

BALDWIN-WHITEHALL SCHOOL DISTRICT

PITTSBURGH, PENNSYLVANIA

JUNE 30, 2015



BALDWIN-WHITEHALL SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
JUNE 30, 2015

AUDIT REPORT

BALDWIN-WHITEHALL SCHOOL DISTRICT

PITTSBURGH, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Baldwin-Whitehall School District
4900 Curry Road

Pittsburgh, Pennsylvania 15236

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin-Whitehall School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin-Whitehall School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 2 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this item.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, postemployment information, schedule of the District's proportionate share of the net pension liability, and schedule of District contributions on pages i-xi and 45-49, respectively, 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.

Other Information

The 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015, 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* in considering the Baldwin-Whitehall School District's internal control over financial reporting and compliance.

COTTRILL, ARBUTINA & ASSOCIATES, P.C.
Certified Public Accountants

Cottrill, Arbutina and Assoc

Beaver, PA 15009
October 20, 2015

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

JUNE 30, 2015

Required Supplementary Information (RSI)

The discussion and analysis of Baldwin-Whitehall School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

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

FINANCIAL HIGHLIGHTS

As a result of the passage of Act 72 of 2004 by the Pennsylvania State Legislature, school districts were forced to complete their Preliminary Budget by February 15 of each year. Revenue and expense estimates had to be projected months earlier than was customary using much less factual information. Raising the real estate tax rate was now based on an index furnished by the State and the ability to qualify for certain specific exemptions. The future ramifications of raising or not raising the rate had to be considered because the index each year would be tied to the millage rate in effect the previous year. A significant change that occurred with the passage of Act 1 which replaced Act 72 was that school districts may now elect to pass a referendum 110 days prior to the next primary election of each year notifying the Pennsylvania Department of Education that they do not intend to raise the real estate tax millage beyond the level of the state mandated index which is provided to each District every year by the Department. This resolution allows districts to revert to the former budget schedule of passing a preliminary budget by May 30 and a final budget by June 30.

- Total liabilities of the District exceeded its assets at the close of the most recent year by \$71,094,155 (net deficit). Of this amount, (\$79,405,787) (unrestricted net deficit) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The District's total net position decreased from 2014 by \$7,434,632 or 11.68%.
- Unrestricted net position decreased by \$97,129,601 in 2015.
- Net investment in capital assets was \$7,398,693 at June 30, 2015, a decrease of \$359,119.
- The District's real property tax rate decreased 2.00 mills to 17.61.
- At June 30, 2015, the District had \$62,615,000 of bond debt outstanding. This represents a decrease of \$2,580,000 or 3.96% from the previous year.
- The total fund balance of the General Fund at June 30, 2015 was \$9.11 million of which \$2,920,349 was unassigned.
- The District continues to maintain a strong investment grade bond rating of Aa3 from Moody's Investors Service for all related bond issuances and activities.

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

JUNE 30, 2015

USING THE 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.

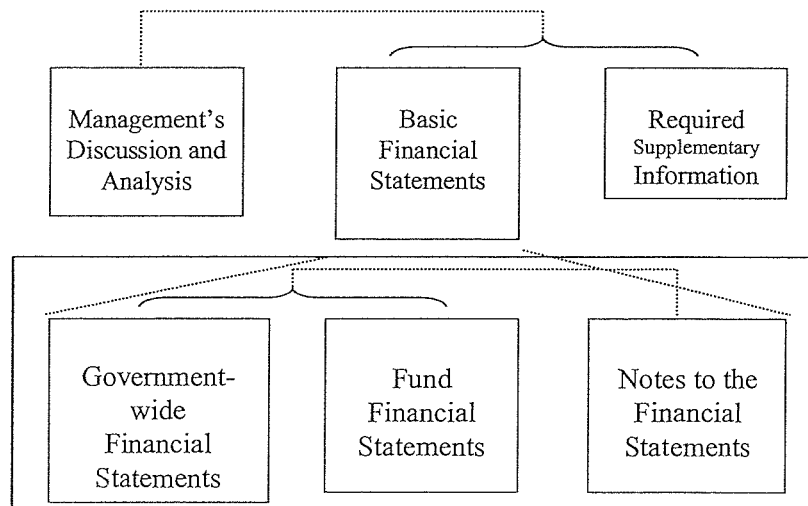
The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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 statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short 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 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1
Required components of
Baldwin-Whitehall School District's
Financial Report



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

JUNE 30, 2015

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.

Figure A-2 Major Features of Baldwin-Whitehall School District's Government-wide and Fund Financial Statements				
		Fund Statements		
	Government- wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that 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 position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short- term and long- term	All assets and liabilities, both 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, 2015

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets 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 position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

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

To assess the overall health of the District, 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 6, provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2015

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

Fiduciary funds - The District is the trustee, or fiduciary, for the Activity Funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on Page 13. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was (\$71,094,155) at June 30, 2015.

Table A-1
Fiscal Year ended June 30, 2015 and 2014
Net Position

	<u>2015</u>			<u>2014</u>		
	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Current & other assets	\$ 20,806,735	\$ 319,054	\$ 21,125,789	\$ 25,048,966	\$ 305,171	\$ 25,354,137
Capital assets	70,841,562	647,688	71,489,250	73,318,198	721,404	74,039,602
Deferred Outflows of Resources	6,406,248	142,183	6,548,431	0	0	0
Total assets	<u>\$ 98,054,545</u>	<u>\$ 1,108,925</u>	<u>\$ 99,163,470</u>	<u>\$ 98,367,164</u>	<u>\$ 1,026,575</u>	<u>\$ 99,393,739</u>
Current & other liabilities	\$ 19,242,566	\$ 189,055	\$ 19,431,621	\$ 10,890,929	\$ 5,411	\$ 10,896,340
Long-term liabilities	142,081,276	1,911,728	143,993,004	61,770,375	57,542	61,827,917
Deferred Inflows of Resources	6,684,638	148,362	6,833,000	0	0	0
Total liabilities	<u>\$ 168,008,480</u>	<u>\$ 2,249,145</u>	<u>\$ 170,257,625</u>	<u>\$ 72,661,304</u>	<u>\$ 62,953</u>	<u>\$ 72,724,257</u>
Net Position						
Net Investment in Capital Assets	\$ 6,751,005	\$ 647,688	\$ 7,398,693	\$ 7,036,408	\$ 721,404	\$ 7,757,812
Restricted	912,939	0	912,939	1,187,856	0	1,187,856
Unrestricted	(77,617,879)	(1,787,908)	(79,405,787)	17,481,596	242,218	17,723,814
Total net position	<u>\$ (69,953,935)</u>	<u>\$ (1,140,220)</u>	<u>\$ (71,094,155)</u>	<u>\$ 25,705,860</u>	<u>\$ 963,622</u>	<u>\$ 26,669,482</u>
Total Liabilities and Net Position	<u>\$ 98,054,545</u>	<u>\$ 1,108,925</u>	<u>\$ 99,163,470</u>	<u>\$ 98,367,164</u>	<u>\$ 1,026,575</u>	<u>\$ 99,393,739</u>

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

JUNE 30, 2015

Due to the implementation of GASB Statement No. 68, beginning in 2014-15, the District was required to recognize its portion of pension liability. As a direct result of the net pension liability, the District's Deferred Outflows of Resources increased by \$6.4 million; Deferred Inflows of Resources increased by \$6.6 million, and their long term liabilities increased by \$82.1 million.

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

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 State 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, 2015 and 2014

	<u>2015</u>			<u>2014</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues						
Program revenues:						
Charges for services	\$ 553,400	\$ 736,349	\$ 1,289,749	\$ 213,245	\$ 758,046	\$ 971,291
Operating grants & contributions	11,512,641	1,005,127	12,517,768	9,520,819	882,640	10,403,459
Capital grants & contrib.	874,948	0	874,948	1,182,157	0	1,182,157
General revenues:						
Property taxes	30,510,748	0	30,510,748	34,159,109	0	34,159,109
Other taxes	4,896,703	0	4,896,703	4,737,899	0	4,737,899
Grants, subsidies and contributions, unrestricted	9,064,639	0	9,064,639	9,064,591	0	9,064,591
Other	1,894,006	1,351	1,895,357	1,648,589	647	1,649,236
Total Revenues	<u>\$ 59,307,085</u>	<u>\$ 1,742,827</u>	<u>\$ 61,049,912</u>	<u>\$ 60,526,409</u>	<u>\$ 1,641,333</u>	<u>\$ 62,167,742</u>

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

JUNE 30, 2015

Table A-2 - Continued

	<u>2015</u>			<u>2014</u>		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
EXPENSES						
Instruction	\$ 37,971,196	\$ 0	\$ 37,971,196	\$ 36,629,805	\$ 0	\$ 36,629,805
Instructional student support	2,723,412	0	2,723,412	2,415,605	0	2,415,605
Administrative and financial support	8,160,989	0	8,160,989	5,985,545	0	5,985,545
Operation and maintenance of plant	7,481,154	0	7,481,154	6,422,355	0	6,422,355
Pupil transportation	5,314,930	0	5,314,930	5,338,647	0	5,338,647
Student activities	1,661,217	0	1,661,217	1,654,664	0	1,654,664
Community services	21,744	0	21,744	10,737	0	10,737
Interest on long-term debt	2,587,345	0	2,587,345	3,673,209	0	3,673,209
Capital expenditures not subject to depreciation	677,166	0	677,166	860,696	0	860,696
Food Services	<u>0</u>	<u>1,885,391</u>	<u>1,885,391</u>	<u>0</u>	<u>1,813,035</u>	<u>1,813,035</u>
Total expenses	<u>\$ 66,599,153</u>	<u>\$ 1,885,391</u>	<u>\$ 68,484,544</u>	<u>\$ 62,991,263</u>	<u>\$ 1,813,035</u>	<u>\$ 64,804,298</u>
Increase (decrease) in net position						
before transfers	\$ (7,292,068)	\$ (142,564)	\$ (7,434,632)	\$ (2,464,854)	\$ (171,702)	\$ (2,636,556)
Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,462,774)</u>	<u>1,462,774</u>	<u>0</u>
Increase (decrease) in net position	<u>\$ (7,292,068)</u>	<u>\$ (142,564)</u>	<u>\$ (7,434,632)</u>	<u>\$ (3,927,628)</u>	<u>\$ 1,291,072</u>	<u>\$ (2,636,556)</u>
Net Position - Beginning	\$ 25,705,860	\$ 963,622	\$ 26,669,482	\$ 26,998,871	\$ (1,031,360)	\$ 25,967,511
Prior Period Adjustment (Note 14)	<u>(88,367,727)</u>	<u>(1,961,278)</u>	<u>(90,329,005)</u>	<u>2,634,617</u>	<u>703,910</u>	<u>3,338,527</u>
Net Position - Ending	<u>\$ (69,953,935)</u>	<u>\$ (1,140,220)</u>	<u>\$ (71,094,155)</u>	<u>\$ 25,705,860</u>	<u>\$ 963,622</u>	<u>\$ 26,669,482</u>

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's eight largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, food service as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

During the 2014-2015 year, the District incurred expenses related to Equal Pay Settlements with various teachers based on their claims of inequity in step placement at hiring. In the schedule

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

JUNE 30, 2015

above the Administrative and Financial Support Line item increased approximately \$1.5 million from 2013-2014 to 2014-2015 mainly because of these payments.

