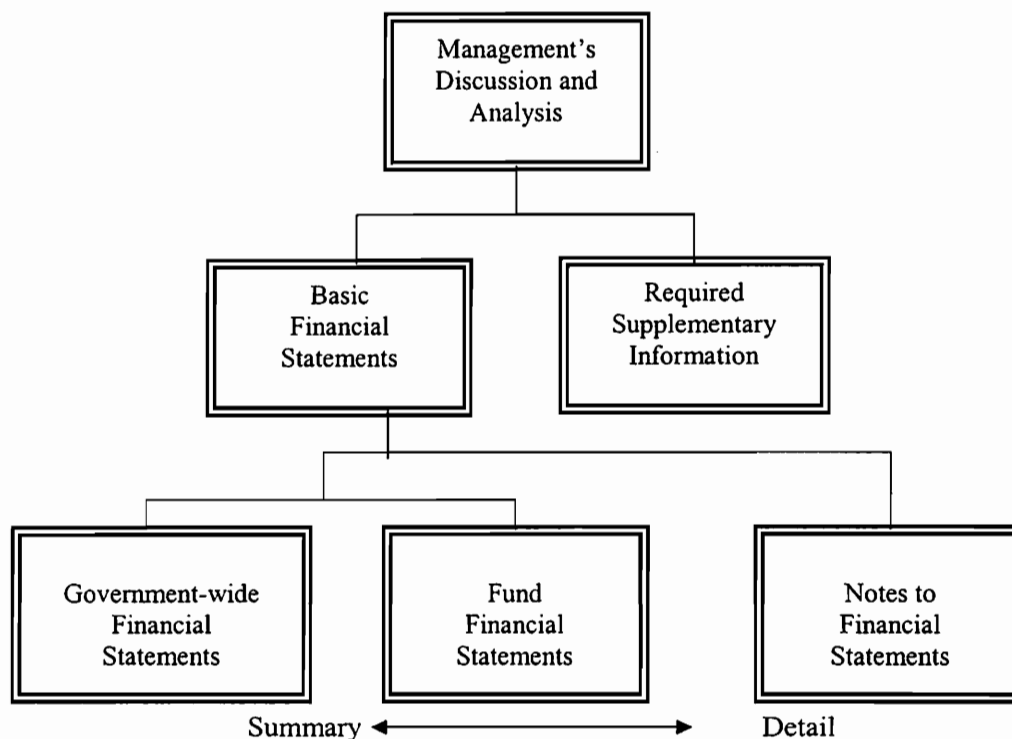


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

BALDWIN-WHITEHALL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2010

Figure A-2
Major Features of Baldwin-Whitehall School District's
Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	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 – Activity Funds
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 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

BALDWIN-WHITEHALL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2010

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Statements

While the Fund Financial Statements contain the majority of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during Fiscal Year 2009-10?" The Statement of Net Assets and the Statement of Activities answer this question.

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 School District'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 financial health of the District, the reader needs 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 staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements, which begin on Page 3, 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

BALDWIN-WHITEHALL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2010

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.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net assets:

As previously mentioned, net assets may serve over time as a useful indicator of a government's financial position. Net assets of governmental activities increased from the previous year by \$4.3 million but this increase was reduced by a net asset decrease in the business-type activities resulted in an overall year-to-year increase of \$4.1 million. Most of the District's net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are combined as designated and undesignated amounts. The designated balances are amounts set aside to fund future purchases, expenditures or on-going capital projects as planned by the District

The District's total net assets were \$23,832,733 at June 30, 2010. A comparison of the District's net assets at June 30, 2010 and 2009 are presented below:

Table A-1
Fiscal Year Ended June 30, 2010 and 2009

	<u>2010</u>			<u>2009</u>		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 27,071,431	\$ (869,506)	\$ 26,201,925	\$ 28,320,566	\$ (727,837)	\$ 27,592,729
Capital assets	86,422,900	107,210	86,530,110	86,538,297	189,124	86,727,421
Total Assets	<u>\$ 113,494,331</u>	<u>\$ (762,296)</u>	<u>\$ 112,732,035</u>	<u>\$ 114,858,863</u>	<u>\$ (538,713)</u>	<u>\$ 114,320,150</u>
Current and other liabilities	\$ 10,971,877	\$ 72,646	\$ 11,044,523	\$ 11,796,402	\$ 98,683	\$ 11,895,085
long-term liabilities	77,798,119	56,660	77,854,779	82,632,355	79,057	82,711,412
Total Liabilities	<u>\$ 88,769,996</u>	<u>\$ 129,306</u>	<u>\$ 88,899,302</u>	<u>\$ 94,428,757</u>	<u>\$ 177,740</u>	<u>\$ 94,606,497</u>
Net Assets:						
Invested in capital assets, net of related debt	\$ 7,884,998	\$ 107,210	\$ 7,992,208	\$ 4,029,188	\$ 189,124	\$ 4,218,312
Restricted	3,628,249	0	3,628,249	0	0	0
Unrestricted	13,211,088	(998,812)	12,212,276	16,400,918	(905,577)	15,495,341
Total Net Assets	<u>\$ 24,724,335</u>	<u>\$ (891,602)</u>	<u>\$ 23,832,733</u>	<u>\$ 20,430,106</u>	<u>\$ (716,453)</u>	<u>\$ 19,713,653</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2010

The results of this year's operations as a whole are reported in the Statement of Activities on Page 4. 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 Basic Education Subsidy provided by the Commonwealth of Pennsylvania, and the local taxes assessed to community taxpayers.

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
Fiscal Year Ended June 30, 2010 and 2009

	2010			2009		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 125,328	\$ 1,055,024	\$ 1,180,352	\$ 272,457	\$ 1,046,050	\$ 1,318,507
Operating grants and contributions	10,475,787	861,650	11,337,437	8,615,002	766,202	9,381,204
Capital grants and contributions	0	0	0	2,115,959	0	2,115,959
<u>General revenues:</u>						
Property taxes	33,983,348	0	33,983,348	35,993,261	0	35,993,261
Other taxes	5,670,383	0	5,670,383	6,244,333	0	6,244,333
Grants, subsidies and contributions, unrestricted	9,228,633	0	9,228,633	8,651,339	0	8,651,339
Other	<u>(143,173)</u>	<u>828</u>	<u>(142,345)</u>	<u>639,099</u>	<u>43,575</u>	<u>682,674</u>
Total Revenues	<u>\$ 59,340,306</u>	<u>\$ 1,917,502</u>	<u>\$ 61,257,808</u>	<u>\$ 62,531,450</u>	<u>\$ 1,855,827</u>	<u>\$ 64,387,277</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2010

Table A-2
Continued

Expenses					
Instruction	\$ 29,267,461		\$ 29,267,461	\$ 27,303,367	\$ 27,303,367
Instructional student support	2,276,176		2,276,176	2,388,882	2,388,882
Administrative and financial support	5,560,986		5,560,986	4,995,968	4,995,968
Operation and maintenance of plant	6,893,019		6,893,019	6,154,578	6,154,578
Pupil transportation	4,271,121		4,271,121	4,215,415	4,215,415
Student Activities	2,348,480		2,348,480	1,578,590	1,578,590
Community services	13,624		13,624	5,616	5,616
Interest on long-term debt	2,934,946		2,934,946	3,710,185	3,710,185
Unallocated depreciation expense	0		0	0	0
Capital expenditures not subject to depreciation	1,449,299		1,449,299	1,398,775	1,398,775
Food Services	<u>0</u>	<u>2,055,853</u>	<u>2,055,853</u>	<u>0</u>	<u>1,963,718</u>
Total Expenses	<u>\$ 55,015,112</u>	<u>\$ 2,055,853</u>	<u>\$ 57,070,965</u>	<u>\$ 51,751,376</u>	<u>\$ 53,715,094</u>
Increase (decrease) in net assets before transfers	4,325,194	(138,351)	4,186,843	10,780,074	(107,891)
Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>(40,338)</u>	<u>40,338</u>
Change in net assets	4,325,194	(138,351)	4,186,843	10,739,736	(67,553)
Net Assets:					
Beginning of year	<u>20,430,104</u>	<u>(716,455)</u>	<u>19,713,649</u>	<u>9,650,032</u>	<u>(608,562)</u>
End of year	<u>\$ 24,755,298</u>	<u>\$ (854,806)</u>	<u>\$ 23,900,492</u>	<u>\$ 20,389,768</u>	<u>\$ 19,713,653</u>

The following tables present the expenses of both the Governmental Activities and the Business-type Activities of the District. Table A-3 shows the School District's functional areas as well as each program's net cost for governmental activities (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.

BALDWIN-WHITEHALL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2010

Table A-3
Fiscal Year ended June 30, 2010
Governmental Activities

	2010	2010	2009
Functions/Programs	<u>Total Expense of Services</u>	<u>Net Expense of Services</u>	<u>Net Expense of Services</u>
Instruction	\$ 30,870,027	\$ 24,068,592	\$ 20,770,224
Instructional student support	2,793,744	2,590,274	2,268,043
Administrative and financial support	5,681,582	5,527,330	4,803,026
Operation and maintenance of plant	6,243,332	6,044,759	5,698,132
Pupil transportation	4,475,607	3,134,156	2,728,526
Student Activities	1,328,698	1,232,475	1,486,351
Community services	13,624	13,408	655
Interest on long-term debt	2,934,946	1,175,635	1,594,226
Capital expenditures not subject to depreciation	<u>822,023</u>	<u>822,023</u>	<u>1,398,775</u>
 Total government activities	 <u><u>\$ 55,163,583</u></u>	 <u><u>\$ 44,608,652</u></u>	 <u><u>\$ 40,747,958</u></u>
 Less:			
Unrestricted grants, subsidies		<u>9,228,633</u>	<u>8,651,339</u>
 Total needs from local taxes and other revenues		 <u><u>\$ 35,380,019</u></u>	 <u><u>\$ 32,096,619</u></u>

BALDWIN-WHITEHALL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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

Table A-4
Fiscal Year ended June 30, 2010
Business-type Activities

	2010	2010	2009
	Total Expense	Net Expense	Net Expense
	of Services	of Services	of Services
Functions/Programs			
Food Services	\$ 2,055,853	\$ 139,179	\$ 151,466
Less:			
Transfers In	0	0	40,338
Investment earnings	<u>0</u>	<u>828</u>	<u>3,237</u>
 Total business-type activities	 <u>\$ 2,055,853</u>	 <u>\$ 138,351</u>	 <u>\$ 107,891</u>

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

THE SCHOOL DISTRICT'S FUNDS

At June 30, 2010 the District governmental funds reported a combined fund balance of \$16,805,990 which is a decrease of \$160,906. However, the total undesignated fund balance is at \$7,274,208 which is an increase of \$2,149,162 from the prior year end balance.

General Fund Budgeting Highlights

The School District's General Fund budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The only fund for which a budget is legally required is the General Fund.

During the fiscal year, the Board authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. The budgeting systems are designed to tightly control budgets by making administrators responsible for their individual budget areas. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided on page 13.

For the General Fund, local sources revenues were more than budgeted amounts by \$1,137,531. This positive variance was primarily due to aggressive real estate collections and a better than anticipated earned income tax revenue which was slightly offset by poor investment earnings as

BALDWIN-WHITEHALL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2010

interest rates decreased significantly. State revenues were less than anticipated primarily due to a portion of the Basic Education Subsidy that was funded through federal stimulus dollars.

Overall general fund expenditures were slightly (\$159,852) more than budgeted as several categories had both positive and negative variances. For example, Student Activities expenditures were higher than budgeted due to the athletic field improvements but these funds were designated within the fund balance of the prior year and carried over to the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had \$85,532,908 invested in a broad range of capital assets, including land, buildings and furniture and equipment.

	<u>2010</u>	<u>2009</u>
Land	\$ 583,550	\$ 583,550
Site improvements	2,063,743	712,509
Buildings	77,131,070	79,530,370
Furniture & Equipment	5,236,160	4,823,609
Construction in Progress	<u>518,385</u>	<u>0</u>
Total	<u>\$ 85,532,908</u>	<u>\$ 85,650,038</u>

The increase in site improvements reflects the investment in athletic fields at the high school and middle school and the reduction in buildings is due to an appropriate allocation to furniture & equipment classification and an adjustment for certain capital assets to ensure capitalization thresholds are adhered to current policy guidelines.

Debt Administration

As of June 30, 2010, the School District had total outstanding bond principal of \$80,060,000. Table A-6 below depicts the District's total outstanding debt by bond issue.

BALDWIN-WHITEHALL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2010

Table A-6
Outstanding Debt

General Obligation Bonds	2010	2009
Series of 2002A	\$ 0	\$ 375,000
Series of 2003	0	9,355,000
Series of 2004	14,975,000	14,980,000
Series of 2005	6,035,000	6,605,000
Series of 2006	2,955,000	5,210,000
Series of 2007	37,310,000	37,315,000
Series of 2009	9,285,000	9,995,000
Series of 2009A	<u>9,500,000</u>	<u>0</u>
Total	<u>\$ 80,060,000</u>	<u>\$ 83,835,000</u>

More detailed information about our long-term liabilities is included in Note 8 to the basic financial statements beginning on page 30.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The revenue budget for the 2009-2010 year is \$398,920 more than the original budget for 2008-2009. This represents less than a .01% increase in budgeted revenues and expenditures. Our School Board and Superintendent continue to emphasize that we look at the way we provide education and assure that it is working while being cost-efficient. The School District has committed itself to financial excellence for many years by funding a wide range of programs to the children in our community.

