

BALDWIN- WHITEHALL SCHOOL DISTRICT

SINGLE AUDIT

JUNE 30, 2008

MaherDuessel

Certified Public Accountants || *Pursuing the Profession While Promoting the Public Good®*

BALDWIN-WHITEHALL SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2008

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Independent Auditor's Report

Board of Directors
Baldwin-Whitehall School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Baldwin-Whitehall School District (School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis Section and budgetary comparison information on pages i through xiii and 34 - 35, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School District's basic financial statements. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic

Board of Directors
Baldwin-Whitehall School District
Independent Auditor's Report
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financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 of the School District. The additional information and the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maier Duessel

Pittsburgh, Pennsylvania
December 5, 2008

Baldwin-Whitehall School District

Management's Discussion and Analysis

June 30, 2008

The Management's Discussion and Analysis of Baldwin-Whitehall School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this Management's Discussion and Analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis 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 the State and Local Governments,"* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the Management's Discussion and Analysis.

Though the intent of GASB Statement No. 34 is to produce documentation that mirrors for-profit institutions, the fact remains that the School District is not in business to make a profit. The mission of the School District is to educate children. The reader should be aware of the differences in financial statement reporting between a for-profit company and an institution such as the School District.

FINANCIAL HIGHLIGHTS

The School District maintained its millage tax rate and, due to efforts on part of administration to cut operating expenditures, the School District increased its General Fund Balance by \$3,566,300. The Board of Directors (Board) elected to designate \$3,953,626 of the ending Unreserved Fund Balance for specific projects and purchases. These include \$2,460,000 for recreation and athletic field improvements, \$679,000 towards stabilizing benefits, and \$471,000 for post-construction technology for the renovated High School.

For the fiscal year 2007-08, the School District experienced an increase in its rate paid to the Public School Employees' Retirement System (PSERS). The rate increased from 6.46 percent to 7.13 percent. The School District is currently watching the predicted trends for future employer rate changes to PSERS. For the fiscal year 2008-09, the employer rate decreased to 4.76% and will remain relatively at this rate until 2012-2013, when it is expected to increase to 11.23%. These trends will continue to be watched by the School District.

The School District continued to pursue the collection of delinquent taxes and had an increase of \$703,688 over the 2006-2007 fiscal year. As a result of this and other measures to reduce operating costs, the School District was able to end the year with an Unreserved Undesignated Fund Balance equal to 8.3% of its budgeted expenditures.

USING THE FINANCIAL STATEMENT REPORT

The financial report consists of this Management's Discussion and Analysis, a series of financial statements, and notes to financial statements that provide additional information regarding the School District. These statements are organized so that the reader can understand the School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

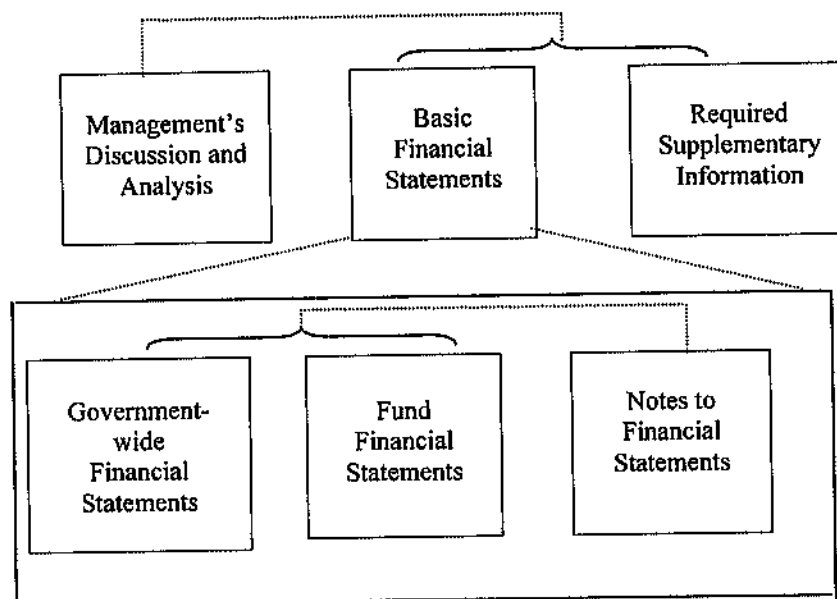
The first two statements are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the School District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide financial statements. The governmental funds financial statements tell how general School 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 School District operates like a business. For the School District, this is our Food Service Fund. Fiduciary Fund statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes to 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



USING THE ANNUAL FINANCIAL REPORT

Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School 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 content of each of the statements.