Table A-3
 Fiscal Year ended June 30, 2015 and 2014
 Governmental Activities

<u>Functions/Programs</u>	<u>June 30, 2015</u>		<u>June 30, 2014</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 37,971,196	\$ 29,514,837	\$ 36,629,805	\$ 29,868,298
Instructional student support	2,723,412	2,451,428	2,415,605	2,222,767
Administrative	8,160,989	7,634,755	5,985,545	5,454,098
Operation & maintenance	7,481,154	6,639,971	6,422,355	5,931,469
Pupil transportation	5,314,930	3,546,113	5,338,647	3,835,733
Student activities	1,661,217	1,460,125	1,654,664	1,400,406
Community services	21,744	21,372	10,737	10,523
Interest on long-term debt	2,587,345	1,712,397	3,673,209	2,491,052
Capital expenditures not subject to depreciation	<u>677,166</u>	<u>677,166</u>	<u>860,696</u>	<u>860,696</u>
Total governmental activities	<u>\$ 66,599,153</u>	<u>\$ 53,658,164</u>	<u>\$ 62,991,263</u>	<u>\$ 52,075,042</u>
Less:				
Unrestricted grants, subsidies		9,064,639		9,064,591
Total needs from local taxes and other revenues		<u>\$ 44,593,525</u>		<u>\$ 43,010,451</u>

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, 2015 and 2014
 Business-type Activities

<u>Functions/Programs</u>	<u>June 30, 2015</u>		<u>June 30, 2014</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Food Services	\$ 1,885,391	\$ 143,915	\$ 1,813,035	\$ 172,349
Less:				
Transfers In		0		(1,462,774)
Investment Earnings		(1,351)		(647)
Total business-type activities		<u>\$ 142,564</u>		<u>\$ (1,291,072)</u>

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

JUNE 30, 2015

above the Administrative and Financial Support Line item increased approximately \$1.5 million from 2013-2014 to 2014-2015 mainly because of these payments.

Table A-3
 Fiscal Year ended June 30, 2015 and 2014
 Governmental Activities

<u>Functions/Programs</u>	<u>June 30, 2015</u>		<u>June 30, 2014</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 37,971,196	\$ 29,514,837	\$ 36,629,805	\$ 29,868,298
Instructional student support	2,723,412	2,451,428	2,415,605	2,222,767
Administrative	8,160,989	7,634,755	5,985,545	5,454,098
Operation & maintenance	7,481,154	6,639,971	6,422,355	5,931,469
Pupil transportation	5,314,930	3,546,113	5,338,647	3,835,733
Student activities	1,661,217	1,460,125	1,654,664	1,400,406
Community services	21,744	21,372	10,737	10,523
Interest on long-term debt	2,587,345	1,712,397	3,673,209	2,491,052
Capital expenditures not subject to depreciation	677,166	677,166	860,696	860,696
Total governmental activities	<u>\$ 66,599,153</u>	<u>\$ 53,658,164</u>	<u>\$ 62,991,263</u>	<u>\$ 52,075,042</u>
Less:				
Unrestricted grants, subsidies		9,064,639		9,064,591
Total needs from local taxes and other revenues		<u>\$ 44,593,525</u>		<u>\$ 43,010,451</u>

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, 2015 and 2014
 Business-type Activities

<u>Functions/Programs</u>	<u>June 30, 2015</u>		<u>June 30, 2014</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Food Services	\$ 1,885,391	\$ 143,915	\$ 1,813,035	\$ 172,349
Less:				
Transfers In		0		(1,462,774)
Investment Earnings		(1,351)		(647)
Total business-type activities		<u>\$ 142,564</u>		<u>\$ (1,291,072)</u>

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

JUNE 30, 2015

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

THE DISTRICT FUNDS

At June 30, 2015, the District governmental funds reported a combined total fund balance of \$9,112,663 which is a decrease of \$5,894,550.

General Fund Budget

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 District in accordance with state law. Transfers between specific categories of expenditures/financing uses occur during the year. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on Page 14.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2015, the District had \$70,841,562 invested in a broad range of capital assets, including land, buildings, furniture, and equipment.

Table A-5
Governmental Activities
Capital assets - net of depreciation

	<u>2015</u>	<u>2014</u>
Land	\$ 1,350,777	\$ 1,350,777
Site Improvements	3,485,972	3,455,923
Buildings	62,830,565	65,096,228
Furniture & Equipment	3,174,248	4,083,697
Construction in Progress	<u>0</u>	<u>52,977</u>
	<u>70,841,562</u>	<u>74,039,602</u>

DEBT ADMINISTRATION

During the 2014-2015 fiscal-year, the District made payments against bond principal of \$29,620,000 as well as issuing \$27,040,000 in refunding bonds resulting in ending outstanding bond debt of \$62,615,000 as of June 30, 2015. 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, 2015

Table A-6
Outstanding Debt

General Obligation Notes/Bonds	<u>2015</u>	<u>2014</u>
Series 2006	\$ 0	\$ 455,000
Series 2007	7,985,000	26,255,000
Series 2009	0	1,230,000
Series A of 2009	0	7,560,000
Series 2010	15,370,000	15,950,000
Series 2012	3,005,000	3,765,000
Series 2013	9,980,000	9,980,000
Series 2014	7,555,000	0
Series 2014A	8,825,000	0
Series 2015	<u>9,895,000</u>	<u>0</u>
	<u>\$ 62,615,000</u>	<u>\$ 65,195,000</u>

Other obligations include the following:

	<u>2015</u>	<u>2014</u>
Other Post-Employment Benefits	\$ (480,545)	\$ (511,267)
Compensated Absences	839,824	823,441
Net Pension Liability	89,446,779	0
Leases	<u>526,178</u>	<u>245,650</u>
Total	<u>\$ 90,334,251</u>	<u>\$ 559,838</u>

More detailed information about our long-term liabilities is included in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The revenue budget for the 2015-2016 year is \$2,165,038 more than the original budget for 2014-2015. This represents a 3.78% increase in budgeted revenues. The expenditure budget for the 2015-2016 year is \$1,407,346 less than the original budget for 2014-2015, which is a 2.24% decrease.

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

JUNE 30, 2015

The comparison of revenue and expenditure categories is as follows:

Table A-7
BUDGETED REVENUES

	2014-2015	2014-2015
Local	62.99%	62.05%
State	35.04%	35.68%
Federal/Other	1.97%	2.27%
BUDGETED EXPENDITURES		
	2014-2015	2014-2015
Instruction	53.08%	53.46%
Support Services	33.14%	32.24%
Non-Instruction/Community	2.27%	2.52%
Fund Transfers/Debt	11.51%	11.78%

FUTURE IMPLICATIONS

Budgeting in fiscal 2015-16 brought significant challenges as legislation has curtailed school boards' ability to levy taxes. In addition, funding requirements for school districts have been very challenging with the required increases to employer retirement contributions and health care costs. The millage rate was increased by 0.81 mills from 17.61 to 18.42 further impacting the local real estate tax revenue. The budget for 2015-16 was balanced by allocating \$1.9 million in fund balance to cover the shortfall.

CONTACTING THE DISTRICT 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 District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Mark Cherpak, Business Manager at:

4900 Curry Road
Pittsburgh, PA 15236,
412-884-6300

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 12,399,556	\$ 228,702	\$ 12,628,258
Taxes Receivable, net			
Property Taxes	4,721,937	0	4,721,937
Earned Income Taxes	848,684	0	848,684
Internal Balances	(38,846)	38,846	0
Due From Other Governments	2,204,508	20,883	2,225,391
Other Receivables	108,459	885	109,344
Prepaid Expenses	562,437	0	562,437
Inventories	0	29,738	29,738
Total Current Assets	\$ 20,806,735	\$ 319,054	\$ 21,125,789
Noncurrent Assets			
Land	\$ 1,350,777	\$ 0	\$ 1,350,777
Site Improvements (net of depreciation)	3,485,972	0	3,485,972
Building & Building Improvements (net of depreciation)	62,830,565	0	62,830,565
Furniture & Equipment (net of depreciation)	3,174,248	647,688	3,821,936
Total Noncurrent Assets	\$ 70,841,562	\$ 647,688	\$ 71,489,250
TOTAL ASSETS	\$ 91,648,297	\$ 966,742	\$ 92,615,039
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	\$ 6,406,248	\$ 142,183	\$ 6,548,431
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 767,130	\$ 0	\$ 767,130
Current Portion of LT Debt	5,339,407	0	5,339,407
Short-Term Payables	364,359	0	364,359
Accrued Salaries and Benefits	6,330,580	15,954	6,346,534
Current Portion of Net Pension Liability	6,406,248	142,183	6,548,431
Unearned Revenues	0	30,918	30,918
Total Current Liabilities	\$ 19,207,724	\$ 189,055	\$ 19,396,779
Noncurrent Liabilities			
Bonds Payable (net)	\$ 57,490,000	\$ 0	\$ 57,490,000
Unamortized bond discount/premium	949,379	0	949,379
LT Portion of Other Post-Employment Benefits	(480,545)	0	(480,545)
LT Portion of Leases Payable	276,929	0	276,929
LT Portion of Compensated Absences	839,824	68,689	908,513
LT Net Pension Liability	83,040,531	1,843,039	84,883,570
Total Noncurrent Liabilities	\$ 142,116,118	\$ 1,911,728	\$ 144,027,846
TOTAL LIABILITIES	\$ 161,323,842	\$ 2,100,783	\$ 163,424,625
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	\$ 6,684,638	\$ 148,362	\$ 6,833,000
NET POSITION			
Net Investment in capital assets	\$ 6,751,005	\$ 647,688	\$ 7,398,693
Restricted for:			
Capital Projects	0	0	0
Capital Reserve	912,939	0	912,939
Unrestricted (deficit)	(77,617,879)	(1,787,908)	(79,405,787)
TOTAL NET POSITION	\$ (69,953,935)	\$ (1,140,220)	\$ (71,094,155)