Table A-7
BUDGETED REVENUES

	2009-2010	2008-2009	% Increase (Decrease)
Local	\$ 37,845,534	\$ 38,525,324	-1.8%
State	18,958,994	18,925,726	0.2%
Federal/Other	1,977,007	931,565	112.2%
Use of Fund balance	<u>0</u>	<u>0</u>	0.0%
Total	<u>\$ 58,781,535</u>	<u>\$ 58,382,615</u>	0.7%

BALDWIN-WHITEHALL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2010

Table A-7 - Continued

BUDGETED EXPENDITURES

	2009-2010	2008-2009	% Increase (Decrease)
Instruction	\$ 29,572,393	\$ 29,053,757	1.8%
Support Services	18,589,239	18,507,373	0.4%
on-Instruction/Community	2,073,551	1,919,779	8.0%
Fund Transfers/debt	<u>8,546,352</u>	<u>8,901,706</u>	-4.0%
Total	\$ 58,781,535	\$ 58,382,615	0.7%

Budgeting in fiscal 2010 brought challenges as new legislation changed school boards' ability to levy taxes. Act 1 of 2006 limits the ability of school boards to raise millage rates above an inflationary index without asking the community to approve that budget via a voting referendum. In addition, funding requirements for school districts has been very challenging with the required increases to employer retirement contributions. By scrutinizing all expenditures and current and new revenues streams, the District was able to slightly decrease its property tax rate from 23.61 to 23.50 mills.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the school district's finances and to demonstrate the Municipality's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact William McNamee, Business Manager or William McKain CPA, Assistant to the Superintendent for Finance & Operations at:

4900 Curry Road
Pittsburgh, PA 15236
412-885-7577

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 15,116,006	\$ 340,341	\$ 15,456,347
Restricted cash, cash equivalents, and investments for capital additions	3,591,865	0	3,591,865
Taxes Receivable, net:			
Property Taxes	3,820,438	0	3,820,438
Earned Income Taxes	1,182,564	0	1,182,564
Internal Balances	1,356,883	(1,356,883)	0
Due From Other Governments	1,379,490	115,103	1,494,593
Other Receivables	17,269	0	17,269
Prepaid Expenses	606,916	0	606,916
Inventories	0	31,933	31,933
Total Current Assets	<u>\$ 27,071,431</u>	<u>\$ (869,506)</u>	<u>\$ 26,201,925</u>
Noncurrent Assets			
Long-Term Prepayments (net of amortization)	\$ 889,992	\$ 0	\$ 889,992
Land	583,550	0	583,550
Site Improvements (net of depreciation)	2,063,743	0	2,063,743
Building & Building Improvements (net of depreciation)	77,131,070	0	77,131,070
Furniture & Equipment (net of depreciation)	5,236,160	107,210	5,343,370
Construction in Progress	518,385	0	518,385
Total Noncurrent Assets	<u>\$ 86,422,900</u>	<u>\$ 107,210</u>	<u>\$ 86,530,110</u>
TOTAL ASSETS	<u>\$ 113,494,331</u>	<u>\$ (762,296)</u>	<u>\$ 112,732,035</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 1,634,963	\$ 59,228	\$ 1,694,191
Retainage Payable	731,780	0	731,780
Current Portion of LT Debt	4,612,349	1,245	4,613,594
Short-Term Payables	833,735	0	833,735
Accrued Salaries and Benefits	3,159,050	(24)	3,159,026
Deferred Revenues	0	12,197	12,197
Total Current Liabilities	<u>\$ 10,971,877</u>	<u>\$ 72,646</u>	<u>\$ 11,044,523</u>
Noncurrent Liabilities			
Bonds Payable	\$ 75,430,531	\$ 0	\$ 75,430,531
Unamortized bond discount/premium	1,652,110	0	1,652,110
Notes Payable	0	0	0
Lease Purchase Obligations	0	0	0
Authority Lease Obligations	0	0	0
LT Portion of Other Post Employment Benefits	13,550	0	13,550
LT Portion of Compensated Absences	701,928	56,660	758,588
Total Noncurrent Liabilities	<u>\$ 77,798,119</u>	<u>\$ 56,660</u>	<u>\$ 77,854,779</u>
TOTAL LIABILITIES	<u>\$ 88,769,996</u>	<u>\$ 129,306</u>	<u>\$ 88,899,302</u>
NET ASSETS			
Invested in Capital Assets Net of Related Debt	\$ 7,884,998	\$ 107,210	\$ 7,992,208
Restricted for:			
Capital Projects	2,823,527	0	2,823,527
Capital Reserve	807,804	0	807,804
Athletics	(3,082)	0	(3,082)
Unrestricted surplus (deficit)	13,211,088	(998,812)	12,212,276
TOTAL NET ASSETS	<u>\$ 24,724,335</u>	<u>\$ (891,602)</u>	<u>\$ 23,832,733</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 113,494,331</u>	<u>\$ (762,296)</u>	<u>\$ 112,732,035</u>

See Accompanying Notes to Financial Statements.

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular Instruction	\$ 23,513,229	\$ 0	\$ 2,703,769	\$ 0	\$ (20,809,460)	\$ 0	\$ (20,809,460)
Special Instruction	5,132,975	0	3,909,494	0	(1,223,481)	0	(1,223,481)
Vocational Instruction	2,036,789	0	61,027	0	(1,975,762)	0	(1,975,762)
Other Instructional Programs	166,157	0	127,145	0	(39,012)	0	(39,012)
Adult Education Programs	20,877	0	0	0	(20,877)	0	(20,877)
Total Instructional Services	\$ 30,870,027	\$ 0	\$ 6,801,435	\$ 0	\$ (24,068,592)	\$ 0	\$ (24,068,592)
Support Services:							
Pupil Personnel	\$ 1,278,174	\$ 0	\$ 53,805	\$ 0	\$ (1,224,369)	\$ 0	\$ (1,224,369)
Instructional Staff	1,002,116	0	38,187	0	(963,929)	0	(963,929)
Administration	3,269,362	0	95,793	0	(3,173,569)	0	(3,173,569)
Pupil Health	513,454	0	111,478	0	(401,976)	0	(401,976)
Business Services	1,591,446	0	34,909	0	(1,556,537)	0	(1,556,537)
Operation of Plant and Maintenance Services	6,243,332	82,320	116,253	0	(6,044,759)	0	(6,044,759)
Student Transportation Services	4,475,607	0	1,341,451	0	(3,134,156)	0	(3,134,156)
Central	820,774	0	23,550	0	(797,224)	0	(797,224)
Other Support Services	0	0	0	0	0	0	0
Total Support Services	\$ 19,194,265	\$ 82,320	\$ 1,815,426	\$ 0	\$ (17,296,519)	\$ 0	\$ (17,296,519)
Non-Instructional Services:							
Student Activities	\$ 1,328,698	\$ 43,008	\$ 53,215	\$ 0	\$ (1,232,475)	\$ 0	\$ (1,232,475)
Community Services	13,624	0	216	0	(13,408)	0	(13,408)
Interest on Long-Term Debt	2,934,946	0	1,759,311	0	(1,175,635)	0	(1,175,635)
Capital Expenditures not subject to capitalization	822,023	0	0	0	(822,023)	0	(822,023)
Unallocated Depreciation Expense	0	0	0	0	0	0	0
Total Non-Instructional Services	\$ 5,099,291	\$ 43,008	\$ 1,812,742	\$ 0	\$ (3,243,541)	\$ 0	\$ (3,243,541)
Total Governmental Activities	\$ 55,163,583	\$ 125,328	\$ 10,429,603	\$ 0	\$ (44,608,652)	\$ 0	\$ (44,608,652)
Business-Type Activities:							
Food Services	2,041,044	1,055,024	861,650	0	0	(124,370)	(124,370)
Total Primary Government	\$ 57,204,627	\$ 1,180,352	\$ 11,291,253	\$ 0	\$ (44,608,652)	\$ (124,370)	\$ (44,733,022)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net				\$ 33,983,348	\$ 0	\$ 33,983,348	
Other taxes levied for general purposes, net				4,008,174	0	4,008,174	
Property Tax Relief				1,662,209	0	1,662,209	
Grants, subsidies, & contributions not restricted				8,135,197	0	8,135,197	
Grants, subsidies, & contributions not restricted - ARRA				1,093,436	0	1,093,436	
Investment Earnings				67,507	828	68,335	
Miscellaneous Income				44,000	0	44,000	
Loss on Disposal of Fixed Assets				0	0	0	
Refund of Prior Year Receipt				(254,680)	0	(254,680)	
Transfers				0	0	0	
Total general revenues, special items, extraordinary items and transfers				\$ 48,739,191	\$ 828	\$ 48,740,019	
Change in Net Assets				\$ 4,130,539	\$ (123,542)	\$ 4,006,997	
Net Assets - beginning				20,430,104	(716,455)	19,713,649	
Prior Period Adjustment (See Note 2)				163,692	(51,605)	112,087	
Net Assets - ending				\$ 24,724,335	\$ (891,602)	\$ 23,832,733	

See Accompanying Notes to Financial Statements.

BALDWIN-WHITEHALL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF JUNE 30, 2010

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 14,280,982	\$ 3,591,865	\$ 835,024	\$ 18,707,871
Taxes Receivable:				
Property Taxes	3,820,438	0	0	3,820,438
Earned Income Taxes	1,182,564	0	0	1,182,564
Interfund Receivables	1,358,216	206,825	0	1,565,041
Intergovernmental Receivables	1,379,490	0	0	1,379,490
Other Receivables	7,624	0	9,645	17,269
Prepaid Expenses	606,714	202	0	606,916
TOTAL ASSETS	<u>\$ 22,636,028</u>	<u>\$ 3,798,892</u>	<u>\$ 844,669</u>	<u>\$ 27,279,589</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 1,320,493	\$ 275,856	\$ 38,614	\$ 1,634,963
Retainage Payable	32,271	699,509		731,780
Accrued Salaries & Benefits	3,159,050	0	0	3,159,050
Interfund Payables	206,825	0	1,333	208,158
Deferred Revenue	4,739,648	0	0	4,739,648
TOTAL LIABILITIES	<u>\$ 9,458,287</u>	<u>\$ 975,365</u>	<u>\$ 39,947</u>	<u>\$ 10,473,599</u>
FUND BALANCES				
Reserve for Capital Projects	\$ 0	\$ 2,823,527	\$ 0	\$ 2,823,527
Reserve for Prepaid Assets	572,380	0	0	572,380
Reserve for Advance to Proprietary Fund	542,753	0	0	542,753
Unreserved:				
Designated for:				
District-Wide Phone System Project	235,000	0	0	235,000
Recreation and Athletic Field Improvements	210,000	0	0	210,000
High School Wireless Project	165,000	0	0	165,000
Data Center Virtualization Project	40,000	0	0	40,000
High School Auditorium Project	2,800,000	0	0	2,800,000
Whitehall Steps Project	38,400	0	0	38,400
Benefits Stabilization Funding	1,300,000	0	0	1,300,000
Undesignated, reported in:				
General Fund	7,274,208	0	0	7,274,208
Special Revenue Funds	0	0	804,722	804,722
TOTAL FUND BALANCES	<u>\$ 13,177,741</u>	<u>\$ 2,823,527</u>	<u>\$ 804,722</u>	<u>\$ 16,805,990</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,636,028</u>	<u>\$ 3,798,892</u>	<u>\$ 844,669</u>	<u>\$ 27,279,589</u>

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

AS OF JUNE 30, 2010

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 16,805,990

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.

Add: Capital Assets	124,809,108
Add: Construction in Progress	518,385
Deduct: Accumulated Depreciation	(39,794,585)

Certain tax revenues are recognized in the period for which levied rather than when "available." A portion of the certain deferred tax revenues are not available.

Add: Property Taxes	3,592,562
Add: Earned Income Taxes	1,147,086

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:

Deduct: Bonds/Notes payable	\$ (80,060,000)
Deduct: Unamortized Discount/Premium	(1,652,110)
Add: Deferred Refunding Loss	239,468
Add: Unamortized Bond Issue Costs	889,992
Deduct: Accrued Interest on Bonds	(833,735)
Deduct: Lease Purchase Obligations	(116,876)
Deduct: Compensated Absences and Other Post Employment Benefits	(820,950)
	<u>(82,354,211)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 24,724,335

BALDWIN-WHITEHALL SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPES**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources	\$ 38,983,065	\$ 14,916	\$ 63,831	\$ 39,061,812
State Sources	17,747,479	0	0	17,747,479
Federal Sources	2,624,413	0	0	2,624,413
TOTAL REVENUES	<u>\$ 59,354,957</u>	<u>\$ 14,916</u>	<u>\$ 63,831</u>	<u>\$ 59,433,704</u>
EXPENDITURES				
Instruction	\$ 29,279,532	\$ 0	\$ 0	\$ 29,279,532
Support Services	18,883,180	0	0	18,883,180
NonInstructional Services	2,168,446	0	193,655	2,362,101
Capital Outlay	850,551	598,747	0	1,449,298
Debt Services	7,272,184	119,828	0	7,392,012
TOTAL EXPENDITURES	<u>\$ 58,453,893</u>	<u>\$ 718,575</u>	<u>\$ 193,655</u>	<u>\$ 59,366,123</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 901,064</u>	<u>\$ (703,659)</u>	<u>\$ (129,824)</u>	<u>\$ 67,581</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	\$ (160,857)	\$ 0	\$ 160,857	\$ 0
Proceeds of Refunding Bonds	0	9,680,000	0	9,680,000
Payment to Refunded Bond Escrow Agent	0	(9,444,296)	0	(9,444,296)
Bond (Premium) Discount	0	(115,877)	0	(115,877)
Refund of Prior Year Receipts	(348,314)	0	0	(348,314)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (509,171)</u>	<u>\$ 119,827</u>	<u>\$ 160,857</u>	<u>\$ (228,487)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 391,893</u>	<u>\$ (583,832)</u>	<u>\$ 31,033</u>	<u>\$ (160,906)</u>
FUND BALANCE - June 30, 2009	<u>12,785,848</u>	<u>3,407,359</u>	<u>773,689</u>	<u>16,966,896</u>
FUND BALANCE - June 30, 2010	<u>\$ 13,177,741</u>	<u>\$ 2,823,527</u>	<u>\$ 804,722</u>	<u>\$ 16,805,990</u>

See Accompanying Notes to Financial Statements.

BALDWIN-WHITEHALL SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (160,906)**

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

Capital outlays are reported in governmental funds 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 capital outlay exceeds depreciation
in the period.

Capital Outlays	\$ 2,971,856	
Less: Depreciation Expense/Disposals	<u>(3,252,678)</u>	(280,822)

Because some property taxes and EIT 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 tax
revenues increased by this amount this year. 208,731

The governmental funds report proceeds from debt and an other financing
source, while the repayment of debt principal is reported as an expenditure.
Also, governmental funds report the effect of issuance costs and premiums
when debt is first issued, whereas these amounts are deferred and amortized
in the statement of activities. Interest is recognized as an expenditure in the
governmental funds when it is due. In the statement of activities, interest
expense is recognized as it accrues, regardless of when it is due. The net
effect of these differences in the treatment of bonds and leases is as follows:

Repayment of Bond/Note Principal	\$ 13,414,800	
Bond/Note Proceeds	(9,680,000)	
Repayment of Lease Principal	94,525	
Interest Expense	138,484	
Amortization of Deferred Refunding Loss	(40,904)	
Amortization and Acquisition of Bond Issuance Costs	1,733	
Amortization and Acquisition of Bond Premium/Discount	<u>290,505</u>	4,219,143

In the statement of activities, certain operating expenses-compensated
absences and other post employment benefits-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
(essentially, the amounts actually paid). During this year, the total amount
of the liability decreased by this number. 144,393

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 4,130,539**

BALDWIN-WHITEHALL SCHOOL DISTRICT**STATEMENT OF NET ASSETS****PROPRIETARY FUND TYPES****AS OF JUNE 30, 2010**

	<u>Food Service</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 340,341
Due From Other Governments	115,103
Accounts Receivable	0
Inventories	<u>31,933</u>
Total Current Assets	<u>\$ 487,377</u>
Noncurrent Assets:	
Building & Building Improvements (net)	\$ 0
Machinery & Equipment (net)	<u>107,210</u>
Total Noncurrent Assets	<u>\$ 107,210</u>
TOTAL ASSETS	<u>\$ 594,587</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 59,228
Due to Other Funds	1,356,883
Accrued Salaries and Other Payroll Liabilities	(24)
Current Portion of Compensated Absences	1,245
Deferred Revenue	<u>12,197</u>
Total Current Liabilities	<u>\$ 1,429,529</u>
Noncurrent Liabilities:	
Compensated Absences	<u>\$ 56,660</u>
Total Noncurrent Liabilities	<u>\$ 56,660</u>
TOTAL LIABILITIES	<u>\$ 1,486,189</u>
NET ASSETS	
Invested in Capital Assets Net of Related Debt	\$ 107,210
Unrestricted	<u>(998,812)</u>
TOTAL NET ASSETS	<u>\$ (891,602)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 594,587</u>

See Accompanying Notes to Financial Statements.

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Food Service</u>
OPERATING REVENUES:	
Food Service Revenue	\$ 1,055,024
TOTAL OPERATING REVENUES	<u>\$ 1,055,024</u>
OPERATING EXPENSES:	
Salaries	\$ 730,697
Employee Benefits	179,313
Purchased Professional and Technical Service	175,119
Food Purchases	881,785
Supplies	9,498
Depreciation	30,309
Other Operating Expenditures	<u>34,323</u>
TOTAL OPERATING EXPENDITURES	<u>\$ 2,041,044</u>
OPERATING INCOME / (LOSS)	<u>\$ (986,020)</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings on Investments	\$ 828
State Sources	124,901
Federal Sources	736,749
Interest Expense	0
Donations	<u>0</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ 862,478</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ (123,542)
Operating Transfers In (Out)	<u>0</u>
CHANGE IN NET ASSETS	\$ (123,542)
TOTAL NET ASSETS - JUNE 30, 2009	(716,455)
Prior Period Adjustment (See Note 2)	<u>(51,605)</u>
TOTAL NET ASSETS - JUNE 30, 2010	<u><u>\$ (891,602)</u></u>

See Accompanying Notes to Financial Statements.