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular Instruction	\$ 29,877,163	\$ 36,228	\$ 4,323,408	\$ 0	\$ (25,517,527)	\$ 0	\$ (25,517,527)
Special Instruction	5,948,400	0	3,937,432	0	(2,010,968)	0	(2,010,968)
Vocational Instruction	2,081,588	0	148,219	0	(1,933,369)	0	(1,933,369)
Other Instructional Programs	21,504	0	11,072	0	(10,432)	0	(10,432)
Non-Public School Programs	42,541	0	0	0	(42,541)	0	(42,541)
Total Instructional Services	\$ 37,971,196	\$ 36,228	\$ 8,420,131	\$ 0	\$ (29,514,837)	\$ 0	\$ (29,514,837)
Support Services:							
Pupil Personnel	\$ 1,586,406	\$ 0	\$ 165,839	\$ 0	\$ (1,420,567)	\$ 0	\$ (1,420,567)
Instructional Staff	1,137,006	0	106,145	0	(1,030,861)	0	(1,030,861)
Administration	5,552,859	0	333,499	0	(5,219,360)	0	(5,219,360)
Pupil Health	603,447	0	55,957	0	(547,490)	0	(547,490)
Business Services	1,508,090	0	95,883	0	(1,412,207)	0	(1,412,207)
Operation of Plant and Maintenance Services	7,481,154	464,186	376,997	0	(6,639,971)	0	(6,639,971)
Student Transportation Services	5,314,930	0	1,768,817	0	(3,546,113)	0	(3,546,113)
Central	447,146	0	40,895	0	(406,251)	0	(406,251)
Other Support Services	49,447	0	0	0	(49,447)	0	(49,447)
Total Support Services	\$ 23,680,485	\$ 464,186	\$ 2,944,032	\$ 0	\$ (20,272,267)	\$ 0	\$ (20,272,267)
Non-Instructional Services:							
Student Activities	\$ 1,661,217	\$ 52,986	\$ 148,106	\$ 0	\$ (1,460,125)	\$ 0	\$ (1,460,125)
Community Services	21,744	0	372	0	(21,372)	0	(21,372)
Interest on Long-Term Debt	2,587,345	0	0	874,948	(1,712,397)	0	(1,712,397)
Capital Expenditures not subject to capitalization	677,166	0	0	0	(677,166)	0	(677,166)
Total Non-Instructional Services	# \$ 4,947,472	\$ 52,986	\$ 148,478	\$ 874,948	\$ (3,871,060)	\$ 0	\$ (3,871,060)
Total Governmental Activities	\$ 66,599,153	\$ 553,400	\$ 11,512,641	\$ 874,948	\$ (53,658,164)	\$ 0	\$ (53,658,164)
Business-Type Activities:							
Food Services	1,885,391	736,349	1,005,127	0	0	(143,915)	(143,915)
Total Primary Government	\$ 68,484,544	\$ 1,289,749	\$ 12,517,768	\$ 874,948	\$ (53,658,164)	\$ (143,915)	\$ (53,802,079)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net					\$ 30,510,748	\$ 0	\$ 30,510,748
Other taxes levied for general purposes, net					4,896,703	0	4,896,703
Property Tax Relief					1,662,258	0	1,662,258
Grants, subsidies & contributions not restricted					9,064,639	0	9,064,639
Investment earnings					30,170	1,351	31,521
Miscellaneous income					223,752	0	223,752
Refunds of prior year expenditures					75,216	0	75,216
Refunds of prior year revenues					(97,390)	0	(97,390)
Total general revenues and transfers					\$ 46,366,096	\$ 1,351	\$ 46,367,447
Change in Net Position					\$ (7,292,068)	\$ (142,564)	\$ (7,434,632)
Net Position - June 30, 2014					25,705,860	963,622	26,669,482
Prior Period Adjustment (Note 14)					(88,367,727)	(1,961,278)	(90,329,005)
Net Position - June 30, 2014, restated					(62,661,867)	(997,656)	(63,659,523)
Net Position - June 30, 2015					\$ (69,953,935)	\$ (1,140,220)	\$ (71,094,155)

BALDWIN-WHITEHALL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF JUNE 30, 2015

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 12,399,556	\$ 0	\$ 12,399,556
Taxes Receivable:			
Property Taxes	4,721,937	0	4,721,937
Earned Income Taxes	848,684	0	848,684
Intergovernmental Receivables	2,204,508	0	2,204,508
Other Receivables	108,459	0	108,459
Prepaid Expenditures	562,437	0	562,437
TOTAL ASSETS	\$ 20,845,581	\$ 0	\$ 20,845,581
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 767,131	\$ 0	\$ 767,131
Accrued Salaries & Benefits	6,330,580	0	6,330,580
Interfund Payables	38,846	0	38,846
TOTAL LIABILITIES	\$ 7,136,557	\$ 0	\$ 7,136,557
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 4,596,361	\$ 0	\$ 4,596,361
 FUND BALANCES			
Nonspendable Fund Balance			
Prepaid Expenses	\$ 562,437	\$ 0	\$ 562,437
Committed Fund Balance			
Whitehall Recreation Equipment	5,000	0	5,000
Slope Landscaping Project	125,000	0	125,000
Benefits Stabilization Funding	2,631,185	0	2,631,185
Generator Replacement	35,000	0	35,000
Hot Water Pump Replacement	15,000	0	15,000
Assigned Fund Balance			
Capital Reserve	912,939	0	912,939
Next Year's Budget	1,905,753	0	1,905,753
Unassigned Fund Balance	2,920,349	0	2,920,349
TOTAL FUND BALANCES	\$ 9,112,663	\$ 0	\$ 9,112,663
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 20,845,581	 \$ 0	 \$ 20,845,581

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 9,112,663

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

Capital assets used in governmental activities are not financial and therefore are not reported as assets in governmental funds.

Add: Capital Assets	\$ 129,396,109
Deduct: Accumulated Depreciation	(58,554,547)

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

Add: Property Taxes	\$ 4,596,362
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Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds

Net Pension Liability	\$ (89,446,779)
-----------------------	-----------------

Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds

Deferred outflows of resources related to pensions	\$ 6,406,248	
Deferred inflows of resources related to pensions	<u>(6,684,638)</u>	
		\$ (278,390)

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	\$ (62,615,000)	
Deduct: Leases Payable	(526,178)	
Deduct: Unamortized Discount/Premium	(949,379)	
Add: Deferred Refunding Loss	34,842	
Deduct: Accrued Interest on Debt	(364,359)	
Deduct: Compensated Absences and Other Post-Employment Benefit	<u>(359,279)</u>	
		<u>\$ (64,779,353)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (69,953,935)

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2015

REVENUES	General	Capital Projects	Total Governmental Funds
Local Sources	\$ 37,200,573	\$ 0	\$ 37,200,573
State Sources	20,899,823	0	20,899,823
Federal Sources	<u>2,029,525</u>	<u>0</u>	<u>2,029,525</u>
TOTAL REVENUES	\$ 60,129,921	\$ 0	\$ 60,129,921
 EXPENDITURES			
Instruction	\$ 34,075,310	\$ 0	\$ 34,075,310
Support Services	21,224,074	0	21,224,074
Non-Instructional Services	1,461,429	0	1,461,429
Capital Outlay	3,485,471	275,989	3,761,460
Debt Services	<u>5,665,876</u>	<u>1,396,657</u>	<u>7,062,533</u>
TOTAL EXPENDITURES	\$ 65,912,160	\$ 1,672,646	\$ 67,584,806
 Excess (Deficiency) of Revenues Over Expenditures	\$ (5,782,239)	\$ (1,672,646)	\$ (7,454,885)
 OTHER FINANCING SOURCES (USES)			
Refund of Prior Year Receipts	\$ (97,387)	\$ 0	\$ (97,387)
Bond (Premium) Discount and Costs	0	922,722	922,722
Proceeds of Refunding Bonds	0	27,040,000	27,040,000
Payment to Refunded Bond Escrow Agent	0	(26,305,000)	(26,305,000)
Interfund Transfers	<u>(85,000)</u>	<u>85,000</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ (182,387)	\$ 1,742,722	\$ 1,560,335
 NET CHANGE IN FUND BALANCES	\$ (5,964,626)	\$ 70,076	\$ (5,894,550)
 FUND BALANCE - JUNE 30, 2014	<u>15,077,289</u>	<u>(70,076)</u>	<u>15,007,213</u>
 FUND BALANCE - JUNE 30, 2015	<u>\$ 9,112,663</u>	<u>\$ 0</u>	<u>\$ 9,112,663</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, 2015

NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (5,894,550)

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	\$ 2,759,293	
	Less: Depreciation Expense	<u>(5,235,929)</u>	
			(2,476,636)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds.

Deferred tax revenues changed by this amount this year. (174,112)

Governmental funds report district pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense

	District pension contributions	6,406,248	
	Cost of benefits earned net of employee contributions	<u>(7,763,690)</u>	
			(1,357,442)

The governmental funds report proceeds from debt as 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	\$ 3,315,000	
	Refunding Bond Payment	(27,040,000)	
	Refunding Bond Proceeds	26,305,000	
	Lease Proceeds	(551,334)	
	Payment of Lease Payable	270,806	
	Interest Expense	131,217	
	Amortization of Deferred Refunding Loss	(40,903)	
	Payment of Litigation Payout	130,580	
	Amortization and Acquisition of Bond Premium/Discount	<u>137,411</u>	
			2,657,777

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 changed by this amount.

(47,105)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (7,292,068)**

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
AS OF JUNE 30, 2015

	<u>Food Service</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 228,702
Due From Other Governments	20,883
Accounts Receivable	885
Due From Other Funds	38,846
Inventories	29,738
Total Current Assets	\$ 319,054
Noncurrent Assets:	
Machinery & Equipment (net)	\$ 647,688
Total Noncurrent Assets	\$ 647,688
TOTAL ASSETS	\$ 966,742
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pension	\$ 142,183
LIABILITIES	
Current Liabilities:	
Accrued Salaries and Benefits	\$ 15,954
Current Portion of Net Pension Liability	142,183
Unearned Revenue	30,918
Total Current Liabilities	\$ 189,055
Noncurrent Liabilities:	
Compensated Absences Payable	\$ 68,689
Net Pension Liability	1,843,039
Total Noncurrent Liabilities	\$ 1,911,728
TOTAL LIABILITES	\$ 2,100,783
DEFERRED INFLOWS OF RESOURCES	
Related to Pensions	\$ 148,362
NET POSITION	
Net Investment in capital assets	\$ 647,688
Unrestricted	(1,787,908)
TOTAL NET POSITION	\$ (1,140,220)

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Food Service</u>
OPERATING REVENUES:	
Food Service Revenue	\$ 736,349
TOTAL OPERATING REVENUES	
OPERATING EXPENSES:	
Salaries	\$ 675,672
Employee Benefits	277,102
Purchased Professional & Technical Services	11,147
Food Purchases	800,139
Supplies	26,187
Repairs and Maintenance	20,668
Depreciation	73,716
Other Operating Expenses	<u>760</u>
TOTAL OPERATING EXPENSES	<u>\$ 1,885,391</u>
OPERATING INCOME (LOSS)	<u>\$ (1,149,042)</u>
NON-OPERATING REVENUES (EXPENSES):	
Earnings on Investments	\$ 1,351
State Sources	150,982
Federal Sources	<u>854,145</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>\$ 1,006,478</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>\$ (142,564)</u>
Operating Transfers In (Out)	<u>0</u>
CHANGE IN NET POSITION	<u>\$ (142,564)</u>
TOTAL NET POSITION - JUNE 30, 2014	963,622
PRIOR PERIOD ADJUSTMENT (see Note 14)	<u>(1,961,278)</u>
TOTAL NET POSITION - JUNE 30, 2014 RESTATED	<u>(997,656)</u>
TOTAL NET POSITION - JUNE 30, 2015	<u>\$ (1,140,220)</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPES

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 735,464
Cash Payments to Employees for Services	(1,684,396)
Cash Payments to Suppliers for Goods and Services	(788,420)
Cash Payments for Other Operating Expenses	(760)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (1,738,112)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	\$ 176,245
Federal Sources	1,183,126
Transfers in(out)	0
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$ 1,359,371
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	\$ 1,351
NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES	\$ 1,351
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (377,390)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	606,092
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 228,702
 <u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	\$ (1,149,042)
Depreciation and Net Amortization	\$ 73,716
Change in Assets and Liabilities	
(Increase) Decrease in Inventories	20,863
(Increase) Decrease in Accounts Receivable	(885)
(Increase) Decrease in Deferred Outflows of Resources	(142,183)
Increase (Decrease) in Accounts Payable	(5,411)
Increase (Decrease) in Due to/from Other Funds	(788,846)
Increase (Decrease) in Accrued Salaries and Other Payroll Liabilities	39,898
Increase (Decrease) in Compensated Absences	11,147
Increase (Decrease) in Deferred Inflows of Resources	148,362
Increase (Decrease) in Deferred Revenue	54,269
Total Adjustments	\$ (589,070)
Net Cash Provided (Used) by Operating Activities	\$ (1,738,112)

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

AS OF JUNE 30, 2015

	<u>Student Activities Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>121,467</u>
TOTAL ASSETS	\$ <u>121,467</u>
LIABILITIES	
Due to Student Groups	\$ <u>121,467</u>
TOTAL LIABILITIES	\$ <u>121,467</u>
TOTAL NET POSITION	\$ <u>0</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>121,467</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
REVENUES						
Local revenues	\$ 35,499,781	\$ 35,499,781	\$ 37,200,573	\$ 1,700,792	\$ 0	\$ 37,200,573
State program revenues	20,414,383	20,414,383	20,899,823	485,440	0	20,899,823
Federal program revenues	1,297,340	1,297,340	2,029,525	732,185	0	2,029,525
TOTAL REVENUES	\$ 57,211,504	\$ 57,211,504	\$ 60,129,921	\$ 2,918,417	\$ 0	\$ 60,129,921
EXPENDITURES						
Regular Programs	\$ 25,566,568	\$ 25,566,568	\$ 26,143,763	\$ (577,195)	\$ 0	\$ 26,143,763
Special Programs	5,740,433	5,740,433	5,827,859	(87,426)	0	5,827,859
Vocational Programs	2,181,117	2,181,117	2,040,322	140,795	0	2,040,322
Other Instructional Programs	16,196	16,196	20,825	(4,629)	0	20,825
Non-Public School Programs	8,000	8,000	42,541	(34,541)	0	42,541
Adult Education Programs	873	873	0	873	0	0
Pupil Personnel Services	1,532,065	1,532,065	1,540,389	(8,324)	0	1,540,389
Instructional Staff Services	1,004,463	1,004,463	1,001,023	3,440	0	1,001,023
Administrative Services	4,130,300	4,130,300	4,995,496	(865,196)	0	4,995,496
Pupil Health	527,154	527,154	531,276	(4,122)	0	531,276
Business Services	1,505,159	1,505,159	1,480,534	24,625	0	1,480,534
Operation & Maintenance of Plant Services	6,608,374	6,608,374	6,654,394	(46,020)	0	6,654,394
Student Transportation Services	4,527,085	4,527,085	4,578,428	(51,343)	0	4,578,428
Central	379,626	379,626	393,086	(13,460)	0	393,086
Other Support Services	0	0	49,448	(49,448)	0	49,448
Student Activities	1,523,545	1,523,545	1,439,685	83,860	0	1,439,685
Community Services	7,200	7,200	21,744	(14,544)	0	21,744
Facilities Acquisition and Construction	50,000	50,000	3,485,471	(3,435,471)	0	3,485,471
Debt Services	7,381,483	7,381,483	5,665,876	1,715,607	0	5,665,876
TOTAL EXPENDITURES	\$ 62,689,641	\$ 62,689,641	\$ 65,912,160	\$ (3,222,519)	\$ 0	\$ 65,912,160
Excess (deficiency) of revenues over expenditures	\$ (5,478,137)	\$ (5,478,137)	\$ (5,782,239)	\$ (304,102)	\$ 0	\$ (5,782,239)
OTHER FINANCING SOURCES (USES)						
Interfund Transfers	\$ 0	\$ 0	\$ (85,000)	\$ (85,000)	\$ 0	\$ (85,000)
Refund of Prior Year Receipts	0	0	(97,387)	(97,387)	0	(97,387)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 0	\$ 0	\$ (182,387)	\$ (182,387)	\$ 0	\$ (182,387)
Net change in fund balances	\$ (5,478,137)	\$ (5,478,137)	\$ (5,964,626)	\$ (486,489)	\$ 0	\$ (5,964,626)
FUND BALANCE - JUNE 30, 2014	4,661,402	4,661,402	15,077,289	10,415,887	0	15,077,289
FUND BALANCE - JUNE 30, 2015	\$ (816,735)	\$ (816,735)	\$ 9,112,663	\$ 9,929,398	\$ 0	\$ 9,112,663

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 1 - REPORTING ENTITY

The Baldwin-Whitehall School District (the "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 a possible component unit, 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 School District are described below.

A. Basis of Presentation

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Government-wide financial statements—The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental 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 proprietary 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.

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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 School 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 School 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 School District.

Proprietary funds may be used to account for any activity for which a fee is charged to external users for goods or services. Proprietary 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 position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. All proprietary funds are shown on the government-wide statements as business type activities.

The School District reports its only proprietary 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.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fiduciary Funds—Fiduciary Funds are used to account for assets held by the School 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 School District presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position for the agency fund.

The School District reports the Student Activity Funds as an agency fund. These Fiduciary Funds are used to account for net position 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 School District passed an appropriated original budget for the fiscal year ending June 30, 2015 with revenues totaling \$57,211,504 and expenditures totaling \$62,689,641.

The School 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:

Preliminary Budget: The preliminary budget for each year must be adopted (via Board vote) 90 days prior to the Primary Election, unless the School 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 School 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).

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 School 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.

D. Deposits and Investments

The School 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 School 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.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 position, except for amounts due to/from other funds which are not presented in the statement of net position.

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, 2015 due to their immaterial balance.

On fund financial statements, inventories are stated at cost using the purchase method for proprietary funds. The inventory for Business-type Activities at June 30, 2015 is \$29,738. 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 position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their 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:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
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

H. Bond Premiums and Discounts

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

I. Compensated Absences/Retirement Incentives

Compensated Absences

The School District has agreed to pay unused sick leave for all employees, including business-type 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/days
176-200 days	\$75/days

The School District's governmental liability is as follows:

Compensated absences liability at 6/30/14	\$ 823,441
Increase in liability	<u>16,383</u>
Compensated absences liability at 6/30/15	839,824

The School District's liability for business-type employees is as follows:

Compensated absences liability at 6/30/14	\$ 57,542
Increase in liability	<u>11,147</u>
Compensated absences liability at 6/30/15	68,689

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Retirement Incentives

The School 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. More information on these liabilities is included later in these notes.

The liabilities for the above items are reported on the government-wide financial statements. For governmental funds, the current portion of the liabilities is the amount that is normally expected to be paid using expendable financial resources. In proprietary funds, if applicable, the entire amount of the liabilities is reported as a fund liability.

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 proprietary funds are reported on the proprietary 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.

K. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is 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,

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

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

L. Fund Balance

The GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) effective for reporting periods after June 15, 2010. The intention of the GASB Statement is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash, or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories.

In addition to the non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted – Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, the Baldwin-Whitehall School District Board of Directors through board action to commit funds.

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The Board of Directors retains the authority to assign portions of the fund balance.

Unassigned – Fund balance of the general fund that is not constrained for any particular purpose.