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPES

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 1,049,879
Cash Payments to Employees for Services	(736,954)
Cash Payments to Suppliers for Goods and Services	(1,079,290)
Cash Payments for Other Operating Expenses	<u>(18,040)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (784,405)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	\$ 124,898
Transfer from General Fund	0
Federal Sources	<u>726,658</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 851,556</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	<u>\$ 0</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>\$ 828</u>
Net Cash From Investing Activities	<u>\$ 828</u>
NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES	<u>\$ 828</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 67,979
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>272,362</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u><u>\$ 340,341</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	<u>\$ (986,020)</u>
Depreciation and Net Amortization	\$ 30,309
Change in Assets and Liabilities	
(Inc) Dec in Inventories	14,594
Inc (Dec) in Accounts Payable	(11,199)
Inc (Dec) in Due to Other Funds	205,144
Inc (Dec) in Accrued Salaries and Other Payroll Liabilities	(32,088)
Inc (Dec) in Deferred Revenue	<u>(5,145)</u>
Total Adjustments	<u>\$ 201,615</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (784,405)</u></u>

See Accompanying Notes to Financial Statements.

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
AS OF JUNE 30, 2010

	Student Activities <u>Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>164,099</u>
TOTAL ASSETS	\$ <u>164,099</u>
LIABILITIES	
Due to Student Groups	\$ <u>164,099</u>
TOTAL LIABILITIES	\$ <u>164,099</u>
TOTAL NET ASSETS	\$ <u>0</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>164,099</u>

See Accompanying Notes to Financial Statements.

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE-BUDGET & ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual		Variance with	Budget to		Actual
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)		GAAP	Difference	Amounts GAAP basis
REVENUES								
Local revenues	\$ 37,845,534	\$ 37,845,534	\$ 38,983,065	\$ 1,137,531	\$ 0	\$ 0	\$ 0	\$ 38,983,065
State program revenues	18,958,994	18,958,994	17,747,479	(1,211,515)	0	0	0	17,747,479
Federal program revenues	1,977,007	1,977,007	2,624,413	647,406	0	0	0	2,624,413
TOTAL REVENUES	\$ 58,781,535	\$ 58,781,535	\$ 59,354,957	\$ 573,422	\$ 0	\$ 0	\$ 0	\$ 59,354,957
EXPENDITURES								
Regular Programs	\$ 21,758,248	\$ 21,758,248	\$ 21,922,719	\$ (164,471)	\$ 0	\$ 0	\$ 0	\$ 21,922,719
Special Programs	5,518,843	5,518,843	5,132,990	385,853	0	0	0	5,132,990
Vocational Programs	2,084,776	2,084,776	2,036,789	47,987	0	0	0	2,036,789
Other Instructional Programs	196,289	196,289	166,157	30,132	0	0	0	166,157
Adult Education Programs	0	0	0	0	0	0	0	0
Community/Junior College Ed Programs	14,237	14,237	20,877	(6,640)	0	0	0	20,877
Pupil Personnel Services	1,277,028	1,277,028	1,278,154	(1,126)	0	0	0	1,278,154
Instructional Staff Services	1,215,348	1,215,348	997,995	217,353	0	0	0	997,995
Administrative Services	3,198,474	3,198,474	3,012,000	186,474	0	0	0	3,012,000
Pupil Health	472,071	472,071	511,897	(39,826)	0	0	0	511,897
Business Services	1,218,512	1,218,512	1,591,446	(372,934)	0	0	0	1,591,446
Operation & Maintenance of Plant Services	6,732,352	6,732,352	6,381,122	351,230	0	0	0	6,381,122
Student Transportation Services	4,715,215	4,715,215	4,271,121	444,094	0	0	0	4,271,121
Central & Other Support Services	850,482	850,482	839,445	11,037	0	0	0	839,445
Food Services	0	0	0	0	0	0	0	0
Student Activities	978,751	978,751	2,154,822	(1,176,071)	0	0	0	2,154,822
Community services	4,557	4,557	13,624	(9,067)	0	0	0	13,624
Scholarships and Awards	0	0	0	0	0	0	0	0
Facilities Acquisition and Construction	170,115	170,115	850,551	(680,436)	0	0	0	850,551
Debt Services	8,021,093	8,021,093	7,272,184	748,909	0	0	0	7,272,184
TOTAL EXPENDITURES	\$ 58,426,391	\$ 58,426,391	\$ 58,453,893	\$ (27,502)	\$ 0	\$ 0	\$ 0	\$ 58,453,893
Excess (deficiency) of revenues over expenditures	\$ 355,144	\$ 355,144	\$ 901,064	\$ 545,920	\$ 0	\$ 0	\$ 0	\$ 901,064
OTHER FINANCING SOURCES (USES)								
Interfund Transfers	\$ (314,843)	\$ (314,843)	\$ (160,857)	\$ 153,986	\$ 0	\$ 0	\$ 0	\$ (160,857)
Proceeds From Extended Term Financing	0	0	0	0	0	0	0	0
Refund of Prior Year Expenses	0	0	(348,314)	(348,314)	0	0	0	(348,314)
Budgetary Reserve	(40,301)	0	0	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	\$ (355,144)	\$ (314,843)	\$ (509,171)	\$ (194,328)	\$ 0	\$ 0	\$ 0	\$ (509,171)
Net change in fund balances	\$ 0	\$ 40,301	\$ 391,893	\$ 351,592	\$ 0	\$ 0	\$ 0	\$ 391,893
Fund balance - June 30, 2009	\$ 5,783,692	\$ 5,783,692	\$ 12,785,848	\$ 7,002,156	\$ 0	\$ 0	\$ 0	\$ 12,785,848
Fund balance - June 30, 2010	\$ 5,783,692	\$ 5,823,993	\$ 13,177,741	\$ 7,353,748	\$ 0	\$ 0	\$ 0	\$ 13,177,741

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 1 - REPORTING ENTITY

The Baldwin-Whitehall School District is organized under Title 24 of the Pennsylvania Statutes. The School District provides educational services as authorized by State statute and/or federal guidelines.

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 the Baldwin-Whitehall School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District 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 fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The Baldwin-Whitehall School District does not have any component units.

The Allegheny Intermediate Unit was considered as possible component units, but was excluded based on the above criteria.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Baldwin-Whitehall School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government 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 governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant accounting policies of the District are described below.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Basis of Presentation

The School District's basic financial statements consist of government-wide 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.

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 and business-type activities. 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, if applicable, are aggregated and presented in a single column. The fiduciary funds are reported by type. A break out of all funds that are aggregated for reporting purposes is shown as supplementary information after the notes to the financial statements.

B. Measurement Focus/Basis of Accounting

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.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due. Property taxes and interest associated with past and current fiscal periods are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if they are collected within 60 days of the end of the current fiscal period. All other property taxes associated with past and current fiscal periods are deferred in the Governmental fund financial statements.

The District reports the following major governmental funds:

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

Capital Projects Funds—The Capital Projects Funds account for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

The District reports the following non-major funds because they do not meet the major fund criteria:

Athletic Fund – The Athletic Fund is a Special Revenue Fund which accounts for proceeds of athletic related revenue sources that are legally restricted to expenditures for athletic related purposes.

Capital Reserve Fund – The Capital Reserve Fund accounts for (1) moneys transferred during any fiscal year from appropriations made for any particular purpose which may not be needed and (2) surplus moneys in the General Fund of the treasury of the District at the end of any fiscal year. The moneys in (1) and (2) can be used only for capital improvements and for replacement of and additions to public works and improvements, and for deferred maintenance thereof, and for the purchase or the replacement of school buses, and for debt service and for no other purpose.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. 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.

The District reports its only enterprise fund, the Food Service Fund, as major:

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

Fiduciary Funds—Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include agency funds. Agency funds are purely custodial and thus do not involve measurement of results of operations. Major Fund reporting does not apply to Fiduciary Funds. Accordingly, the District presents only a statement of fiduciary net assets and does not present a statement of changes in fiduciary net assets for the agency fund.

The District reports the Student Activity Funds as an agency fund. These Fiduciary Funds are used to account for net assets held in a purely custodial capacity for specific other persons, organizations or governments.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

C. Budgetary Process

The District passed an appropriated original budget for the fiscal year ending June 30, 2010 with revenues totaling \$58,781,535 and expenditures totaling \$58,781,535.

The District is required by state law to adopt an annual budget for the General Fund only. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles (“GAAP”).

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Preliminary Budget: The preliminary budget for each year must be adopted (via Board vote) 90 days prior to the Primary Election, unless the District adopts a Resolution indicating that it will not raise the rate of any tax by more than its index. The Resolution must be adopted 110 days prior to the Primary Election and the District must adopt a Resolution that follows traditional budget guidelines.

A *proposed* version must be prepared at least 20 days before adoption; this work-in-progress budget, defined as the *proposed preliminary budget*, must be made available for public inspection no later than 110 days prior to the Primary Election. Public notice of the intent to adopt the preliminary budget must be published no later than 10 days before adoption of the preliminary budget (100 days before Primary Election).

Final Budget: The final budget for each year must be adopted (via Board vote) by June 30 of the preceding school fiscal year.

A *proposed* version must be prepared and adopted (via Board vote) no later than May 30 of the preceding school fiscal year (at least 30 days before adoption); this work-in-progress budget, defined as the *proposed final budget*, must be made available for public inspection no later than June 10 of the preceding school fiscal year (20 days before adoption on June 30). Public notice of the intent to adopt the final budget must be published no later than June 20 of the preceding school fiscal year (10 days before adoption on June 30).

Note: For the adopted preliminary budget to become the proposed final budget, the school board must take action.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board of Directors. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Directors. All budget appropriations lapse at year-end, unless the District chooses to utilize encumbrance accounting. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF).

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

E. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are offset against each other in the governmental and business-type activities columns of the statement of net assets, except for amounts due to/from other funds which are not presented in the statement of net assets.

F. Inventories

On government-wide financial statements, inventories are stated at cost using the purchase method. The purchase method means that food products, materials, and supplies are charged as expenditures when acquired. Inventory on hand at the end of the period is then recorded as an asset by offsetting the appropriate expense account. Inventories for governmental activities are not reported as of June 30, 2010 due to their immaterial balance.

On fund financial statements, inventories are stated at cost using the purchase method for enterprise funds. The inventory for Business-type Activities at June 30, 2010 is \$31,933. Inventories are not maintained in governmental funds for fund financial statement reporting.

G. 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.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 capitalizes all purchases made out of debt service funds and maintains a capitalization threshold of \$4,000. 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.

All reported capital assets except land 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	Business-Type Activities
	Estimated Lives	Estimated Lives
Site Improvements	15-20 years	N/A
Buildings and Improvements	10-50 years	10-50 years
Furniture and Equipment	5-20 years	5-20 years

A Prior Period Adjustment of \$163,692 was made to the Governmental Activities for the year ended June 30, 2010. A Prior Period Adjustment of \$(51,605) was made to the Proprietary Fund for the year ended June 30, 2010. These adjustments were made due to the following:

1. The fixed assets of the District were appraised as of June 30, 2010 using a threshold at which assets in excess of \$4,000 were capitalized. For the audit of the year ended June 30, 2009, the client was capitalizing assets greater than \$1,000. This resulted in a Prior Period Adjustment for the year ended June 30, 2010 of \$(642,816) to the Governmental Activities and \$(51,605) to the Proprietary Fund.
2. Assets that were purchased in previous years but were not capitalized are now included within the fixed assets and accumulated depreciation as of June 30, 2010. This resulted in a Prior Period Adjustment of \$806,508 to the Governmental Activities for the year ended June 30, 2010

H. Unamortized Issuance Costs/Bond Premium and Discount

In the government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the Statement of Net Assets.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

I. Compensated Absences/Retirement Incentives

The District has agreed to pay unused sick leave for all employees who have attained twenty years of services in PSERS and ten years of service with Baldwin-Whitehall School District. For teachers, the value of unused sick days is measured as follows:

<u>Days of Unused Sick Leave</u>	<u>Rate</u>
1-75 days	\$50/day
76-125 days	\$60/day
126-175 days	\$70/day
176-200 days	\$75/day

Payment for each unused sick day is made in June of each year; therefore, there is no existing liability for compensated absences as of June 30, 2010.

The District measured and recognized an “other post-employment benefit” (OPEB) liability in accordance with provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions.* This statement provides guidance on accounting and financial reporting for “other post-employment benefits” accounted for in financial statements of plan sponsors and employers. OPEB refer to non-pension benefits provided after the termination of employment. One example of this type of benefit is healthcare insurance premiums paid by employers on behalf of former employees. Governmental entities have traditionally accounted for OPEB on a pay-as-you-go basis. The guidance in this statement rests on the assumption that OPEB should be accrued as service is provided by employees.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. 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 the School District 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.

L. Fund Balance Reserves

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as prepaid assets are examples of the former. Reserves for encumbrances, and other specific purposes are examples of the latter. The governmental funds' designation of fund balance reflects tentative plans for future use of financial resources. As of June 30, 2010, reservations of fund balance are described below:

Reserved for Capital Projects – These reserves were established to provide for future capital projects.

Reserved for Prepayments – These reserves were established to reflect noncurrent resources so that they will not be considered as current available funds.

Reserved for Advance to Proprietary Fund – This reserve was established to reflect advances to the Proprietary Fund for which repayment is not expected so that they will not be considered as current available funds.

Unreserved fund balances in the Fund Financial Statements are designated by Management as follows:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

General Fund

District-Wide Phone System Project	\$ 235,000
Recreation and Athletic Field Improvements	210,000
High School Wireless Project	165,000
Data Center Virtualization Project	40,000
High School Auditorium Project	2,800,000
Whitehall Steps Project	38,400
Benefits Stabilization Funding	<u>1,300,000</u>
Total General Fund	<u>\$ 4,788,400</u>

Investment in Capital Assets, Net of Related Debt – The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH / INVESTMENTS

Statutory Authority

School Districts are to adopt local investment policies. The local investment policy must be written, primarily emphasize the safety of principal and liquidity, and address investment diversification, yield, maturity and the quality and capability of investment management. Each District should customize its policies to meet board and administrative objectives as defined. Districts should review their investment policies and investment strategies annually.

Section 440.1(c) of the Pennsylvania School Code authorizes the types of investments school districts may have:

1. United States Treasury bills
2. Short-term obligations of the United States Government or its agencies or instrumentalities. *Short-term obligations* usually refer to investments of less than thirteen months

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 3 – CASH / INVESTMENTS - CONTINUED

3. Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 - a. The Federal Deposit Insurance Corporation (FDIC), or
 - b. The Federal Savings and Loan Insurance Corporation, or
 - c. The National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and for any amounts above maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository
4. Obligations of 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, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities. *Full faith and credit* means the obligation is backed by the government's ability to levy taxes to repay debt. These investments include any bonds issued by the Commonwealth of Pennsylvania or any municipality or school district carrying the backing of the taxation of the governmental unit issuing the debt. Some investments of the Federal government do not have full faith and credit backing. Fannie-Mae (FNMA) and Freddy-Mach (FNMC) bonds do not. Ginnie-Mae (GNMA) bonds do have full faith and credit backing.
5. Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 provided that the following are met:
 - a. Only investments of that company are in the authorized investments for school district funds listed in the categories above, and repurchase agreements fully collateralized by such investments
 - b. The investment company is managed so as to maintain its shares as a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds)
 - c. The investment company is rated in the highest category by a nationally recognized rating agency.