The School District considers the use of funds in the order of the most restrictive to the least restrictive based on the fund balance hierarchy.

According to District policy, the School District will strive to maintain an unassigned general fund balance of not less than three percent and not more than eight percent of the budgeted expenditures for that fiscal year.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reported \$6,406,248 in the Governmental Activities and \$142,183 in the Business-type Activities as deferred outflows of resources.

In addition to liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District reported \$6,684,638 in the Governmental Activities and \$148,362 in the Business-type Activities as deferred inflows of resources.

O. Pensions

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

P. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements in which:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

NOTE 3 – CASH / INVESTMENTS

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, 2015, \$4,618,883 of the School District's bank balance of \$4,868,883 was exposed to custodial credit risk as:

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	\$	4,618,883

Other Deposits

As of June 30, 2015, the School District had the following other deposits in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School Liquid Asset Fund (PSDLAF) which were 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 position to compute share prices. The Funds maintain net asset value of \$1 per share. Accordingly, the fair

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 3 – CASH / INVESTMENTS - CONTINUED

value of the position in PLGIT and PSDLAF is the same as the value of PLGIT and PSDLAF shares.

Credit Risk

The value of the funds as of June 30, 2015 is as follows:

<u>Type</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
PA Local Government Investment Trust	\$ 3,836,078	AAAm
PA School District Liquid Asset Fund	<u>4,642,991</u>	AAAm
Total	<u>\$ 8,479,069</u>	

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 4,618,883
Collateralized Amount Above	250,000
Other Deposits Above	<u>8,479,069</u>
Carrying Amount - Bank Balances	\$ 13,347,952
Less: Outstanding Items	(598,227)
Less: Fiduciary Funds	<u>(121,467)</u>
Total	<u>\$ 12,628,258</u>

Interest Rate Risk

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

Custodial Credit Risk

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

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.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 3 – CASH / INVESTMENTS – CONTINUED

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.
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 (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.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

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 School District.

The schedule for property taxes levied for 2014-2015 is as follows:

July 1, 2014 - tax levy date
Through August 31, 2014 - 2% discount period
Through October 31, 2014 - face payment period
Beginning November 1, 2014 - 5% penalty period
April 15, 2014 - lien date

The School District tax rate for all purposes in 2014-2015 was 17.61 mills (\$17.61 per \$1,000 assessed valuation). Collections for the 2014-2015 year were \$29,100,068.

As of June 30, 2015, property taxes receivable by the School District includes uncollected taxes assessed as of July 1, 2014 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 School District levies a voted continuing tax of 0.50% for general operations on the income of residents. Taxpayers are required to file an annual return. The collector makes periodic distributions to the School District after withholding amounts for administrative fees. Income tax receipts are credited to the general fund.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,350,777	\$ 0	\$ 0	\$ 1,350,777
Construction in Progress	52,977	0	(52,977)	0
Total Capital assets, not being depreciated	<u>\$ 1,403,754</u>	<u>\$ 0</u>	<u>\$ (52,977)</u>	<u>\$ 1,350,777</u>
Capital assets, being depreciated:				
Site Improvements	\$ 6,370,672	\$ 300,733	\$ 0	\$ 6,671,405
Building and building improvements	106,239,588	1,788,139	(42,525)	107,985,202
Furniture and equipment	12,622,802	1,596,058	(830,135)	13,388,725
Total capital assets, being depreciated	<u>\$ 125,233,062</u>	<u>\$ 3,684,930</u>	<u>\$ (872,660)</u>	<u>\$ 128,045,332</u>
Accumulated depreciation for:				
Site Improvements	\$ (2,914,749)	\$ (270,684)	\$ 0	\$ (3,185,433)
Building and building improvements	(41,143,360)	(4,011,277)	0	(45,154,637)
Furniture and equipment	(9,260,509)	(1,017,904)	63,936	(10,214,477)
Total accumulated depreciation	<u>\$ (53,318,618)</u>	<u>\$ (5,299,865)</u>	<u>\$ 63,936</u>	<u>\$ (58,554,547)</u>
Total capital assets, being depreciated, net	<u>\$ 71,914,444</u>	<u>\$ (1,614,935)</u>	<u>\$ (808,724)</u>	<u>\$ 69,490,785</u>
Governmental activities capital assets, net:	<u>\$ 73,318,198</u>	<u>\$ (1,614,935)</u>	<u>\$ (861,701)</u>	<u>\$ 70,841,562</u>
Business-type activities:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 1,210,685	\$ 0	\$ 0	\$ 1,210,685
Total capital assets, being depreciated	<u>\$ 1,210,685</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,210,685</u>
Accumulated depreciation for:				
Furniture and equipment	\$ (489,281)	\$ (73,716)	\$ 0	\$ (562,997)
Total accumulated depreciation	<u>\$ (489,281)</u>	<u>\$ (73,716)</u>	<u>\$ 0</u>	<u>\$ (562,997)</u>
Total capital assets, being depreciated, net	<u>\$ 721,404</u>	<u>\$ (73,716)</u>	<u>\$ 0</u>	<u>\$ 647,688</u>
Business-type activities capital assets, net:	<u>\$ 721,404</u>	<u>\$ (73,716)</u>	<u>\$ 0</u>	<u>\$ 647,688</u>
Total Governmental & Business-type activities, net	<u>\$ 74,039,602</u>	<u>\$ (1,688,651)</u>	<u>\$ (861,701)</u>	<u>\$ 71,489,250</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 5 – CAPITAL ASSETS – CONTINUED

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

Governmental Activities:

Instruction:

Regular Instruction \$ 3,111,551

Support Services:

Instructional Staff 106,527

Administration 465,328

Pupil Health 57,239

Operation of Plant and Maintenance Services 722,372

Student Transportation Services 611,074

Central 42,929

Non-Instructional Services:

Student Activities 182,845

Total Depreciation expense, Governmental Activities: \$ 5,299,865

Business-Type Activities:

Food Services \$ 73,716

Total Depreciation expense, Business-Type Activities: \$ 73,716

Total Depreciation expense, Governmental and Business-Type Activities: \$ 5,373,581

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 School 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 \$24,430,999 as of June 30, 2015, while the Net Assets Designated for Catastrophic Claims was \$17,173,742.

The School 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 School 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 \$1,142,383 as of June 30, 2015 (audited) and at this time Baldwin-Whitehall has no plans to withdraw from

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 6 – RISK MANAGEMENT

the Consortium. The financial statements of the Consortium for the year ended June 30, 2015 are on file with the Baldwin-Whitehall School District.

NOTE 7 – PENSION PLAN

Public School Employees' Retirement System (PSERS)

General Information about the Pension Plan

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

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

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 7 -- PENSION PLAN - CONTINUED

salary nor greater than the benefit the members would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions:

Member Contributions:

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

Members who joined the System after June 30, 2001, but before July 1, 2011, 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.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions:

The School District's contribution rate for the year ended June 30, 2015 was 21.40% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$6,578,562 for the year ended June 30, 2015.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 7 – PENSION PLAN - CONTINUED

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

At June 30, 2015, the District reported a liability of \$91,432,001 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2013 to June 30, 2014. The District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2014, the District’s proportion was 0.2310%, which was a decrease of 0.0009% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$6,578,562. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual investment earnings	0	6,536,000
Changes in proportions	0	297,000
Difference between employer contributions and proportionate share of total contributions	0	0
District contributions subsequent to the measurement date	<u>6,548,431</u>	<u>0</u>
Total	<u>\$ 6,548,431</u>	<u>\$ 6,833,000</u>

The District reported \$6,548,431 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

BALDWIN-WHITEHALL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2015

NOTE 7 – PENSION PLAN - CONTINUED

Year ended June 30:

2016	\$ (1,706,000)
2017	(1,706,000)
2018	(1,706,000)
2019	(11,000)

Actuarial assumptions: The total pension liability as of June 30, 2014 was determined by rolling forward the System’s total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal – level % of pay
Inflation	3.00 %
Salary Increases	Effective average of 5.50% (Reflects allowance for inflation, real wage growth of 1.00%, and merit or seniority increases of 1.50%)
Investment Rate of Return	7.50 % including inflation

Mortality rates are based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the 5-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 7 – PENSION PLAN - CONTINUED

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	100%	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 7 – PENSION PLAN - CONTINUED

Sensitivity of the School District's proportionate share of the Net Pension Liability: The following presents the School District's proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1 % Increase 8.50%
School District's proportionate share of net pension liability	\$ 114,048,000	\$ 91,432,001	\$ 72,123,000

Plan Fiduciary Net Position: Detailed information about the PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

NOTE 8 – LONG-TERM DEBT

Long-term liability for the year ended June 30, 2015 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	\$ 65,195,000	\$ 27,040,000	\$ (29,620,000)	\$ 62,615,000	\$ 5,125,000
Deferred amounts for issuance premium/(discount)	1,086,790	0	(137,411)	949,379	0
Deferred refunding loss	(75,745)	0	40,903	(34,842)	(34,842)
Total bonds payable, net	<u>\$ 66,206,045</u>	<u>\$ 27,040,000</u>	<u>\$ (29,716,508)</u>	<u>\$ 63,529,537</u>	<u>\$ 5,090,158</u>
Lease obligations	245,650	551,331	(270,803)	526,178	249,249
Other post- Emp. benefit obligation/ comp abs payable	<u>312,174</u>	<u>0</u>	<u>47,105</u>	<u>359,279</u>	<u>0</u>
Total governmental activity long-term liabilities	<u>\$ 66,763,869</u>	<u>\$ 27,591,331</u>	<u>\$ (29,940,206)</u>	<u>\$ 64,414,994</u>	<u>\$ 5,339,407</u>

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

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2015, including interest payments are as follows:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT - CONTINUED

<u>Bonds and Notes Payable</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 5,125,000	\$ 1,674,836	\$ 6,799,836
2017	5,440,000	1,524,171	6,964,171
2018	5,800,000	1,331,708	7,131,708
2019	6,065,000	1,089,829	7,154,829
2020	6,345,000	828,944	7,173,944
2021-2025	<u>33,840,000</u>	<u>1,891,233</u>	<u>35,731,233</u>
Total	<u>\$ 62,615,000</u>	<u>\$ 8,340,721</u>	<u>\$ 70,955,721</u>

General Obligation Bonds and Notes

On November 12, 2014, the Baldwin-Whitehall School District issued \$8,320,000 in General Obligation Bonds, Refunding Series of 2014. Total interest and principal payments over the scheduled life of the Bond is \$9,396,398, with interest rates between 0.20% and 1.75%. The bonds are scheduled to mature on November 15, 2021.

The proceeds of the bond were used to refund the School District's General Obligation Bonds, Series 2009 and 2009A and to pay the cost of issuing the bonds. As a result, the 2009 and 2009A 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 \$10,020,363, with interest rates between 3.50% and 5.00%. The bonds were originally scheduled to mature on February 15, 2022.

On December 1, 2014, the Baldwin-Whitehall School District issued \$8,825,000 in General Obligation Bonds, Refunding Series A of 2014. Total interest and principal payments over the scheduled life of the Bond is \$10,704,256, with interest rates between 0.60% and 6.20%. The bonds are scheduled to mature on November 15, 2024.

The proceeds of the bond were used to refund a portion of the School District's General Obligation Bonds, Series 2007 and to pay the cost of issuing the bonds. As a result, the principal amount owed for the 2007 Bonds is reduced by \$8,415,000. The 2007 Bonds will still mature on May 15, 2025.

On January 6, 2015, the Baldwin-Whitehall School District issued \$9,895,000 in General Obligation Bonds, Refunding Series of 2015. Total interest and principal payments over the scheduled life of the Bond is \$11,795,597, with interest rates between 2.00% and 5.00%. The bonds are scheduled to mature on November 15, 2024.

BALDWIN-WHITEHALL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT - CONTINUED

The proceeds of the bond were used to refund a portion of the School District’s General Obligation Bonds, Series 2007 and to pay the cost of issuing the bonds. As a result, the principal amount owed for the 2007 Bonds is reduced by \$9,100,000. The 2007 Bonds will still mature on May 15, 2025.

General obligation bonds and notes payable at June 30, 2015, with their outstanding balance are as follows:

\$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%	\$	0
\$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%		7,985,000
\$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%		0
\$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%		0
\$16,165,000 2010 general obligation refunding bonds, due in annual installments of \$5,000 to \$3,350,000, beginning February 15, 2012, through February 15, 2023, interest from 2.00 to 3.30%		15,370,000
\$4,945,000 2012 general obligation bonds, due in annual installments of \$235,000 to \$785,000, beginning September 15, 2005, through September 15, 2022, interest from 1.00 to 2.25%		3,005,000
\$9,980,000 2013 general obligation bonds, due in annual installments of \$5,000 to \$3,020,000, beginning November 15, 2015, through November 15, 2022, interest from .5% to 2.55%		9,980,000
\$8,320,000 2014 general obligation bonds, due in annual installments of \$525,000 to \$1,295,000, beginning May 15, 2015, through November 15, 2021, interest from 0.20% to 5.00%		7,555,000
\$8,825,000 2014A general obligation bonds, due in annual installments of \$85,000 to \$5,745,000, beginning November 15, 2015, through November 15, 2024, interest from 0.60% to 6.20%		8,825,000
\$9,895,000 2015 general obligation bonds, due in annual installments of \$120,000 to \$6,960,000, beginning November 15, 2015, through November 15, 2024, interest from 2.00% to 5.00%		<u>9,895,000</u>
	<u>\$</u>	<u>62,615,000</u>

For the year ended June 30, 2015, total interest and debt fees incurred of \$2,986,721 were charged to expense; no interest costs were capitalized during the period.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2015, consisted of the following fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund: Enterprise Fund	\$ 0	\$ 38,846
Enterprise Fund: General Fund	38,846	0
	<u>Transfer from</u>	<u>Transfer to</u>
Capital Projects Fund: General Fund	\$ 85,000	\$ 85,000

The interfund balance resulted from delinquent student accounts that are covered by the General Fund. The interfund balance between the General Fund and Cafeteria Fund is expected to be collected in the subsequent year.

NOTE 10 – CONTINGENCIES

A. Litigation

The School 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.

As of August 12, 2015, the District approved an agreement with 28 teachers in regard to the Equal Pay Releases and Settlement Agreements. The estimated cost of this settlement is \$903,612. The entire expense is shown as a part of Administration expense in the Statement of Activities and Support Services in the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund Types.

B. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and 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, 2015.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

Post-retirement benefits

From an accrual accounting perspective, the cost of post-employment 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, the School District recognizes the cost of post-employment 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 School District’s future cash flows.

Plan description

The School 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, 2014. The post-retirement plan does not issue stand-alone financial reports.

The contribution requirements of plan members and the School District are established and may be amended by the School District. The School District determines the required contribution using the Entry Age Normal Actuarial Cost Method.

Membership in the plan consisted of the following at July 1, 2014, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	31
Active plan members	<u>0</u>
Total	<u><u>31</u></u>

The School 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, 2014 is estimated to be \$326,122. The School 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
7/1/2014	\$ 0	\$ 326	\$ 326	0%	TBD	TBD

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB	
		Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 333	162.17%	\$ (475)
June 30, 2014	\$ 371	109.91%	\$ (511)
June 30, 2015	\$ 282	89.09%	\$ (481)

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 valuation 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.

NOTE 12 – RECENT/FUTURE GASB PRONOUNCEMENTS

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objectives of this Statement are to address issues regarding the measurement of fair value and the applicability of fair value guidance. This Statement will be effective for fiscal year 2015-2016.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The primary objectives of this Statement are to establish requirements for pensions and pension plans not administered through trusts and to amend certain provisions of GASB Statements 67 and 68. This Statement will be effective for fiscal year 2016-2017.

BALDWIN-WHITEHALL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2015

NOTE 12 – RECENT/FUTURE GASB PRONOUNCEMENTS - CONTINUED

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The primary objectives of this Statement are to address the financial reports of defined benefit OPEB plans administered through a trust and to address certain disclosure requirements for such plans. This Statement will be effective for fiscal year 2016-2017.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to address the reporting requirements for OPEB liabilities and the related disclosure requirements. This Statement will be effective for fiscal year 2017-2018.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The primary objectives of this Statement are to reduce the GAAP hierarchy to two categories of authoritative GAAP, to provide implementation guidance and to address the use of authoritative and non-authoritative literature. This Statement will be effective for fiscal year 2015-2016.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement defines tax abatements and provides disclosure guidance for governments that have granted tax abatements. This Statement will be effective for fiscal year 2016-2017.

The effects of implementing GASB Statements No. 72 through 77 on the District’s financial statements have not yet been determined.

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement clarifies the definition of special revenue types, such as Capital Reserve Funds. For school years prior to June 30, 2015, the District maintained a Capital Reserve Fund that was funded by transfers from the General Fund and used for various capital projects. Under GASB No. 54, this type of special revenue fund is reported under the General Fund in the financial statements. Therefore, in the above financial statements, the District reported both the Capital Reserve Fund and General Fund under the heading General Fund. In order to reconcile with the June 30, 2014 financial statements, the District arrived at the beginning balance via the following schedule:

Capital Reserve Fund Balance at June 30, 2014	\$ 339,387
General Fund Fund Balance at June 30, 2014	14,737,902
	<u>\$ 15,077,289</u>
Beginning Fund Balance on June 30, 2015 Financial Statements	
General Fund	<u>\$ 15,077,289</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 13 – SUBSEQUENT EVENTS

On September 21, 2015, the District entered into a \$1.2 million lease for various sizes of buses. The term of the lease is three years, paid out in annual, equal installments of \$421,393 beginning September 30, 2015.

The School District evaluated its June 30, 2015 financial statements for subsequent events through October 20, 2015. The School District is not aware of additional subsequent events that would require recognition or disclosure in the financial statements.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2015, the District implemented GASB No. 67 *Financial Reporting for Pension Plans* and GASB No. 68 *Accounting and Financial Reporting for Pensions*. Reporting under the above GASB standards, which requires new reporting requirements for state and local governments that provide their employees with pension benefits, was not reflected in the Governmental Activities, Business-Type Activities or Food Service Fund for the year ended June 30, 2014. Net positions at July 1, 2014 have been restated to include implementation of GASB No. 67 and 68 as follows:

	Governmental Activities	Business-Type Activities (Proprietary Fund)	Total
Net Position at June 30, 2014	\$ 25,705,860	\$ 963,622	\$ 26,669,482
Less Net Pension Liability	<u>(88,367,727)</u>	<u>(1,961,278)</u>	<u>(90,329,005)</u>
Restated Net Position at July 1, 2014	<u>\$ (62,661,867)</u>	<u>\$ (997,656)</u>	<u>\$ (63,659,523)</u>

REQUIRED SUPPLEMENTARY INFORMATION

BALDWIN-WHITEHALL SCHOOL DISTRICT
POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs)
SCHEDULE OF FUNDING PROGRESS

YEAR ENDING JUNE 30, 2015

The schedule below reports the funding progress made by the School District.

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
7/1/2014	\$ 0	\$ 326	\$ 326	0%	TBD	TBD
7/1/2012	\$ 0	\$ 1,248	\$ 1,248	0%	TBD	TBD
7/1/2010	\$ 0	\$ 2,587	\$ 2,587	0%	TBD	TBD

BALDWIN-WHITEHALL SCHOOL DISTRICT

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs)
FACTORS AND TRENDS USED IN ACTUARIAL VALUATION**

YEAR ENDING JUNE 30, 2015

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the School District. The actuarial methods and assumptions stated below remained the same for both the July 1, 2012 and July 1, 2014 actuarial reports.

Valuation Date: July 1, 2014
Actuarial Cost Method: Entry Age Normal
Asset Valuation Method: Market Value
Amortization Method: Level dollar amortization
Remaining Amortization Period: Three 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>
2014	2.75%
2015 and after	5.00%

BALDWIN-WHITEHALL SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

YEAR ENDING JUNE 30, 2015

The schedule below reports the School District's proportionate share of the net pension liability.