This classification includes pooled investments such as the Pennsylvania School District Liquid Asset Fund, Pennsylvania Local Government Investment Trust and the Pennsylvania State Treasurer's Invest Program

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. As of June 30, 2010, \$9,912,808 of the District's bank balance of \$10,162,808 was exposed to custodial credit risk as:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 3 – CASH / INVESTMENTS - CONTINUED

Uninsured and uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution	\$	0
Uninsured and collateral held by the pledging bank's trust department not in the District's name	\$	9,912,808

Other Deposits

As of June 30, 2010, the District had the following other deposits in The Pennsylvania School Liquid Asset Fund (PSDLAF) which was established as common law trust, organized under laws of the Commonwealth of Pennsylvania. Shares of the fund are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the fund is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification. PLGIT and PSDLAF are governed by an elected board of trustees who are responsible for the overall management of the funds. The trustees are elected from the several classes of local governments participating in them. Each fund is audited annually by independent auditors. The Funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report net assets to compute share prices. The Funds maintain net asset value of \$1 per share. Accordingly, the fair value of the position in PLGIT and PSDLAF is the same as the value of PLGIT and PSDLAF shares. The value of the funds as of June 30, 2010 is as follows:

<u>Type</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
PA Local Government Investment Trust	\$ 3,505,784	AAAm
PA School District Liquid Asset Fund	6,117,170	AAAm
Total	<u>\$ 9,622,954</u>	

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 9,912,808
Collateralized Amount Above	500,000
Petty Cash	2,909
Other Deposits Above	<u>9,622,954</u>
Carrying Amount - Bank Balances	\$ 20,038,671
Less: Outstanding Items	(662,261)
Less: Fiduciary Funds	<u>(164,099)</u>
Total	<u>\$ 19,212,311</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 4 – TAXES

Property Taxes

Based upon assessed valuations provided by the County, the municipal tax collector bills and collects property taxes on behalf of the District.

The schedule for property taxes levied for 2009-2010 is as follows:

August 1, 2009	- tax levy date
Through September 30, 2009	- 2% discount period
Through November 30, 2009	- face payment period
Beginning December 1, 2009	- 5% penalty period
April 15, 2009	- lien date

The District tax rate for all purposes in 2009-2010 was 23.61 mills (\$23.61 per \$1,000 assessed valuation). Collections for the 2009-2010 year were \$32,087,080.

As of June 30, 2010, property taxes receivable by the District includes uncollected taxes assessed as of July 1, 2009 or earlier. It is estimated that 90% of all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected; therefore, property taxes receivable reflect this estimate. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Income Taxes

The District levies a voted continuing tax of .50 percent for general operations on the income of residents. Taxpayers are required to file an annual return. The collector makes periodic contributions to the District after withholding amounts for administrative fees. Income tax receipts are credited to the general fund.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 is as follows:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 5 – CAPITAL ASSETS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 583,550	\$ 0	\$ 0	\$ 583,550
Construction in Progress	0	518,385	0	518,385
Total Capital assets, not being depreciated	<u>\$ 583,550</u>	<u>\$ 518,385</u>	<u>\$ 0</u>	<u>\$ 1,101,935</u>
Capital assets, being depreciated:				
Site Improvements	\$ 2,579,777	\$ 1,468,306	\$ 0	\$ 4,048,083
Building and building improvements	103,235,481	0	0	103,235,481
Furniture and equipment	15,956,829	985,165	(22,825)	16,919,169
Total capital assets, being depreciated	<u>\$ 121,772,087</u>	<u>\$ 2,453,471</u>	<u>\$ (22,825)</u>	<u>\$ 124,202,733</u>
Accumulated depreciation for:				
Site Improvements	\$ (1,869,045)	\$ (115,295)	\$ 0	\$ (1,984,340)
Building and building improvements	(23,713,076)	(2,391,335)	0	(26,104,411)
Furniture and equipment	(10,959,786)	(746,048)	22,825	(11,683,009)
Total accumulated depreciation	<u>\$ (36,541,907)</u>	<u>\$ (3,252,678)</u>	<u>\$ 22,825</u>	<u>\$ (39,771,760)</u>
Total capital assets, being depreciated, net	<u>\$ 85,230,180</u>	<u>\$ (799,207)</u>	<u>\$ 0</u>	<u>\$ 84,430,973</u>
Governmental activities capital assets, net:	<u>\$ 85,813,730</u>	<u>\$ (280,822)</u>	<u>\$ 0</u>	<u>\$ 85,532,908</u>
Business-type activities:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 726,188	\$ 0	\$ 0	\$ 726,188
Total capital assets, being depreciated	<u>\$ 726,188</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 726,188</u>
Accumulated depreciation for:				
Furniture and equipment	\$ (588,669)	\$ (30,309)	\$ 0	\$ (618,978)
Total accumulated depreciation	<u>\$ (588,669)</u>	<u>\$ (30,309)</u>	<u>\$ 0</u>	<u>\$ (618,978)</u>
Total capital assets, being depreciated, net	<u>\$ 137,519</u>	<u>\$ (30,309)</u>	<u>\$ 0</u>	<u>\$ 107,210</u>
Business-type activities capital assets, net:	<u>\$ 137,519</u>	<u>\$ (30,309)</u>	<u>\$ 0</u>	<u>\$ 107,210</u>
Total Governmental & Business-type activities, net	<u><u>\$ 85,951,249</u></u>	<u><u>\$ (311,131)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 85,640,118</u></u>

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 5 – CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to functions of the District as follows:

Governmental Activities:

Instruction:

Regular Instruction	\$ 2,234,359
Special Instruction	0
Vocational Instruction	0
Other Instructional Programs	0
Adult Education Programs	0

Support Services:

Pupil Personnel	0
Instructional Staff	4,125
Administration	139,275
Pupil Health	1,557
Business Services	0
Operation of Plant and Maintenance Services	41,397
Student Transportation Services	668,697
Central	2,812
Other Support Services	0

Non-Instructional Services:

Student Activities	160,456
Facilities Acquisition, Construction	0
Unallocated Depreciation Expense**	0

Total Depreciation expense, Governmental Activities:	<u>\$ 3,252,678</u>
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Business-Type Activities:

Food Services	\$ 30,309
Total Depreciation expense, Business-Type Activities:	<u>\$ 30,309</u>

Total Depreciation expense, Governmental and Business-Type Activities:	<u>\$ 3,282,987</u>
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**Unallocated Depreciation Expense represents assets or portions of assets that are not able to be identified with any particular function (eg: building hallways, certain computer labs, etc.)

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 6 – RISK MANAGEMENT

Baldwin-Whitehall is a member of the Allegheny County Health Consortium (The Consortium) for Health Insurance. This Consortium was formed in 1987 in order to purchase health benefits on behalf of participating public school districts in Allegheny County, Pennsylvania. The District pays an annual premium to the Consortium for its health and medical insurance coverage. The formation agreement of the Consortium provides that the Consortium will be self-sustaining through annually determined member premiums and will reinsure through commercial companies for excess claims of amounts as defined in the insurance contract. Additionally, during fiscal 2005, the Consortium designated a portion of the net assets for rate stabilization and catastrophic claims. The Net Assets Designated for rate stabilization was \$21,988,000 as of June 30, 2010, while the Net Assets Designated for Catastrophic Claims was \$16,491,000.

The District's agreement permits withdrawal from the Consortium only as of the last day of a fiscal year and after having given all participating entities and the Trustees written notice by April 30th of such fiscal year. If Baldwin-Whitehall were to withdraw, the District would be entitled to receive a prorata share of the net assets or would be required to reimburse the Consortium for their prorata share of any deficiency in net assets.

The Consortium fund balance attributable to Baldwin-Whitehall School District was \$1,791,726 as of June 30, 2010 (audited) and at this time Baldwin-Whitehall has no plans on withdrawing from the Consortium. The financial statements of the Consortium for the year ended June 30, 2010 are on file with the Baldwin-Whitehall School District.

NOTE 7 – RETIREMENT PLANS/OTHER POSTEMPLOYMENT BENEFITS

Public School Employees' Retirement System (PSERS)

Plan Description. Baldwin-Whitehall School District contributes to the Public School Employees' Retirement System (PSERS); a Governmental cost sharing multiple employer defined benefit pension plan administered by the Public School Employees' Retirement System Board of Trustees under the authority of the Public School Employees' retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535). PSERS provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement System issues a publicly available comprehensive annual financial report that 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 publication is also available on the PSERS website at <http://www.psers.state.pa.us/publications/cafr/index.htm>.

Funding Policy. Active members who joined the system prior to July 22, 1983, are required to contribute 5.25% (Membership Class TC) or at 6.50 % (Membership Class TD) of the 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% (Membership Class TC) or at 7.50% (Membership Class TD) of the member's qualifying compensation. Members who joined

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 7 – RETIREMENT PLANS/OTHER POSTEMPLOYMENT BENEFITS – CON'T.

the System after June 30, 2001 contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. The Baldwin-Whitehall School District is required to contribute at an actuarially determined rate. The rates applied to annual covered payroll were 4.78% at June 30, 2010 and 4.76% at June 30, 2009. The 4.78% at June 30, 2010 is composed of a pension contribution rate of 4.00% for pension benefits and 0.78% for healthcare insurance premium assistance.

Baldwin-Whitehall School District contributed 100% of their required contribution to PSERS for the past three years as follows:

<u>Fiscal Year Ending</u>	<u>Employer Contribution</u>
June 30, 2010	\$1,376,726
June 30, 2009	\$1,259,075
June 30, 2008	\$2,000,000

NOTE 8 – LONG-TERM DEBT

Long-term liability for the year ended June 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 83,670,200	\$ 9,680,000	\$ (13,290,200)	\$ 80,060,000	\$ 4,390,000
Deferred amounts for issuance premium/(discount)/(issue costs)	1,054,356	118,094	(410,332)	762,118	0
Deferred refunding loss	<u>(280,372)</u>	<u>0</u>	<u>40,904</u>	<u>(239,468)</u>	<u>0</u>
Total bonds payable, net	\$ 84,444,184	\$ 9,798,094	\$ (13,659,628)	\$ 80,582,650	\$ 4,390,000
Lease Obligations	211,401	0	(94,525)	116,876	116,876
Other Post Emp. Benefit Obligation/Comp Abs payable	<u>965,343</u>	<u>0</u>	<u>(144,393)</u>	<u>820,950</u>	<u>0</u>
Total governmental activity long-term liabilities	<u>\$ 85,620,928</u>	<u>\$ 9,798,094</u>	<u>\$ (13,898,546)</u>	<u>\$ 81,520,476</u>	<u>\$ 4,506,876</u>

Payments on general obligation bonds are made by the General Fund.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 8 – LONG-TERM DEBT – CONTINUED

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2010, including interest payments are as follows:

<u>Bonds and Notes Payable</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 4,390,000	\$ 3,351,738	\$ 7,741,738
2012	4,420,000	2,465,447	6,885,447
2013	4,490,000	3,088,625	7,578,625
2014	4,465,000	2,920,760	7,385,760
2015	4,635,000	2,724,606	7,359,606
2016-2020	25,805,000	10,774,192	36,579,192
2021-2025	<u>31,855,000</u>	<u>4,181,523</u>	<u>36,036,523</u>
Total	<u>\$ 80,060,000</u>	<u>\$ 29,506,891</u>	<u>\$ 109,566,891</u>

General Obligation Bonds, Refunding Series A of 2009

On November 10, 2009, the Baldwin-Whitehall School District issued \$9,680,000 in General Obligation Bond, Refunding Series of 2009. Total interest and principal payments over the scheduled life of the Bond is \$12,071,650, with interest rates between 2.00% and 3.50%. The bonds are scheduled to mature on February 15, 2022.

The proceeds of the bond were used to currently refund the School District's General Obligation Bonds, Series A of 2003 and to pay the cost of issuing the bonds. As a result, the 2003A Bonds are considered to be defeased, and the liability for these bonds has been removed from the balance of bonds payable. The total interest and principal payments of the defeased amounts to be paid out over the life of the bond issue at the time of refunding was \$12,425,949, with interest rates between 3.25% and 4.30%. The bonds were originally scheduled to mature on February 15, 2022.

General Obligation Bonds and Notes

General obligation bonds and notes payable at June 30, 2010, with their outstanding balance are as follows:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 8 – LONG-TERM DEBT - CONTINUED

\$15,00,000 2004 general obligation bonds, due in annual installments of \$5,000 to \$3,300,000, beginning February 15, 2005, through February 15, 2023, interest from 2.20 to 5.00%	\$ 14,975,000
\$8,615,000 2005 general obligation bonds, due in annual installments of \$400,000 to \$250,000, beginning September 15, 2005, through September 15, 2022, interest from 2.51 to 4.38%	6,035,000
\$8,730,000 2006 general obligation bonds, due in annual installments of \$15,000 to \$2,255,000, beginning March 15, 2006, through September 15, 2014, interest from 3.20 to 3.75%	2,955,000
\$37,320,000 2007 general obligation bonds, due in annual installments of \$5,000 to \$6,575,000, beginning May 15, 2009, through May 15, 2025, interest from 4.0 to 5.0%	37,310,000
\$9,995,999 2009 general obligation bonds, due in annual installments of \$585,000 to \$2,935,000, beginning January 15, 2010, through January 15, 2016, interest from 1.55 to 2.89%	9,285,000
\$9,680,000 2009A general obligation refunding bonds, due in annual installments of \$180,000 to \$1,270,000, beginning February 15, 2010, through February 15, 2022, interest from 2.00 to 3.50%	<u>9,500,000</u>
	<u><u>\$ 80,060,000</u></u>

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2010, consisted of the following fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund: Enterprise Fund	\$ 1,356,883	\$ 0
Enterprise Fund: General Fund	0	1,356,883
General Fund: Capital Projects Fund	0	206,825
Capital Projects Fund: General Fund	206,825	0
General Fund: Athletic Fund	1,333	0
Athletic Fund: General Fund	0	1,333
Totals	<u>\$ 1,565,041</u>	<u>\$ 1,565,041</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Balances resulted from a period of time where the General Fund has paid for certain Cafeteria Fund expenses, and has not yet been repaid for them. The above balance is not expected to be collected in the subsequent year. Likewise, the General Fund has paid for certain Athletic Fund expenses which have not been repaid as of year-end. It is expected that the Athletic Fund will fulfill its obligation to the General Fund within the next year.

Interfund transfers for the year ended June 30, 2010 were as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
General Fund: Athletic Fund	\$ 160,857	\$ 0
Athletic Fund: General Fund	<u>0</u>	<u>160,857</u>
Totals	<u>\$ 160,857</u>	<u>\$ 160,857</u>

The transfers were made to alleviate a portion of the expenses incurred by the corresponding funds.

NOTE 10 – CONTINGENCIES

A. Litigation

The District is potentially liable for any expenditure that may be disallowed pursuant to the terms of grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

B. Grants

The 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 conditions 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 at June 30, 2010.

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

Post retirement benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB No. 45 during the year ended June 30, 2010, the District recognizes the cost of

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years will be phased in over five years, commencing with the 2009 liability.

Plan description

The District provides post-retirement benefits for certain employees for current and future health, pharmacy, dental and vision insurance benefit expenses through a single-employer defined benefit plan. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2008. The post-retirement plan does not issue stand-alone financial reports.