The Public School Employees' Retirement System
Last 10 Fiscal Years (As of years ended 6/30)

	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.23%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 91,432,001
District's Covered-Employee Payroll	\$ 29,478,387
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	310.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.24%

The amounts presented for each fiscal year are determined as of the calendar year-end that occurred within the fiscal year. This schedule is presented to illustrate the requirement to disclose information for 10 years; however, until a full 10-year trend is compiled, governments are required to present information for those years for which information is available.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TO THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

YEAR ENDING JUNE 30, 2015

The schedule below reports the School District's annual contributions to the Public School Employees' Retirement System as of the June 30 year end.

	2015
Contractually Required Contribution	\$ 6,548,431
Contributions in Relation to Contractually Required Contribution	(6,548,431)
Contribution Deficiency (Excess)	\$ 0
District's Covered Employee Payroll	\$ 31,636,370
Contribution as a Percentage of Covered Employee Payroll	20.70%

This schedule is presented to illustrate the requirement to disclose information for 10 years; however, until a full 10-year trend is compiled, governments are required to present information for those years for which information is available.

BALDWIN-WHITEHALL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDING JUNE 30, 2015

NOTE 1 – CHANGES OF BENEFIT TERMS/ASSUMPTIONS

Changes of benefit terms. There were no changes of benefit terms for the year ended June 30, 2015.

Changes of assumptions. There were no changes of benefit assumptions for the year ended June 30, 2015.

SINGLE AUDIT SUPPLEMENTARY REPORTS

BALDWIN-WHITEHALL SCHOOL DISTRICT

LIST OF REPORT DISTRIBUTION

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| 1 copy | Bureau of Audits
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Pittsburgh, PA 15236 |
| 1 copy | Cottrill, Arbutina & Associates, P.C.
525 Third Street
Beaver, PA 15009 |

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

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 @ 7/1/14	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue @ 6/30/15
U.S. Department of Education:											
Passed through the PA Dept. of Education:											
Title I Grants to Local Education Agencies											
I	84.010	013-140020	07/01/13-09/30/14	\$ 417,043	\$ (1,544)	\$ 0	\$ (1,544)	\$ 0	\$ (1,544)	\$ 0	\$ 0
I	84.010	013-150020	07/01/14-09/30/15	862,740	639,904	0	825,039	185,135	825,039	825,039	185,135
I	84.367	020-140020	07/01/13-09/30/14	125,340	(87)	0	(87)	0	(87)	(87)	0
I	84.367	020-150020	07/01/14-09/30/15	124,242	107,769	0	124,242	16,473	124,242	124,242	16,473
I	84.365	010-140020	07/01/13-09/30/14	58,806	15,608	0	0	0	0	0	0
I	84.365	010-150020	07/01/14-09/30/15	72,150	69,133	0	72,150	3,017	72,150	72,150	3,017
Total PA Department of Education:						\$ 1,660,321	\$ 830,783	\$ 15,608	\$ 1,019,800	\$ 1,019,800	\$ 204,625
Passed through the Allegheny Intermediate Unit:											
IDEA - Special Education - Grants to States											
I	84.027	N/A	07/01/13-06/30/14	\$ 425,812	\$ 212,906	\$ 212,906	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
I	84.027	N/A	07/01/14-06/30/15	426,486	426,486	0	426,486	0	426,486	426,486	0
I	84.173	N/A	07/01/14-06/30/15	3,563	3,563	0	3,563	0	3,563	3,563	0
Total Department of Education:						\$ 2,516,182	\$ 1,473,738	\$ 228,514	\$ 1,449,849	\$ 1,449,849	\$ 204,625
U.S. Department of Agriculture:											
Passed through the PA Dept. of Education:											
National School Lunch Program											
I	10.555	N/A	07/01/13-06/30/14	N/A	F \$ 348,498	\$ 348,498	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
I	10.555	N/A	07/01/14-06/30/15	N/A	F 579,990	579,990	0	599,507	599,507	599,507	19,517
I	10.553	N/A	07/01/14-06/30/15	N/A	F 167,428	167,428	0	167,428	167,428	167,428	0
Passed through the PA Dept. of Agriculture:											
Value of Donated Commodities: National School Lunch Program											
I	10.555	N/A	07/01/14-06/30/15	N/A	F 87,209	87,209	0	87,209	87,209	87,209	0
Total Department of Agriculture						\$ 0	\$ 1,183,125	\$ 348,498	\$ 854,144	\$ 854,144	\$ 19,517
Total Federal Assistance						\$ 2,516,182	\$ 2,656,863	\$ 577,012	\$ 2,303,993	\$ 2,303,993	\$ 224,142

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

Source Codes:
 I=Indirect Funding
 F=Federal 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		<u>\$ 2,303,993</u>		
IDEA Cluster, Cafeteria Cluster		<u>\$ 1,280,630</u>	=	<u>55.58%</u>
				(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 School District passed and had approved by the appropriate agency, budgets for the fiscal year ending June 30, 2015 for all federal programs.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin-Whitehall School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Baldwin-Whitehall School District's basic financial statements and have issued our report thereon dated October 20, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 the deficiencies described in the accompanying schedule of findings and questioned costs noted as 2015-1 through 2015-4 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Baldwin-Whitehall School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not identify instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Baldwin-Whitehall School District's Response to Findings

Baldwin-Whitehall School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Baldwin-Whitehall School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

COTTRILL, ARBUTINA & ASSOCIATES, P.C.

Certified Public Accountants

Cottrill, Arbutina and Assoc.

Beaver, PA 15009

October 20, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the 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 the Baldwin-Whitehall School District's major federal programs for the year ended June 30, 2015. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Baldwin-Whitehall School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Baldwin-Whitehall School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Baldwin-Whitehall School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures did not disclose instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control over Compliance

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

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-5 and 2015-6 to be significant deficiencies.

Baldwin-Whitehall School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Baldwin-Whitehall School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

COTTRILL, ARBUTINA & ASSOCIATES, P.C.

Certified Public Accountants

Cottrill, Arbutina and Assoc

Beaver, PA 15009

October 20, 2015

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Baldwin-Whitehall School District.
2. Four significant deficiencies disclosed during the audit of the financial statements are reported in this schedule. All 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. Two deficiencies were identified in internal control over major federal award programs and were disclosed during the audit. No 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:

National School Lunch Program Cluster – CFDA 10.555, 10.553
IDEA Cluster-CFDA 84.027, 84.173
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

2015-1 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,

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

B. FINDINGS - FINANCIAL STATEMENTS AUDIT – CONTINUED

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 31 various adjusting journal entries to properly report on the modified accrual basis of accounting, and 19 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.

Effect: District Financial Statements could be materially misstated according to accounting principles generally accepted in the United States of America.

2015-2 Best Practices

SEGREGATION OF DUTIES

Condition: The School District has a limited number of staff responsible for or access to various stages of the accounting processes. Because of limited staff, we realize segregation of duties is not practical, if not impossible. Because of this internal control situation, the responsibility of the Business Manager is greatly increased because the Board must rely on his knowledge of the everyday operations to discover any material changes in the School District's financial position.

Criteria: The small size of the School District's office staff limits the extent of separation of duties. The basic premise in an ideal accounting office is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Some examples of lack of segregation of duties at the School District are as follows:

An individual can process payroll, generate payroll liabilities, generate signed payroll checks, initiate ACH payments and edit the master payroll file.

An individual can accept cash receipts, enter transactions in the accounting system, initiate deposits, make deposits at the bank and reconcile bank statements.

Effect: A lack in separation of duties makes the School District more susceptible to misappropriation of District Assets.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

B. FINDINGS - FINANCIAL STATEMENTS AUDIT – CONTINUED

SERVICE ORGANIZATION REPORT

Condition: The School District was not able to obtain a Service Organization Report from the earned income tax collector.

Criteria: The American Institute of CPAs recently released a new series of reporting options, called SERVICE ORGANIZATION CONTROL REPORTSSM (SOC), that enables CPAs to provide assurance on internal controls over subject matter other than financial reporting while filling the marketplace's need to demonstrate reliability and mitigation of risk. The earned income tax collector should have the necessary procedures performed over their internal controls in order to obtain a SOC report.

Effect: Poor internal controls could result in an increased risk of material misstatements and/or a misappropriation of District assets.

2015-3 Cafeteria Internal Controls

POS SYSTEM

Condition: The School District does not generate or review a POS report identifying manual adjustments to the POS system in order to detect questionable or inappropriate entries.

Criteria: During our fieldwork, we noted that the School District does not generate a report that would show manual adjustments made to the POS system. We recommend the School District generate a Food Service Purchase Transaction Log and Food Service Payment Transaction Log and review both reports looking for manual adjustments. The advantage of a report showing manual adjustments is the School District can identify any activity that appears to be questionable or inappropriate and follow up with the appropriate employees. In addition to generating and reviewing the aforementioned reports, we also recommend that the School District sign off on the report indicating that management has performed the proper review procedures.

Effect: Manual adjustments could indicate inappropriate activity or misallocation of District assets.

2015-4 Fixed Assets

Condition: We were unable to specifically identify and reconcile fixed assets listed on the District's fixed asset ledger to actual assets in the District.

Criteria: The District maintains a fixed asset ledger listing all of the fixed assets, their original cost, useful life and corresponding depreciation information. In order to test the ledger for accuracy, we have historically made a selection of items and then traced those specific items described in the

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

B. FINDINGS - FINANCIAL STATEMENTS AUDIT – CONTINUED

ledger to the actual item in the District. We were unable to complete this test in the current year because we were unable to identify specific assets in the ledger.

Effect: Fixed assets in the financial statements could be misstated.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

SIGNIFICANT DEFICIENCIES

2015-5 Free and Reduce Verifications

Condition: The verifications of free and reduced lunch applications were not properly calculated.

Criteria: The School District is required to verify a certain percentage of the free and reduced lunch applications. During the audit we tested the procedures of performing the verifications and determined that the verifications were not properly calculated resulting in four students being misclassified as free, reduced or paid.

Effect: Misclassification of students could result in state and federal reimbursement forms being inaccurate.

2015-6 System for Award Management

Condition: During our audit of the IDEA and the Child Nutrition programs, we noted that the District does not have a process for checking the System for Award Management (SAM) for covered transactions to verify if vendors or other persons/entities are suspended or debarred.

Criteria: We recommend that the District institute a policy where, for any persons/entities to which the District expends more than \$25,000 in a fiscal year, the District verifies that the person/entity is not listed on SAM. Verification may be accomplished by checking SAM at <http://www.sam.gov>. A copy of the search results should be maintained by the District and filed with corresponding documents.