The contribution requirements of plan members and the District are established and may be amended by the District. The District determines the required contribution using the Projected Unit Credit Method.

Membership in the plan consisted of the following at July 1, 2008, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	108
Active plan members	<u>0</u>
Total	<u>108</u>

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The actuarial accrued liability as of July 1, 2008 is estimated to be \$776,707. The District's contributions represent payments made for premiums for insured individuals.

Schedule of Funding Progress (\$000's)						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll (Total)	UAAL as a Percentage of Payroll
7/1/2008	\$ 0	\$ 777	\$ 777	0%	TBD	TBD

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

GASB45 Schedule of Employer Contributions (\$000's)			
Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB	
		Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 738	100.0%	\$ 44

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuations and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The annual OPEB cost was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2010

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Valuation Date:	July 1, 2008
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Market Value
Amortization Method:	Open level dollar amortization
Remaining Amortization Period:	Five years
Actuarial Assumptions:	
Investment rate of return	4.50%
Inflation rate	None
Health cost trend rates	Medical and pharmacy costs and premium rates are assumed to increase as shown in the following table (selected years shown):

<u>Fiscal Year Ending June 30</u>	<u>Increase in Health Cost over Prior Year</u>
2009	n/a*
2010	n/a*
2011	n/a*
2012	n/a*
2013	n/a*
2014 and on	n/a*

*Employer cost for medical coverage is frozen at the costs and premium rates in effect at retirement

NOTE 12 – SUBSEQUENT EVENT

In October, 2010 the District issued the General Obligation Bonds, Series of 2010 dated October 6, 2010 for the purpose of advance refunding and discharge of the General Obligation Bonds, Series 2004, paying the bond issuance costs and funding various capital improvement projects in the District. The 2010 General Obligation Bonds have a par value of \$16,165,000, and the net proceeds from the issuance amounted to \$16,056,553. The net proceeds were used to pay \$76,680 in bond issuance costs and the balance of \$15,979,873 was deposited into an escrow account for the advance refunding and discharge of the 2004 General Obligation Bonds.

The School District evaluated its June 30, 2010 financial statements for subsequent events through December 2, 2010. The School District is not aware of additional subsequent events that would require recognition or disclosure in the financial statements.

SINGLE AUDIT SUPPLEMENTARY REPORTS

BALDWIN-WHITEHALL SCHOOL DISTRICT

LIST OF REPORT DISTRIBUTION

1 copy	Bureau of Audits Special Audit Services Division 555 Walnut Street Forum Place – Eighth Floor Harrisburg, PA 17101 Online Submission
1 copy	Allegheny County Prothonotary City County Building 414 Grant Street, First Floor Pittsburgh, PA 15219
30 copies	Baldwin-Whitehall School District 4900 Curry Road Pittsburgh, PA 15236
1 copy	Cottrill, Arbutina & Associates, P.C. 525 Third Street Beaver, PA 15009
1 copy	Bloomberg Municipal Repository 100 Business Park Drive Skillman, NJ 08558
1 copy	DPC Data Inc. 1 Executive Drive Fort Lee, NJ 07024
1 copy	Interactive Data Pricing and Reference Data, Inc. Attn: NRMSIR 100 Williams Street New York, NY 10038
1 copy	Standard & Poor's Securities Evaluations, Inc. 55 Water Street – 45 th Floor New York, NY 10041

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period From - To	Program or Award Amount	Total Received For Year	Accrued (Deferred) Revenue @ 7/1/09	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue @ 6/30/10
U.S. Department of Education:										
Passed through the PA Dept. of Education:										
Title I Grants to Local Education Agencies	I	84.010	013-090020	07/01/08-09/30/09	\$ 475,370	\$ 135,752	\$ 44,286	\$ 91,466	\$ 91,466	\$ 0
Title I Grants to Local Education Agencies	I	84.010	013-100020	07/01/09-09/30/10	472,713	252,114	0	472,713	472,713	220,599
Academic Achievement Award	I	84.010	077-090020	07/01/08-09/30/09	3,000	1,714	447	758	758	(509)
Title I - ARRA										
State Fiscal Stabilization Fund- Basic Ed ARRA	I	84.389	127-100020	07/01/09-09/30/10	265,433	265,433	0	117,174	117,174	(148,259)
Safe and Drug-Free Schools and Communities-State Grants	I	84.394	126-100020	07/01/09-06/30/10	1,093,436	728,957	0	1,093,436	1,093,436	364,479
Improving Teacher Quality State Grants	I	84.186	100-080020	07/22/08-09/30/09	10,895	4,358	(2,111)	6,469	6,469	0
Improving Teacher Quality State Grants	I	84.367	020-090020	08/11/08-09/30/09	155,813	22,259	13,533	8,726	8,726	0
Improving Teacher Quality State Grants	I	84.367	020-100020	07/01/09-09/30/10	153,092	112,267	0	72,216	72,216	(40,051)
21st Century Community Learning Center	I	84.287	4100043174	07/01/08-06/30/09	253,529	147,370	166,188	(18,818)	(18,818)	0
21st Century Community Learning Center	I	84.287	4100043174	07/01/09-09/30/10	240,766	0	0	187,122	187,122	187,122
State Grants for Innovative Programs	I	84.298	011-090020	07/10/07-09/30/09	5,578	2,975	4,834	0	0	1,859
English Language Acquisition Grants	I	84.365	010-090020	11/12/08-09/30/09	38,327	17,339	8,084	9,255	9,255	0
English Language Acquisition Grants	I	84.365	010-100020	07/01/09-09/30/10	40,019	23,344	0	40,019	40,019	16,675
Learn and Serve America - School and Community Based Program	I	94.004	019-080001	10/01/08-06/30/09	3,500	778	778	0	0	0
Total PA Department of Education:					\$ 3,211,471	\$ 1,714,660	\$ 236,039	\$ 2,080,536	\$ 2,080,536	\$ 601,915
Passed through the Allegheny Intermediate Unit:										
IDEA ARRA - Special Education - Grants to States	I	84.391	N/A	07/01/09-06/30/11	660,935	168,402	0	357,815	357,815	189,413
IDEA - Special Education - Grants to States	I	84.027	N/A	07/01/09-06/30/10	573,402	573,402	0	573,402	573,402	0
Total Department of Education:					\$ 4,445,808	\$ 2,456,464	\$ 236,039	\$ 3,011,753	\$ 3,011,753	\$ 791,328
U.S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Education:										
Refugee and Entrant Assistance - Discretionary Grants		93.576	4100045643	08/15/08-08/14/09	\$ 54,774	\$ 24,718	\$ 24,718	\$ 0	\$ 0	\$ 0
Refugee and Entrant Assistance - Discretionary Grants		93.576	4100045643	08/15/09-08/14/10	55,000	0	0	55,000	55,000	55,000
Total U.S. Department of Health and Human Services:					\$ 109,774	\$ 24,718	\$ 24,718	\$ 55,000	\$ 55,000	\$ 55,000
U.S. Department of Agriculture:										
Passed through the PA Dept. of Education:										
National School Lunch Program	I	10.555	N/A	07/01/08-06/30/09	N/A	F \$ 81,235	\$ 81,235	\$ 0	\$ 0	\$ 0
National School Lunch Program	I	10.555	N/A	07/01/09-06/30/10	N/A	F 459,474	0	562,333	562,333	102,859
National School Breakfast Program	I	10.553	N/A	07/01/08-06/30/09	N/A	F 11,533	11,533	0	0	0
National School Breakfast Program	I	10.553	N/A	07/01/09-06/30/10	N/A	F 67,561	0	67,561	67,561	0
Nutrition Food Service	I	N/A	N/A	07/01/08-06/30/09	N/A	S 12,242	12,242	0	0	0
Nutrition Food Service	I	N/A	N/A	07/01/09-06/30/10	N/A	S 66,727	0	78,971	78,971	12,244
Passed through the PA Dept. of Agriculture:										
Value of USDA Donated Commodities:	I	10.550	N/A	07/01/09-06/30/10	N/A	F 105,387	0	105,387	105,387	0
Total Department of Agriculture:					\$ 0	\$ 804,159	\$ 105,010	\$ 814,252	\$ 814,252	\$ 115,103
Total Federal Assistance					\$ 4,555,582	\$ 3,285,341	\$ 365,767	\$ 3,881,005	\$ 3,881,005	\$ 961,431

BALDWIN-WHITEHALL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

Source Codes:

- I=Indirect Funding
- F=Federal Share
- S=State Share

Footnotes:

- a) Total amount of commodities received from Department of Agriculture
- b) Beginning inventory at July 1
- c) Total amount of commodities used
- d) Ending inventory at June 30
- * Selected for testing

Test of 50% rule:

Total Federal Expenditures
Less: State's share of Cafeteria Cluster
Total Federal Expenditures

\$ 3,881,005
(78,971)
\$ 3,802,034

IDEA Cluster, Title I Cluster, SFSP-Basic Ed ARRA \$ 2,706,764

Total Federal Expenditures

\$ 3,802,034 =

(High risk auditee 50% required)

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF

EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Baldwin-Whitehall School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - BUDGETARY DATA

The District passed and had approved by the appropriate agency, budgets for the fiscal year ending June 30, 2010 for all federal programs.

**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**

To the Board of Directors
Baldwin-Whitehall School District
4900 Curry Road
Pittsburgh, PA 15236

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Baldwin-Whitehall School District, as of and for the year ended June 30, 2010, which collectively comprise the Baldwin-Whitehall School District's basic financial statements and have issued our report thereon dated December 2, 2010. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider items 2010-1 through 2010-7 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider items 2010-8 through 2010-14 described in the accompany schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baldwin-Whitehall 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 did not disclose any 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 Baldwin-Whitehall School District, in a separate communication on December 2, 2010.

Baldwin-Whitehall School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Baldwin-Whitehall School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Baldwin-Whitehall School District Board of 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.

COTTRILL, ARBUTINA & ASSOCIATES, P.C.

Certified Public Accountants

Cottrill, Arbutina & Associates, P.C.

Beaver, PA 15009

December 2, 2010

**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**

To the Board of Directors
Baldwin-Whitehall School District
4900 Curry Road
Pittsburgh, PA 15236

Compliance

We have audited Baldwin-Whitehall School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Baldwin-Whitehall School District's major federal programs for the year ended June 30, 2010. Baldwin-Whitehall 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 Baldwin-Whitehall School District's management. Our responsibility is to express an opinion on Baldwin-Whitehall School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Baldwin-Whitehall 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 Baldwin-Whitehall School District's compliance with those requirements.

In our opinion, Baldwin-Whitehall 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, 2010.

Internal Control Over Compliance

Management of Baldwin-Whitehall 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

Baldwin-Whitehall School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine 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 Baldwin-Whitehall School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-15 through 2010-18 to be material weaknesses.

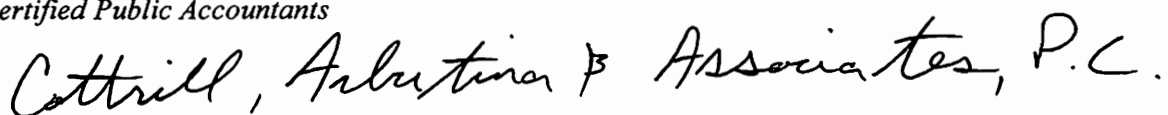
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-19 to be a significant deficiency.

Baldwin-Whitehall School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Baldwin-Whitehall School District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Baldwin-Whitehall School District Board of 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.

COTTRILL, ARBUTINA & ASSOCIATES, P.C.

Certified Public Accountants

A handwritten signature in cursive script that reads "Cottrill, Arbutina & Associates, P.C.".

Beaver, PA 15009
December 2, 2010

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a qualified opinion on the financial statements of the Baldwin-Whitehall School District.
2. Fourteen significant deficiencies disclosed during the audit of the financial statements are reported in this schedule. Seven of the conditions are reported as material weaknesses.
3. No instances of noncompliance and other matters material to the financial statements of the Baldwin-Whitehall School District, which is required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Five significant deficiencies were identified in internal control over major federal award programs and were disclosed during the audit. Four significant deficiencies in internal control over major federal award programs are reported as material weaknesses.
5. The auditor's report on compliance for the major federal award programs for the Baldwin-Whitehall School District expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this Schedule.
7. The programs tested as major programs include:

Title I Cluster – CFDA 84.010, 84.389
IDEA Cluster – CFDA 84.027, 4.391
ARRA-Fiscal Stabilization-Basic Ed – CFDA 84.394
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Baldwin-Whitehall School District qualified to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2010-1 Preparation of Financial Statements

Condition: Under the auditing standard, "*Communicating Internal Control Related Matters Identified in an Audit*" which was effective for the ending June 30, 2001, emphasis is placed on an

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT – CONTINUED

organization's ability to produce its finance statements in accordance with generally accepted accounting principles applicable to governmental entities ("GAAP").

During the audit process, several significant adjustments were made to the Baldwin-Whitehall School District's records. Adjustments were required to: 1) reclass various accounts; 2) properly record expenditures to the correct period; 3) student activity and foods service fund accounts; and 4) several other categories.

Criteria: The auditing standards that must be applied as of June 30, 2007 year-end financial statement audit, more emphasis has been placed on determining an entity's ability to prepare their own financial statements, including the posting of all adjustments necessary to present GAAP financials, and evaluating the need for all necessary financial statement disclosures.

Effect: Audit adjustments were required to be recorded to ensure that the financial statements were prepared in accordance with GAAP.

2010-2 Liability Account Reconciliations

Condition: During our testing of the General Ledger, we noted that many liability account values were not properly reconciled.

Criteria: We noted during preliminary and final testing that many of the insurance and payroll liability accounts were not being properly reconciled. There appeared to be a general breakdown between the General Ledger and the payroll system as consistently incorrect journal entries were being prepared and posted.

Effect: Possible effects of the above finding could be:

- Management could be basing decisions on incorrect, unreliable data
- Financial Statements could be materially misstated, particularly in regards to District liability amounts versus amounts charged as expenditures / expenses
- Material expenditures could be recorded in incorrect years
- Budgets could be created and based on materially misstated information
- Payments could be incorrect, untimely, not able to be supported
- Late and inaccurate payments relating to taxes / levy's / bankruptcy's could result in IRS fines and penalties
- Employee retirement values could be misstated

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

2010-3 Payroll

Condition: PSERS invoices were not being reviewed and reconciled to the payroll system.

Criteria: During the year, the District was not reviewing PSERS invoices and reconciling them to the payroll system to ensure accuracy. When the District receives monthly invoices from PSERS, we recommend that a District employee review the invoice in detail and ensure all postings are appropriate and accurate.

Effect: PSERS liability, prepaid and expense accounts could be misstated and the District could run into problems in future years as employees retire and the retirement system is incorrect due to the lack of follow up at the District regarding retirement rates, wages and adjustments.

Condition: We noted that employee withholdings and deductions were not being paid in a timely manner or consistently charged to a proper account when payment was made.

Criteria: When each payroll is run, there are taxes and withholdings from employees that should be paid on a regular basis (either after each payroll, monthly or quarterly depending on the type of tax/withholding, or per Court order for bankruptcies and levies) by the District. Because some of these were not being paid in a timely manner, the District incurred severe monetary penalties. The District must put procedures in place to ensure that all taxes and all withholdings are paid accurately and in a timely manner and are processed through the financial system in a consistent manner with proper accounts.

Condition: W-2's did not reconcile with 941 reports.

Criteria: We noted during our audit that employee W-2's did not properly reconcile to quarterly 941 reports. The requirement to provide all employees a W-2 form provides a form of control because the forms summarize total wages paid and taxes withheld and because employees will tend to question discrepancies from their expectations. However, to be effective, the totals on each form and the aggregate total of all the forms should be traced to the payroll records and to 941 reports by someone with no other payroll responsibilities. This control will not only ensure the reconciliation of W-2's and 941's, but also provide a separation of duties.

Condition: Distribution of paychecks.

Criteria: Due to the existence of several locations and the centralization of payroll, there is little control over detecting the existence of fictitious employees at the different locations. At present, paychecks are mailed to employees. As a precaution against the use of fictitious employees, we recommend that the Business Manager perform periodic surprise pay-outs at the various schools. This will require the Business Manager to distribute pay checks to each employee and to verify identification. If an employee is sick or on vacation during the pay-out, that check should be held for the employee in a safe. When the employee returns, the check should be given by the Business Manager to the employee.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

Condition: Excessive manual checks were issued

Criteria: It came to our attention that there were approximately 90 manual checks written during the year (over 100 were issued during the 2008/2009 year) and supporting documentation was difficult to obtain. The reasons varied but a normal cause would be for the original payroll run to have included errors in processing that required corrections. The auditor did note that the number issued by month began to decrease substantially after September 2009; however, manuals were still being issued as late as the end of June 2010. We recommend that manual checks only be issued in extreme circumstances and that all information be entered in the accounting system as well as supporting documentation be kept on file. We recommend that every manual check issued be authorized and a reason clearly stated as to the problem that caused a check to be issued outside of normal check processing. This documentation should be used going forward to eliminate the problems from reoccurring. The documentation should be signed and dated by the payroll supervisor as well as the Business Manager.

Condition: There were instances where an employee was being paid in advance for work that had not yet been completed.

Criteria: It came to our attention during the audit that there were several instances where an employee was paid in advance for work that had not yet been completed. We were unable to find any documented approval for this to happen. We recommend that no employee be paid in advance for work that has not yet been completed. If the District does this in the future, it is strongly recommended that the District have a documented written agreement with the employee that spells out all applicable terms related to the payment in advance. The agreement should be signed by the board of directors and the employee. The auditor noted that no instances of this were discovered after February 2010 and Baldwin has changed procedures relating to this.

Effect: There are many effects that could result from the lack aforementioned payroll material weaknesses, such as:

- Improper/Unauthorized paychecks could be generated resulting in the misappropriation of District assets
- Improper or non-payment of taxes to the IRS
- Employees could face legal action if taxes and/or withholdings are not appropriately paid
- Lack of segregation of duties increases the risk of a misappropriation of District assets

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

2010-4 Activity Fund Management

Condition: During our testing of Activity Fund receipts and disbursements, we noted that, in many instances, student signatures were not present and there were instances of negative cash balances for a few of the accounts.

Criteria: The PASBO "Student Activity Funds Guide" states, "*Student Activity Funds are generally earned by the students and used for student activities. The monies should be designated for student purposes and restricted to use for those students currently in school.*" In order to ensure that all transactions that run through the District's Activity Funds are appropriate, we recommend that at least one student signature be present on all receipt and expenditure vouchers. Transactions should be for student activities only. During the audit, we noted several transactions that appeared to be General Fund-type transactions (the payment of athletic officials, for instance). Specifically we noted an account in the High School Activity Fund called "Clearing Account" through which 40% of the transactions ran for that fund. It appears as though these transactions would be more appropriate running through the General Fund. Additionally, the employee handling the financial reporting and cash receipting is also processing checks for payment which creates a lack of segregation of duties. We recommend that the Board adopt policies that coincide with the "Student Activity Funds Guide" in order to ensure appropriate accounting of the various Activity Funds in the District as well as segregating the financial duties related to the financial processing.

Effect: The District could have inappropriate transactions clearing through the Activity Funds as well as accounts being overdrawn.

2010-5 Construction Fund - QuickBooks Backup Considerations

Condition: During our audit, we noted that the only current copy of the QuickBooks Construction Fund file is located on a desktop PC and is not backed up on a regular basis.

Criteria: We recommend, at minimum, that office employees be instructed to regularly back up this data to the network. It is strongly encouraged that any financial software used at the District reside on a District Server.

Effect: Loss of data could affect the District's ability to report financial information for the Construction Fund and the government-wide financial statements.

2010-6 Construction Fund -Voided Check Numbers

Condition: We noted during our audit of the Construction Fund that a series of checks were voided and properly defaced after a printing problem occurred. While the checks were properly voided, the voided check numbers were not voided in QuickBooks and were reused.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

Criteria: We recommend that defaced check numbers be voided in the system and not reused. Furthermore, we recommend that all voided checks be kept and filed in numerical sequence with other checks returned by the bank or attached to bank statements.

Effect: All check numbers – including voided checks - should be accounted for to prevent misuse.

2010-7 Construction Fund – Reconciliation

Condition: We noted during our audit of the Construction Fund that the financial statements on QuickBooks were not being reconciled properly or in a timely manner. We noted that the beginning fund balance varied significantly from the prior year issued financial statements and checks written during the year were incorrectly charged as expenditures rather than as reductions to the retainage payable account.

Criteria: We recommend that the District require a monthly reconciliation of the Construction Fund that is given to the Board for review in order to ensure accuracy and identify errors and needed corrections on a timely basis.

Effect: Errors result in misstatement of Construction Fund balances and the government-wide financial statements.

SIGNIFICANT DEFICIENCIES

2010-8 Athletic Fund Start-up Cash

Condition: The Business Office had petty cash returned that was not deposited at the bank, did not realize the funds were in the safe and did not properly record the cash in their financial system.

Criteria: We recommend that the District monitor all start up cash and properly deposit and record the return of the start up cash request when received. Additionally, the new request for start-up cash should go through the normal disbursement procedures after management agrees to an acceptable start up amount for the new fiscal year.

Effect: District assets could be misappropriated.

2010-9 Investigate Old Outstanding Checks and Other Old Uncleared Reconciling Items

Condition: We noted that many old outstanding checks and other longtime outstanding reconciling items, some exceeding one year, are being carried on monthly cash reconciliations.

Criteria: We recommend that checks and other outstanding reconciling items that are over one year old be investigated. We suggest that management establish a formal, written policy concerning

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

uncashed checks based on current State escheat laws. Such a policy should specify aging milestones with required actions. For example, this policy might specify that when checks are past 60 days old, the payee should be contacted. After 90 days, the checks should be moved to a suspense account or written off.

Effect: Cash could be understated and District assets could be misappropriated.

2010-10 Non-Cash Items or Improper Period Items Included on Reconciliations

Condition: During our cash audit procedures, we noted on several cash accounts reconciling items that were improperly included in the cash balance. These items included approximately \$20,000 of prepaid sales deferred revenue listed as a reconciling item on the cafeteria fund, approximately \$18,000 in receivables listed on the payroll cash account reconciliation (even though the balance of the receivable was down to approximately \$7,000), a \$171,000 payroll liability wired after year end but recorded to the cash account rather than as a liability, and a \$290,000 disbursement written in August 2010 that was listed as an outstanding item as of June 30, 2010.

Criteria: We recommend that bank reconciliations be reviewed and initialed by appropriate personnel to determine if all reconciling items listed are recorded in the proper period and directly affect the cash balances of the School District for the period being reconciled.

Effect: Cash may be materially misstated and District assets may become misappropriated due to odd reconciling items included in the cash balances.

2010-11 Cafeteria Fund Monitoring and Lack of Reconciliations

Condition: During our audit, we noted that the Board of Directors was not provided with accurate and timely information regarding the performance of the Cafeteria Fund throughout the 2009-2010 fiscal year. There were no reconciliations done between the District's general ledger and the system used by the contracted food service provider. Additionally, not all invoices were located or paid regarding payments due to the outside contractor resulting in an underpayment of \$59,230 at year end that the District did not have recorded.

Criteria: We recommend that the client reconcile the aforementioned systems and provide the Board with a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net assets as well as a Cash Flow statement for the Cafeteria Fund on a monthly basis. These financial reports should be fully reconciled with the bank statements as well as fully reconciled to the contracted service company's financial information. These statements should be signed and dated by a preparer and reviewer.

The above reconciliation would also show the Board on a monthly basis (as seen in the Statement of Net Assets), the total amount that the District's Cafeteria Fund owes the General Fund.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

The District should ensure that all months are accounted for with regards to payments to the contracted service provider.

Effect: Cash may be materially misstated and District assets may be misappropriated due to reconciling items included in the cash balances. Additionally, liabilities can be materially understated if not all invoices are accounted for.

2010-12 Inventory Fixed Assets

Condition: We noted during our audit that no recent physical inventory of fixed assets has been performed.

Condition: The District has an investment of approximately \$17 million in equipment items and we recommend that controls be strengthened in this area. Most fixed assets, except items like computers and projectors, are never physically inventoried. We recommend that periodic physical counts of property, especially removable equipment items, be taken and compared to the detailed fixed asset records.

Effect: Affixing identifying tags with numbers as assigned in the subsidiary ledger will aid in making this comparison. The added controls will do the following:

- Assist in planning for capital expenditures
- Help determine accurate amounts and values of insurable assets
- Help detect the loss or unauthorized use of valuable school district property

2010-13 Procurement Card Vendors

Condition: The District does not maintain a list of approved vendors for procurement card purchases.

Criteria: During our audit, we noted that the District does not maintain a list of approved vendors for procurement card purchases. According to the board policy, the Business Manager shall establish a list of preferred suppliers and vendors and cardholders may make purchases only from this list of vendors. Currently, the District has set up with PNC Bank a list of allowable "categories" of vendors, e.g. office supplies, hotels, etc. and a purchase attempted at an establishment not classified as one of the approved categories will be denied at the point of sale. The auditor recommends establishing a list of approved vendors and compare monthly purchases to this list when the transaction logs are received from the cardholders.

Effect: District assets may be used to pay for unauthorized expenditures.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

2010-14 Access Program Collections

Condition: The District is processing all necessary paperwork required to receive reimbursements related to the ACCESS program, except the final step of collecting the funds.

Criteria: During our audit, we noted that the District usually has a balance available that is waiting for the District to draw down; however, the balance for the ACCESS program was over \$290,000 at June 30, 2010 without procedures being done to bring the cash into the Districts cash accounts. This was an increase in this one receivable of over \$230,000 from the prior year.

Effect: Interest earnings were lost to the District because the District did not draw down the funds.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

MATERIAL WEAKNESSES

2010-15 Reporting

Condition: We noted during our audit of major federal programs that the general ledger detail costs are not consistent with costs identified to the programs by the respective Grant Administrator.

Criteria: We recommend that costs be identified to federal grants by the respective Grant Administrator at the beginning of each fiscal year and that these elections be communicated to the Business Office. We recommend that the Business Office code the elections to the proper accounts in the general ledger and that any changes (e.g. personnel assignments or classifications) be communicated immediately by the Grant Administrator to the Business Office. Furthermore, we recommend that a required monthly reconciliation process be implemented between the Business Office and the Grant Administrator whereby the Grant Administrator reviews and approves all detailed expenditures reported to the grant in the general ledger for consistency and accuracy and that any necessary corrections, reclassifications or adjustments be made in a timely manner- no later than the next fiscal month after the improper cost is identified.

Effect: The District was charging unallowable costs to the grant that had to be remedied after year-end by numerous adjusting journal entries. Furthermore, this could result in the District filing inaccurate reports with the PDE.

2010-16 Allowable Costs

Condition: During our audit of the State Fiscal Stabilization Fund program, we noted an annual software subscription that was expensed in the month that it was paid.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

Criteria: We recommend that prepaid software and license subscriptions be recorded as a prepaid expense and amortized over the term of the policy. Furthermore, we recommend that such items be recorded against a federal program grant only to the extent they occur within the grant period. This particular item was removed entirely from program costs, with approval of the client, via an adjusting journal entry.

Effect: The District could be charging unallowable costs to the grant, overstating liabilities and understating assets on the financial statement.

2010-17 Allowable Costs

Condition: During our audit of the State Fiscal Stabilization Fund program, we noted several encumbered items included within accounts payable before the items were received or before title was transferred to the District.

Criteria: We recommend that the District implement proper cut-off procedures. Expenses and the related accounts payable should not be recorded until goods or services are received or clear transfer of title has taken place (e.g. FOB shipping point). This will reflect the expense in the proper period and ensure that expenditures are in compliance with the period covered by the grant funding. All improperly recorded items were removed entirely from program costs, with approval of the client, via an adjusting journal entry.

Effect: The District could be charging unallowable costs to the grant and overstating liabilities on the financial statement.

2010-18 Reporting

Condition: We noted during our audit of Title I, Title I-ARRA and State Fiscal Stabilization Fund programs that the District does not reconcile the reports filed with PDE to the District's general ledger system.

Criteria: We recommend that each time the District files a report with PDE, reconciliation be performed with the corresponding expense accounts in the general ledger system. This reconciliation ensures that the District has captured all appropriate expenditures and the reporting to PDE is accurate.

Effect: The District could be filing inaccurate reports with PDE.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT –
CONTINUED**

SIGNIFICANT DEFICIENCIES

2010-19 Allowable Costs

Condition: During our testing of Title I and Title I ARRA costs, we noted there was a cash advance that was not properly reconciled with receipts as required by the BWSD Travel Expense policy that was in effect at the time the cost was incurred.

Criteria: We recommend that the District follow all Travel Expense policies in effect at the time costs are incurred. Between the time this cost was incurred and the present, we are aware that the District changed its Travel Expense policy to eliminate advances and per BWSD personnel, has not engaged in the practice of issuing cash advances since the change.

Effect: Lack of following established policies can lead to abuse and misuse of funds.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2009-1 Preparation of Financial Statements

Condition: During the audit, the District did not present financial statements reported in compliance with accounting principles generally accepted in the United States of America.

Criteria: The District's annual financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The District relies on Cottrill, Arbutina & Associates, P.C., as its auditors, to prepare its annual financial statements in order to conform to accounting principles generally accepted in the United States of America. We realize that additional staffing costs would be needed to acquire the internal expertise to perform this function which could significantly outweigh the benefits derived. We, as your auditors, can propose adjustments and assist the District in assembling or drafting of the financial statements; however, we cannot establish or maintain the District's controls over preventing or detecting material misstatements in the preparation of financial statements. We proposed and you approved 32 various adjusting journal entries to properly report on the modified accrual basis of accounting, and 23 journal entries to convert District books from modified accrual to full accrual in order to properly report in accordance with GASB 34. All of these journal entries were presented to the District along with the letter of representation, in which you took responsibility and approved each of these entries.

Current Status: The District understands and takes responsibility for the financial statements and internal control structure of our organization. Current and on-going evaluation and actions will be taken to strengthen our internal controls. The District has already taken numerous steps to mitigate and correct the risks associated with incorrect reporting standards.

2009-2 Fixed Assets

Condition: The District was not following board policy in reference to the threshold at which assets are depreciated.

Criteria: Audit procedures detected that the board policy approved for capitalization thresholds and depreciation was not being properly followed. Board policy states that all assets, regardless of cost, purchased out of debt service, should be capitalized. All other assets should be capitalized only if they exceed \$4,000. The District was depreciating all assets over \$1,000. Board policy also states that depreciation of assets purchased with debt proceeds should be in accordance with the life of the bond issue. This is also not being adhered to by the District.

Condition: During the course of our audit, we detected that some assets were not recorded properly in the fixed asset ledger or were not recorded at all. Also, in testing the accuracy of the fixed asset ledger, determined that some of the assets in the ledger had been disposed of in prior years, but the disposal was not recorded in the ledger.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT – CONTINUED

Current Status: The District has corrected this by ensuring the most recent capital asset valuation for the 2009-10 fiscal year includes the appropriate threshold in accordance with board policy.