Effects: The District could be doing business with a suspended or debarred entity which would mean they are out of compliance with federal program regulations.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2014-1 Preparation of Financial Statements

Condition: Under the auditing standard, “*Communicating Internal Control Related Matters Identified in an Audit*” which was effective for the year ending June 30, 2001, emphasis is placed on an organization’s ability to produce its finance statements in accordance with generally accepted accounting principles applicable to governmental entities (“GAAP”).

During the audit process, we proposed 36 adjustments to Baldwin-Whitehall School District’s financial statements. Adjustments were required to: 1) reclass various accounts; 2) properly record expenditures to the correct period; 3) propose year-end accruals; and 4) other items to bring the financial statements in accordance with GAAP.

Criteria: The auditing standards that must be applied require that 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.

Current Status: This finding continues in the current year audit.

2014-2 Best Practices

RECONCILIATION OF PAYROLL LIABILITIES

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

Criteria: We noted during preliminary and final testing that many of the 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.

SEGREGATION OF DUTIES

Condition: The School District has a limited staff responsible for or access to various stages of the accounting processes. Because of limited staff, we realize segregation of the above duties is not practical, if not impossible. Because of this internal control situation, the responsibility of the Business Manager is greatly increased because the Board must rely on his knowledge of the everyday operations to discover any material changes in the School District’s financial position.

BALDWIN-WHITEHALL SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

A. PRIOR YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT – CONTINUED

Criteria: The small size of the School District’s office staff limits the extent of separation of duties. The basic premise in an ideal accounting office is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Some examples of lack of segregation of duties at the School District are as follows:

An individual can process payroll, generate payroll liabilities, generate signed payroll checks, initiate ACH payments and edit the master payroll file.

An individual can accept cash receipts, enter transactions in the accounting system, initiate deposits, make deposits at the bank, and reconcile bank statements.

SERVICE ORGANIZATION REPORT

Condition: The School District was not able to obtain a Service Organization Report from the earned income tax collector.

Criteria: The American Institute of CPAs recently released a new series of reporting options, called SERVICE ORGANIZATION CONTROL REPORTSSM (SOC), that enables CPAs to provide assurance on internal controls over subject matter other than financial reporting while filling the marketplace’s need to demonstrate reliability and mitigation of risk. The earned income tax collector should have the necessary procedures performed over their internal controls in order to obtain a SOC report.

Current Status: The School District has implemented procedures to reconcile all balance sheet accounts on a monthly basis. However, the comments regarding segregation of duties and Service Organization Report continue.

2014-3 Cafeteria Internal Controls

POS SYSTEM

Condition: The School District does not generate or review a POS report identifying manual adjustments to the POS system in order to detect questionable or inappropriate entries.

Criteria: During our fieldwork, we noted that the School District does not generate a report that would show manual adjustments made to the POS system. We recommend the School District generate a Food Service Purchase Transaction Log and Food Service Payment Transaction Log and review both reports looking for manual adjustments. The advantage of a report showing manual adjustments is the School District can identify any activity that appears to be questionable or inappropriate and follow up with the appropriate employees in addition to generating and reviewing the aforementioned.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

A. PRIOR YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT – CONTINUED

DELINQUENT STUDENT ACCOUNTS

Condition: We noted during our audit that the School District had an increase in student delinquent accounts.

Criteria: We recommend the School District review its policy that communicates how the cafeteria should handle delinquent accounts. Points to consider would include a dollar limit at which the School District will no longer provide full meals to the student, how the School District will communicate with the student's parents regarding the delinquent amount, how the School District will deal with delinquent accounts that remain unresolved for an extended period of time, and whether or not the School District will provide a substitute meal during the time the student's account is delinquent.

INVOICE APPROVAL

Condition: During our testing of cafeteria disbursements, we noted the invoices were not initialed indicating approval to be paid.

Criteria: In order to ensure invoices are properly reviewed and management has approved the invoices to be paid, we recommend a member of management thoroughly review each invoice, reconcile it to any supporting documentation, and initial and date the invoice indicating approval to be paid.

Current Status: The District has implemented procedures to review delinquent accounts and to initial cafeteria invoices indicating approval for payment. However, the comment regarding reviewing POS reports continues in the current year.

SIGNIFICANT DEFICIENCIES

2014-4 High School Activity Fund

Condition: During testing of the High School Activity Fund disbursements, we noted some items did not have the proper supporting documentation and/or there was only one signature on the checks as opposed to the normal District procedure of having two signatures.

Criteria: It is imperative that the School District obtain proper supporting documentation prior to disbursing funds. Whether it is an order form, invoice, receipt, receiving report or some other form of documentation, we recommend the School District not disburse funds unless there is adequate

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

A. PRIOR YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT – CONTINUED

support as to the amount, reason, and payee for which the request is made. Additionally, it is normal District procedure to have two individuals sign each Activity Fund check. We recommend the School District not deviate from this procedure. By having two individuals review each disbursement and sign each check, the School District is employing proper internal controls.

Current Status: The District has strengthened procedures to ensure all supporting documentation and approval signatures are present.

B. PRIOR YEAR FINDINGS - MAJOR FEDERAL AWARD AUDIT

SIGNIFICANT DEFICIENCIES

2014-5 Free and Reduce Verifications

Condition: The verifications of free and reduced lunch applications were not properly approved and signed.

Criteria: The School District is required to verify a certain percentage of the free and reduced lunch applications. Upon verifying the application, the verification should have three signatures: determination officer, confirming officer, and employee. It is allowable that the employee can be the same person as either the determination officer or the confirming officer. We noted that the verifications did not have the proper signatures. Therefore, we encourage the School District to set up a procedure whereby designated individuals are reviewing and signing the verification of applications.

Current Status: Procedures have been implemented to ensure all verifications are properly approved and signed.

2014-6 Student Applications

Condition: The School District could not locate four free/reduced lunch applications that were selected for testing.

Criteria: During our fieldwork, we selected various free/reduced lunch applications to test for accuracy and internal controls. The School District could not locate four of the applications selected. We recommend the School District set up controls whereby all applications are properly filed and maintained.

Current Status: All selected applications were present and tested during the current audit period.

BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2015

A. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2015-1 Preparation of Financial Statements

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 31 various adjusting journal entries to properly report on the modified accrual basis of accounting, and 19 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.

Action Taken: The School District understands and takes responsibility for the financial statement preparation and the internal controls within the District. We firmly believe that all District employees have the responsibility to safeguard the assets of the School District and stronger controls must be adhered to in order to address the findings within this report. Current and on-going evaluations are necessary to increase effective internal controls and to enhance the reporting standards and financial statement preparation in accordance with GAAP.

2015-2 Best Practices

SEGREGATION OF DUTIES

Criteria: The small size of the School District's office staff limits the extent of separation of duties. The basic premise in an ideal accounting office is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Some examples of lack of segregation of duties at the School District are as follows:

An individual can process payroll, generate payroll liabilities, generate signed payroll checks, initiate ACH payments and edit the master payroll file.

An individual can accept cash receipts, enter transactions in the accounting system, initiate deposits, make deposits at the bank and reconcile bank statements.

BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2015

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

Action Taken: The School District recognizes that the limited number of staff adds to the risk associated with the daily operations. To mitigate this risk, the Business Manager has taken an active role in the day to day operations of the Business Unit. He actively reviews all reconciliations and receipts to ensure they are posted to the accounting system properly. In addition, he approves all check disbursements through the Positive Pay process and physically signs every accounts payable check that is issued by the School District.

SERVICE ORGANIZATION REPORT

Criteria: The American Institute of CPAs recently released a new series of reporting options, called SERVICE ORGANIZATION CONTROL REPORTSSM (SOC), that enables CPAs to provide assurance on internal controls over subject matter other than financial reporting while filling the marketplace's need to demonstrate reliability and mitigation of risk. The earned income tax collector should have the necessary procedures performed over their internal controls in order to obtain a SOC report.

Action Taken: The School District understands the importance of obtaining SOC reports from service organizations and will continue to inquire of the appropriate entities to ensure they obtain the proper reports. The vendor will undergo a Service Organization Control review during the 2015-2016 fiscal year.

2015-3 Cafeteria Internal Controls

POS SYSTEM

Criteria: During our fieldwork, we noted that the School District does not generate a report that would show manual adjustments made to the POS system. We recommend the School District generate a Food Service Purchase Transaction Log and Food Service Payment Transaction Log and review both reports looking for manual adjustments. The advantage of a report showing manual adjustments is the School District can identify any activity that appears to be questionable or inappropriate and follow up with the appropriate employees. In addition to generating and reviewing the aforementioned reports, we also recommend that the School District sign off on the report indicating that management has performed the proper review procedures.

Action Taken: The School District has identified the proper report to generate and has set up procedures to properly review the POS report on a weekly basis. By reviewing the report on a more frequent basis, the District will be able to more quickly identify any inconsistencies that may occur.

BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2015

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

2015-4 Fixed Assets

Criteria: The District maintains a fixed asset ledger listing all of the fixed assets, their original cost, useful life and corresponding depreciation information. In order to test the ledger for accuracy, we have historically made a selection of items and then traced those specific items described in the ledger to the actual item in the District. We were unable to complete this test in the current year because we were unable to identify specific assets in the ledger.

Action Taken: The District will be transferring all Fixed Asset accounting in-house through the Skyward Financial System during the 2015-2016 fiscal year. System training will occur late in 2015 with full transfer of the function scheduled to occur by June, 2016.

B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

SIGNIFICANT DEFICIENCIES

2015-5 Free and Reduce Verifications

Criteria: The School District is required to verify a certain percentage of the free and reduced lunch applications. During the audit we tested the procedures of performing the verifications and determined that the verifications were not properly calculated resulting in four students being misclassified as free, reduced, or paid.

Action Taken: The Food Service management has been retrained on the verification process to alleviate this concern.

2015-6 System for Award Management

Criteria: We recommend that the District institute a policy where, for any persons/entities to which the District expends more than \$25,000 in a fiscal year, the District verifies that the person/entity is not listed on SAM. Verification may be accomplished by checking SAM at <http://www.sam.gov>. A copy of the search results should be maintained by the District and filed with corresponding documents.

Action Taken: The District agrees and will implement this process.