Criteria: We noted during our audit that property and equipment acquisitions and disposals were frequently not entered reflected in the fixed asset ledger. We recommend that a District employee, at the time purchase orders are approved, indicate on the purchase order which items should be added to the fixed asset schedules. When invoices are matched with purchase orders and receiving reports, the accounts payable clerk should enter property and equipment acquisitions into the appropriate ledger. Monthly comparisons of capital expenditure guideline reports with recorded fixed asset additions will help ensure all capital expenditures are entered into fixed asset detail records.

Condition: Construction Fund invoices were not being reviewed and reconciled to the fixed asset ledger during the year.

Current Status: The District has strengthened controls in this area. The most recent 2009-10 capital assets valuation includes all the appropriate additions and disposals.

Criteria: Because the board policy states that all invoices paid out of debt service (i.e., the Construction Fund) should be capitalized, we recommend that a District employee reconcile the expenditures paid out of the Construction Fund to the fixed asset ledger.

Current Status: This finding has been eliminated after the District began reporting fixed assets using the proper capitalization threshold and began reconciling the fixed asset ledger to their accounting records.

2009-3 Payroll Cash Account

Condition: We noted during the audit that the payroll cash account had not been reconciled for at least the entire 2008-09 school year.

Criteria: A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors. Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. During the year, the payroll bank account reconciliations were not completed. Any unreconciled differences that appear immaterial can obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation if the items were apparent. We recommend that the payroll bank reconciliations be performed and reviewed for accuracy and completeness on a timely basis by management. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary as a

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2010

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT – CONTINUED

result be recorded. If necessary, the accounting personnel who prepares the reconciliation should be given additional training and instruction on how to prepare them accurately and completely.

Current Status: This finding has been eliminated as the District reconciled the payroll cash account bank balance to the general ledger balance monthly.

2009-4 Payroll

Condition: The District was expensing incorrect retirement rates for some or all of the year which resulted in overpayments to PSERS.

Criteria: It was noted during the audit that the District had not adjusted the payroll system to withhold the correct retirement expense for the employer portion. Instead of the rate being 4.76%, the system was withholding either 4.69%, 7.13% or 4.76%. In some cases the rate was changed at one point during the year and for others the incorrect rate was posted for the entire year. We recommend that the new rate for retirement be posted at the beginning of the year and that management ensures this is done by reviewing the payroll system.

Current Status: The district has corrected this and the rates are updated where applicable on an annual basis.

Condition: PSERS invoices were not being reviewed and reconciled to the payroll system.

Criteria: During the year, the District was not reviewing PSERS invoices and reconciling them to the payroll system to ensure accuracy. When the District receives monthly invoices from PSERS, we recommend that a District employee review the invoice in detail and ensure all postings are appropriate and accurate.

Current Status: The District has taken measures to mitigate and resolve this issue. Beginning with the 4th quarter of the 2009-10 fiscal year the business office instituted a procedure in which the PSERS invoices are reviewed in detail to ensure the posting are appropriate and accurate.

Condition: We noted that employee withholdings and deductions were not being paid in a timely manner.

Criteria: When each payroll is run, there are taxes and withholdings from employees that should be paid on a regular basis (either after each payroll, monthly or quarterly depending the type of tax/withholding) by the District. Because some of these were not being paid in a timely manner, the District incurred severe monetary penalties. The District must put procedures in place to ensure that all taxes and withholdings are paid accurately and in a timely manner.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2010

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT – CONTINUED

Current Status: The District has taken measures to correct this during the 2009-10 fiscal year in which taxes and other withholdings are collected and remitted on a timely basis.

Condition: During 2009, the Social Security limits were not increased in the system to reflect the correct thresholds.

Criteria: The District should ensure that, upon the beginning of a new calendar year, all of the appropriate thresholds in the payroll system are set to the correct amounts.

Current Status: The District has taken measures to correct this during the 2009-10 fiscal year in which appropriate thresholds in the payroll system are set to the correct amounts.

Condition: W-2's did not reconcile with 941 reports.

Criteria: We noted during our audit that employee W-2's did not properly reconcile to quarterly 941 reports. The requirement to provide all employees a W-2 form provides a form of control because the forms summarize total wages paid and taxes withheld and because employees will tend to question discrepancies from their expectations. However, to be effective, the totals on each form and the aggregate total of all the forms should be traced to the payroll records and to 941 reports by someone with no other payroll responsibilities. This control will not only ensure the reconciliation of W-2's and 941's, but also provide a separation of duties.

Current Status: The District has taken measures to correct this during the 2009-10 fiscal year and instituted appropriate segregation of duties. These new procedures require an individual, separate from the payroll function, prepare the 941 reports which are then reviewed and signed by the business manager.

Condition: Some District employees were paid in excess of approved amounts.

Criteria: During our audit of payroll, we noted individuals who were approved to be paid for extracurricular activities being paid in excess of the amounts at which they were approved. We also noted employees inadvertently paid longevity pay in the wrong period. In addition, we were unable to locate backup for some payroll hourly expenditures. We recommend the District implement tighter internal controls to ensure these things do not happen.

Current Status: To strengthen controls in this area, a concise payment schedule was established for each activity based on its duration (i.e. fall activity, winter activity, spring activity or year-long activity). Payments were made only two times for the fall, winter and spring and four times for the year-long activities. Care will be taken to ensure that all payroll expenditures have sufficient support and that changes in pay are in accordance with contract provisions.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2010

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT - CONTINUED

Condition: Individuals within the Business office had the ability to single-handedly negotiate District payroll checks.

Criteria: During the audit, it came to our attention that various District employees had access to blank payroll checks and the appropriate electronic signatures in order to negotiate payroll checks without going through the normal approval procedures. We recommend the District separate access to these items in order to guard against the issuing of improper checks.

Current Status: Blank payroll checks are stored and secured in a locked vault in the Business Manager's Office with very limited access. All regular payroll checks now have 3 electronic signatures. Additionally, payroll personnel do not have access to upload checks processed to PNC's Positive Pay. In the event that an improper payroll check is issued, it would be identified as an exception to Positive Pay when presented for payment and be investigated by the Business Office. Lastly, an individual separate from the payroll process and without check signature approval performs the monthly payroll bank reconciliations.

Condition: Distribution of paychecks.

Criteria: Due to the existence of several locations and the centralization of payroll, there is little control over detecting the existence of fictitious employees at the different locations. At present, paychecks are mailed to employees. As a precaution against the use of fictitious employees, we recommend that the Business Manager perform periodic surprise pay-outs at the various schools. This will require the Business Manager to distribute pay checks to each employee and to verify identification. If an employee is sick or on vacation during the pay-out, that check should be held for the employee in a safe. When the employee returns, the check should be given by the Business Manager to the employee.

Current Status: We believe our internal controls, segregation of duties and appropriate authorizations are adequate for the processing and distribution of pay checks. Only approximately 15% of pay checks are non-direct deposit.

Condition: Manual checks exist without proper supporting documentation.

Criteria: It came to our attention that there were over 100 manual checks written during the year for various reasons and for most of the checks, supporting documentation was not attainable. We recommend that manual checks only be issued in extreme circumstances and that all information be entered in the accounting system as well as supporting documentation be kept on file.

Current Status: We agree and have taken strong measures to reduce these types of transactions and require appropriate documentation and authorization. There have been very few manual checks in the current fiscal year.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2010

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT - CONTINUED

Condition: There were instances where an employee was being paid in advance for work that had not yet been completed.

Criteria: It came to our attention during the audit that there were several instances where an employee was paid in advance for work that had not yet been completed. We were unable to find any documented approval for this to happen. We recommend that no employee be paid in advance for work that has not yet been completed. If the District does this in the future, it is strongly recommended that the District have a documented written agreement with the employee that spells out all applicable terms related to the payment in advance. The agreement should be signed by the board of directors and the employee.

Current Status: We agree with the finding and recommendation. These instances concluded with the June 30, 2010 Fiscal year. There are no current instances in which any employee was being paid in advance for work that had not yet been performed.

Condition: We also noted instances where employees were paid hourly amounts on top of their salaries that were not properly approved by the board of directors.

Criteria: We recommend that any deviations from board approved salaries be properly sent back to the board of directors for proper documentation and approval.

Current Status: We agree and this procedure has been implemented for the current fiscal year.

Criteria: All payrolls transmitted to the bank should be properly reconciled to the general ledger and payroll system in order to ensure accurate school district expenditures and proper IRS and W-2 reporting.

Current Status: We agree and this procedure has been implemented for the current fiscal year.

2009-5 Activity Fund Management

Criteria: During our testing of Activity Fund receipts and disbursements, we noted that, in many instances, student signatures were not present.

Condition: The PASBO "Student Activity Funds Guide" states, "*Student Activity Funds are generally earned by the students and used for student activities. The monies should be designated for student purposes and restricted to use for those students currently in school.*" In order to ensure that all transactions that run through the District's Activity Funds are appropriate, we recommend that at least one student signature be present on all receipt and expenditure vouchers. Transactions should be for student activities only. During the audit, we noted several transactions that appeared to be General Fund-type transactions (the payment of athletic officials, for instance). Specifically,

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2010

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT – CONTINUED

we noted an account in the High School Activity Fund called “Clearing Account” through which 37% of the transactions ran through. It appears as though these transactions would be more appropriate running through the General Fund. We also recommend that the Board adopt policies that coincide with the “Student Activity Funds Guide” in order to ensure appropriate accounting of the various Activity Funds in the District.

Current status: We agree and have taken significant steps to address this beginning in the 2010-11 fiscal year:

- The District has closed all of the separate Student Activities Accounts that were previously maintained at the building level. All transactions must be run through the established controls of the district business office
- We have created a Student Activities Funds Accounting Manual which has been communicated to all appropriate staff and was implemented at the start of the 2010-11 fiscal year. This manual used various accredited resources to compile relevant controls and procedures including Generally Accepted Accounting Principles (GAAP), Pennsylvania Association of School Business Officials (PASBO), Pennsylvania School Code, sound business practices and strong internal controls. This manual and its associated procedures will be the document to ensure appropriate accounting and controls are implemented regarding these funds and activities

2009-6 Authorization of Cash Security Changes

Condition: We noted during our audit that a board policy does not exist that would require a security log be kept.

Criteria: We recommend the board pass a policy that would require that a security log be kept that would indicate which District personnel have the authority to perform wire transfers, appropriate limits, the initiation of transactions, approval of transactions, etc. The log should also indicate any changes and who authorized the changes along with the signatures of those specific individuals.

Current Status: This finding has been eliminated at the District.

2009-7 Construction Fund Limited Staff

Condition: The internal controls over the Construction Fund were limited to one person.

Criteria: Because the Construction Fund was maintained in QuickBooks and kept on one employee’s computer, all of the transactions were filtered through that one employee. We recommend that the District maintain all funds on the general ledger system in order to implement

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2010

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT - CONTINUED

appropriate segregation of duties and eliminate the ability for any one employee to have control over an entire fund and substantial assets.

Current Status: This finding has been eliminated as the District has redistributed responsibilities of this fund in the business office.

2009-8 Fraud/Misappropriation of Construction Fund Assets

Condition: Poor internal controls over the Construction Fund led to unauthorized disbursements.

Criteria: During the 2008-2009 fiscal year, the District identified unauthorized disbursements to a school district employee. The unauthorized disbursements, which totaled \$293,540, were disbursed during the time period of September, 2002 through April, 2009. Of this amount, \$81,673 pertains to the 2008-2009 fiscal year. On September 15, 2009, the District recovered \$293,540 from their bonding company. The full amount is shown as a receivable in these financial statements as of June 30, 2009. We recommend the District tighten internal controls over the Construction Fund to prevent this from happening in the future.

Current Status: This finding has been eliminated as there were no acts of fraud identified during the audit.

2009-9 Procurement Cards Purchases

Condition: We noted numerous violations of the Procurement Card and Travel Expense policies throughout the course of the year.

Criteria: During 08-09, the District maintained a Procurement Card policy. According to the policy, all departments are required to send receipts with a transaction and reconciliation log signed off on by cardholder and/or supervisor at the end of each month. Sales receipts must be attached. Also during 08-09, the District maintained a Travel Expense policy. It states that reimbursement limits for dinner is \$20 with a daily reimbursement maximum of \$40. We noted the following violations to these policies:

We noticed several occasions where the daily meal allowance was exceeded.

Employees are supposed to use a mileage matrix to record mileage for reimbursement. We noticed mileage recorded in excess of the matrix on several expense sheets.

We recommend that the District strictly enforce all policies and procedures related to Procurement cards and travel expenses. We did note that improvements began to be made around November 2009. The District recalled and cancelled all employee P-cards. Only three P-cards remain active at

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2010

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT - CONTINUED

this time which are used only for monthly IKON charges as per the District contract and in very limited situations. Additionally, we did not see any travel advances to employees once the P-card improvements were implemented.

Lastly, daily meal allowance limits and standard mileage amounts have been strictly enforced by the Business Office. Detailed receipts are required for reimbursement of all travel expenses.

Current Status: This finding has been eliminated as the Procurement Card and Travel Expense policies were amended to meet current needs.

SIGNIFICANT DEFICIENCIES

2009-10 Athletic Fund Start-up Cash

Condition: Other than the request for start-up funds, there was no back-up or reconciliation of money given to the athletic department at the beginning or end of the school year.

Criteria: We recommend that the request for start-up cash go through the normal disbursement procedures and the athletic department provide a full reconciliation of the use of start-up funds as well as the return of any unused funds.

Current Status: This finding still exists and has been added to for the 2010 audit. Corrective procedures have been implemented beginning with the 2010-11 fiscal year.

B. PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

2009-11 Allowable Costs

Condition: During our testing of Title IIA costs, we noted there were two costs which were not allowable under the Title IIA contract that were coded to Title IIA expense accounts and subsequently reported to the State in quarterly reports. In addition, we noted that some individuals were not properly documenting their time according to standards set forth by federal guidelines for federal grants.

Criteria: We recommend that a District employee who is knowledgeable about the Title IIA program ensure that all costs coded to Title IIA be allowable costs. All costs should also be verified as allowable per the Title IIA contract and the reviewer should initial all Title IIA invoices and date to signify their approval. We also recommend that all employees being paid from federal grants document their time according to standards set forth by federal guidelines for federal grants.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT - CONTINUED

Current Status: This finding related to costs incurred in the 2008-09 year and does not apply to current year activity

2009-12 Reporting

Condition: We noted during our audit that the District does not reconcile the Title IIA reports filed with PDE to the District's general ledger system.

Criteria: We recommend that each time the District files a report with PDE, a reconciliation be performed with the corresponding expense accounts in the general ledger system. This reconciliation ensures that the District has captured all appropriate expenditures and the reporting to PDE is accurate.

Current Status: We agree and this procedure has been implemented for the current fiscal year.



Baldwin-Whitehall School District

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BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

JUNE 30, 2010

A. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2010-1 Preparation of Financial Statements

Recommendation: The auditing standards that must be applied as of June 30, 2010 year-end financial statement audit, more emphasis has been placed on determining an entity's ability to prepare their own financial statements, including the posting of all adjustments necessary to present GAAP financials, and evaluating the need for all necessary financial statement disclosures.

Action Taken: The District understands and takes responsibility for the financial statements and internal control structure of our organization. We believe all School District employees must be good stewards of the District's assets and continually develop and monitor controls to safeguard these assets and enhance the process where applicable. To strengthen controls and processes we have now developed an accounting procedure manual that addresses many of the various findings in this report. Current and on-going evaluations and actions will continue to be taken to increase effective internal controls and enhance reporting standards.

2010-2 Liability Account Reconciliations

Recommendation: We noted during preliminary and final testing that many of the insurance and payroll liability accounts were not being properly reconciled. There appeared to be a general breakdown between the General Ledger and the payroll system as consistently incorrect journal entries were being prepared and posted.

Action Taken: The significant majority of the liability account balances that were not reconciled were inherited and current staff has invested a significant amount of time to gain a better understanding of the liability accounts and the methodology in which transactions are posted to the accounting system. We agree there were accounts that were originally recorded incorrectly, which required additional reclass and journal entries to correct. A significant effort was made to investigate the liability accounts and their material accuracy for the period ending June 30, 2010. Beginning with the new fiscal year, the business office has taken steps to ensure the accuracy of liability accounts as they are posted to the general ledger and provide appropriate reviews of the balances.

BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2010

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

2010-3 Payroll

Recommendation: During the year, the District was not reviewing PSERS invoices and reconciling them to the payroll system to ensure accuracy. When the District receives monthly invoices from PSERS, we recommend that a District employee review the invoice in detail and ensure all postings are appropriate and accurate.

Action Taken: The District has taken measures to mitigate and resolve this issue. Beginning with the fourth quarter of the 2009-10 fiscal year, the business office instituted a procedure in which the PSERS invoices are reviewed in detail to ensure the postings are appropriate and accurate.

Recommendation: When each payroll is run, there are taxes and withholdings from employees that should be paid on a regular basis (either after each payroll, monthly or quarterly depending on the type of tax/withholding, or per Court order for bankruptcies and levies) by the District. Because some of these were not being paid in a timely manner, the District incurred severe monetary penalties. The District must put procedures in place to ensure that all taxes and all withholdings are paid accurately and in a timely manner and are processed through the financial system in a consistent manner with proper accounts.

Action Taken: We agree this was the circumstances for the first six months of the 2009-10 fiscal year. However, the new staff has instituted procedures that have begun to correct this with the third quarter of the 2009-10 fiscal year.

Recommendation: We noted during our audit that employee W-2's did not properly reconcile to quarterly 941 reports. The requirement to provide all employees a W-2 form provides a form of control because the forms summarize total wages paid and taxes withheld and because employees will tend to question discrepancies from their expectations. However, to be effective, the totals on each form and the aggregate total of all the forms should be traced to the payroll records and to 941 reports by someone with no other payroll responsibilities. This control will not only ensure the reconciliation of W-2's and 941's, but also provide a separation of duties.

Action Taken: We agree this was the circumstances for the first six months of the 2009-10 fiscal year. However, the new staff has instituted procedures to correct the third quarter 941 reports for the 2009-10 fiscal year.

Recommendation: Due to the existence of several locations and the centralization of payroll, there is little control over detecting the existence of fictitious employees at the different locations. At present, paychecks are mailed to employees. As a precaution against the use of fictitious employees, we recommend that the Business Manager perform periodic surprise pay-outs at the various schools. This will require the Business Manager to distribute pay checks to each employee and to verify identification. If an employee is sick or on vacation during the pay-out, that check should be held for the employee in a safe. When the employee returns, the check should be given by the Business Manager to the employee.

BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2010

A. FINDINGS - FINANCIAL STATEMENTS AUDIT – CONTINUED

Action Taken: We believe our internal controls, segregation of duties and appropriate authorizations are adequate for the processing and distribution of paychecks. Only approximately 15% of paychecks are non-direct deposit, but we will review and consider this test in the current fiscal year pursuant to your recommendation.

Recommendation: It came to our attention that there were approximately 90 manual checks written during the year (over 100 were issued during the 2008/2009 year) and supporting documentation was difficult to obtain. The reasons varied but a normal cause would be for the original payroll run to have included errors in processing that required corrections. The auditor did note that the number issued by month began to decrease substantially after September 2009; however, manuals were still being issued as late as the end of June 2010. We recommend that manual checks only be issued in extreme circumstances and that all information be entered in the accounting system as well as supporting documentation be kept on file. We recommend that every manual check issued be authorized and a reason clearly stated as to the problem that caused a check to be issued outside of normal check processing. This documentation should be used going forward to eliminate the problems from reoccurring. The documentation should be signed and dated by the payroll supervisor as well as the Business Manager.

Action Taken: We agree and as you noted there has been a substantial decrease after September, 2009; in fact, there have only been 16 manual checks processed during the same time period which were properly documented and approved.

Recommendation: It came to our attention during the audit that there were several instances where an employee was paid in advance for work that had not yet been completed. We were unable to find any documented approval for this to happen. We recommend that no employee be paid in advance for work that has not yet been completed. If the District does this in the future, it is strongly recommended that the District have a documented written agreement with the employee that spells out all applicable terms related to the payment in advance. The agreement should be signed by the board of directors and the employee. The auditor noted that no instances of this were discovered after February 2010 and Baldwin has changed procedures relating to this.

Action Taken: We agree with the finding and recommendation. These instances concluded with the June 30, 2010 fiscal year and there are no current instances in which any employee was being paid in advance for work that had not yet been completed.

2010-4 Activity Fund Management

Recommendation: The PASBO “Student Activity Funds Guide” states, “*Student Activity Funds are generally earned by the students and used for student activities. The monies should be designated for student purposes and restricted to use for those students currently in school.*” In order to ensure that all transactions that run through the District’s Activity Funds are appropriate,

BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2010

A. FINDINGS - FINANCIAL STATEMENTS AUDIT – CONTINUED

we recommend that at least one student signature be present on all receipt and expenditure vouchers. Transactions should be for student activities only. During the audit, we noted several transactions that appeared to be General Fund-type transactions (the payment of athletic officials, for instance). Specifically, we noted an account in the High School Activity Fund called “Clearing Account” through which 40% of the transactions ran for that fund. It appears as though these transactions would be more appropriate running through the General Fund. Additionally, the employee handling the financial reporting and cash receipting is also processing checks for payment which creates a lack of segregation of duties. We recommend that the Board adopt policies that coincide with the “Student Activity Funds Guide” in order to ensure appropriate accounting of the various Activity Funds in the District as well as segregating the financial duties related to the financial processing.

Action Taken: We agree and have taken significant steps to address this beginning in the 2010-11 fiscal year:

- The District has closed all of the separate Student Activities Accounts that were previously maintained at the building level. All transactions must be run through the established controls of the District business office.
- We have created a Student Activities Funds Accounting Manual which has been communicated to all appropriate staff and was implemented at the start of the 2010-11 fiscal year. This manual used various accredited resources to compile relevant controls and procedures including Generally Accepted Accounting Principles (GAAP), Pennsylvania Association of School Business Officials (PASBO), Pennsylvania School Code, sound business practices and strong internal controls. This manual and its associated procedures will be the document to ensure appropriate accounting and controls are implemented regarding these funds and activities.

2010-5 Construction Fund - QuickBooks Backup Considerations

Recommendation: We recommend, at minimum, that office employees be instructed to regularly back up this data to the network. It is strongly encouraged that any financial software used at the District reside on a District Server.

Action Taken: We agree, and in August 2010 began backing up the data on a monthly basis. In addition, the high school construction project is substantially complete. The only liabilities are the payment of retainage to several contractors. The QuickBooks System will not be used for any future projects.

BALDWIN-WHITEHALL SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2010

A. FINDINGS - FINANCIAL STATEMENTS AUDIT – CONTINUED

2010-6 Construction Fund –Voided Check Numbers

Recommendation: We recommend that defaced check numbers be voided in the system and not reused. Furthermore, we recommend that all voided checks be kept and filed in numerical sequence with other checks returned by the bank or attached to bank statements.

Action Taken: We agree and have instituted the recommendation. As previously indicated, the high school construction project is substantially complete. The only liabilities are the payment of retainage to several contractors. The QuickBooks System will not be used for any future projects.

2010-7 Construction Fund – Reconciliation

Recommendation: We recommend that the District require a monthly reconciliation of the Construction Fund that is given to the Board for review in order to ensure accuracy and identify errors and needed corrections on a timely basis.

Action Taken: We agree and began monthly bank reconciliations in July 2010. As previously indicated, the high school construction project is substantially complete. The only liabilities are the payment of retainage to several contractors. The QuickBooks System will not be used for any future projects.

SIGNIFICANT DEFICIENCIES

2010-8 Athletic Fund Start-up Cash

Recommendation: We recommend that the District monitor all start up cash and properly deposit and record the return of the start up cash request when received. Additionally, the new request for start-up cash should go through the normal disbursement procedures after management agrees to an acceptable start up amount for the new fiscal year.

Action Taken: We instituted an annual athletic department written request for start-up funds and year end reconciliation that is documented and signed by the business office and the Athletic Director.

2010-9 Investigate Old Outstanding Checks and Other Old Uncleared Reconciling Items

Recommendation: We recommend that checks and other outstanding reconciling items that are over one year old be investigated. We suggest that management establish a formal, written policy concerning uncashed checks based on current State escheat laws. Such a policy should specify aging milestones with required actions. For example, this policy might specify that when checks are past 60 days old, the payee should be contacted. After 90 days, the checks should be moved to a suspense account or written off.

BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2010

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

Action Taken: The checks and other outstanding reconciling items that are over one year were inherited and the current staff has investigated and made reconciliation related adjusting entries for the current year. Monthly bank reconciliations are done on a timely basis with appropriate segregation of duties.

2010-10 Non-Cash Items or Improper Period Items Included on Reconciliations

Recommendation: We recommend that bank reconciliations be reviewed and initialed by appropriate personnel to determine if all reconciling items listed are recorded in the proper period and directly affect the cash balances of the School District for the period being reconciled.

Action Taken: The reconciling items and other related adjustments were inherited, and currently the staff has investigated and made reconciliation related adjusting entries for the current year. Monthly bank reconciliations are done on a timely basis with appropriate segregation of duties.

2010-11 Cafeteria Fund Monitoring and Lack of Reconciliations

Recommendation: We recommend that the client reconcile the aforementioned systems and provide the Board with a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net assets as well as a Cash Flow statement for the Cafeteria Fund on a monthly basis. These financial reports should be fully reconciled with the bank statements as well as fully reconciled to the contracted service company's financial information. These statements should be signed and dated by a preparer and reviewer.

The above reconciliation would also show the Board on a monthly basis (as seen in the Statement of Net Assets), the total amount that the District's Cafeteria Fund owes the General Fund.

The District should ensure that all months are accounted for with regards to payments to the contracted service provider.

Action Taken: In previous years, Cafeteria Fund financial reports were generated by the Food Service management company and given to the board. With all of the staff turnover during the 2009-10 fiscal year, reports were not being processed. We believe the responsibility of all financial reports and financial statements lies with the District. Therefore, beginning in the new fiscal year, the business office will generate monthly Cafeteria Fund reports which are presented to the board. In addition, appropriate segregation of duties are in place and monthly Cafeteria Fund bank reconciliations and all other funds are performed monthly on a timely basis.

2010-12 Inventory Fixed Assets

Recommendation: The District has an investment of approximately \$17 million in equipment items and we recommend that controls be strengthened in this area. Most fixed assets, except items like computers and projectors, are never physically inventoried. We recommend that periodic physical counts of property, especially removable equipment items, be taken and compared to the detailed fixed asset records.

BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2010

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

Action Taken: We are examining the current process of recording and the valuation of our fixed assets and will continue to work to take any additional measures to strengthen controls over the safeguarding and accounting of fixed assets.

2010-13 Procurement Card Vendors

Recommendation: During our audit, we noted that the District does not maintain a list of approved vendors for procurement card purchases. According to the board policy, the Business Manager shall establish a list of preferred suppliers and vendors and cardholders may make purchases only from this list of vendors. Currently, the District has set up with PNC Bank a list of allowable "categories" of vendors, e.g. office supplies, hotels, etc. and a purchase attempted at an establishment not classified as one of the approved categories will be denied at the point of sale. The auditor recommends establishing a list of approved vendors and agree monthly purchases to this list when the transaction logs are received from the cardholders.

Action Taken: The District has recalled and cancelled almost all employee P-cards. Only three P-cards remain active at this time and will be used only in very limited situations. Additionally, the District no longer provides travel advances to employees.

2010-14 Access Program Collections

Recommendation: During our audit, we noted that the District usually has a balance available that is waiting for the District to draw down; however, the balance for the ACCESS program was over \$290,000 at June 30, 2010 without procedures being done to bring the cash into the Districts cash accounts. This was an increase in this one receivable of over \$230,000 from the prior year.

Action Taken: The District did ultimately draw available funds it earned for the period ending June 30, 2010. We agree with the recommendation and have implemented procedures for the draw to be completed on a quarterly basis.

B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

MATERIAL WEAKNESSES

2010-15 Reporting

Recommendation: We recommend that costs be identified to federal grants by the respective Grant Administrator at the beginning of each fiscal year and that these elections be communicated to the Business Office. We recommend that the Business Office code the elections to the proper accounts in the general ledger and that any changes (e.g. personnel assignments or classifications) be communicated immediately by the Grant Administrator to the Business Office. Furthermore, we

BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2010

B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

recommend that a required monthly reconciliation process be implemented between the Business Office and the Grant Administrator whereby the Grant Administrator reviews and approves all detailed expenditures reported to the grant in the general ledger for consistency and accuracy and that any necessary corrections, reclassifications or adjustments be made in a timely manner- no later than the next fiscal month after the improper cost is identified.

Action Taken: We agree and the business office will take the lead to coordinate required monthly meetings that include the grant administrators to review, reconcile and document activity to ensure the proper accounting and reporting requirements are met for all of our grants.

2010-16 Allowable Costs

Recommendation: We recommend that prepaid software and license subscriptions be recorded as a prepaid expense and amortized over the term of the policy. Furthermore, we recommend that such items be recorded against a federal program grant only to the extent they occur within the grant period. This particular item was removed entirely from program costs, with approval of the client, via an adjusting journal entry.

Action Taken: We agree and the business office will work to ensure expenditures are recorded in the proper accounting periods.

2010-17 Allowable Costs

Recommendation: We recommend that the District implement proper cut-off procedures. Expenses and the related accounts payable should not be recorded until goods or services are received or clear transfer of title has taken place (e.g. FOB shipping point). This will reflect the expense in the proper period and ensure that expenditures are in compliance with the period covered by the grant funding. All improperly recorded items were removed entirely from program costs, with approval of the client, via an adjusting journal entry.

Action Taken: The accounts payable items were encumbered funds and we do agree with the recommendation. The business office will work to strengthen cut-off procedures and ensure expenditures are recorded in the proper accounting periods.

2010-18 Reporting

Recommendation: We recommend that each time the District files a report with PDE, reconciliation be performed with the corresponding expense accounts in the general ledger system. This reconciliation ensures that the District has captured all appropriate expenditures and the reporting to PDE is accurate.

BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2010

**B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT –
CONTINUED**

Action Taken: We agree and the business office will take the lead to coordinate required monthly meetings that include the grant administrators to review, reconcile and document activity to ensure the proper accounting and reporting requirements are met for all of our grants.

SIGNIFICANT DEFICIENCIES

2010-19 Allowable Costs

Recommendation: We recommend that the District follow all Travel Expense policies in effect at the time costs are incurred. Between the time this cost was incurred and the present, we are aware that the District changed its Travel Expense policy to eliminate advances and per BWSO personnel, has not engaged in the practice of issuing cash advances since the change.

Action Taken: We agree and have taken measures to correct, as your finding states: "District changed its Travel Expense policy to eliminate advances and per BWSO personnel," has not engaged in the practice of issuing cash advances since the change.

If the Pennsylvania Department of Education has questions regarding this plan, please call William D. McKain, Director of Administrative Services of the Baldwin-Whitehall School District at 412-885-7580.

William D. McKain
Director of Administrative Services
Baldwin-Whitehall School District