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

	Government-wide Financial Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except Fiduciary Funds)	The activities of the School District that are not Proprietary or Fiduciary, such as education, administration, and community services	Activities the School District operates similar to private business - food services	Instances in which the School District is the trustee or agent to someone else's resources - Scholarship Funds
Required financial statements	Statement of Net Assets; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Cash Flows	Statement of Fiduciary Net Assets; Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the 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 revenue and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Assets and the Statement of Activities

While the fund financial statements contain the majority of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during Fiscal Year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities, using the accrual basis of accounting similar to the accounting

used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets tells the reader, for the School District as a whole, whether the net asset position of the School District has increased or decreased. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base and current property tax laws in Pennsylvania restricting revenue growth, facility conditions, required educational programs, and other factors.

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements report information about the School District as a whole, using accounting methods similar to those used by private-sector companies. The reader must be reminded that the School District's charge is the education of children. No profit motive is included in the School District's mission. True comparability is not possible. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

Over time, increases or decreases in the School District's net assets are an indication of whether its "book value" is increasing or decreasing.

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

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

- **Governmental activities** - Most of the School District's basic services are included here, such as instructional services, support services, operation of plant and maintenance services, student transportation services, and administration. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-type activities** - The School District operates a food service operation and charges fees to staff, students, and visitors to help cover the costs of the food service operation.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The School District's fund financial statements, which begin on page 4, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and by bond requirements.

Governmental Funds - Most of the School 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 funds financial statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reflected in reconciliations of the financial statements.

Proprietary Fund - This fund is used to account for the School District's 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 School District charges customers for services it provides - whether to outside customers or to other units in the School District - these services are generally reported in the Proprietary Fund. The Food Service Fund is the School District's Proprietary Fund and its fund information is the same as business-type activities we report in the government-wide financial statements, but provides more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Assets

The School District's total net assets were \$9,041,445 at June 30, 2008.

Table A-3
Fiscal Years Ended June 30, 2008 and 2007
Net Assets

	2008			2007		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Current and other assets	\$ 38,386,114	\$(314,186)	\$38,071,928	\$ 52,558,439	\$ 884,215	\$ 53,442,654
Capital assets	<u>76,426,349</u>	<u>173,926</u>	<u>76,600,275</u>	<u>56,570,728</u>	<u>224,290</u>	<u>56,795,018</u>
Total Assets	<u>\$114,812,463</u>	<u>\$(140,260)</u>	<u>\$114,672,203</u>	<u>\$109,129,167</u>	<u>\$1,108,505</u>	<u>\$110,237,672</u>
Liabilities:						
Current and other liabilities	\$ 16,289,457	\$ 12,851	\$ 16,302,308	\$ 13,709,167	\$ 931,468	\$ 14,640,635
Long-term liabilities	<u>88,872,991</u>	<u>455,459</u>	<u>89,328,450</u>	<u>95,100,901</u>	<u>657,207</u>	<u>95,758,108</u>
Total Liabilities	<u>105,162,448</u>	<u>468,310</u>	<u>105,630,758</u>	<u>108,810,068</u>	<u>1,588,675</u>	<u>110,398,743</u>
Net Assets:						
Invested in capital assets, net of related debt	1,107,868	173,926	1,281,794	(3,370,370)	224,290	(3,146,080)
Unrestricted	<u>8,542,147</u>	<u>(782,496)</u>	<u>7,759,651</u>	<u>3,689,469</u>	<u>(704,460)</u>	<u>2,985,009</u>
Total Net Assets	<u>9,650,015</u>	<u>(608,570)</u>	<u>9,041,445</u>	<u>319,099</u>	<u>(480,170)</u>	<u>(161,071)</u>
Total Liabilities and Net Assets	<u>\$114,812,463</u>	<u>\$(140,260)</u>	<u>\$114,672,203</u>	<u>\$109,129,167</u>	<u>\$1,108,505</u>	<u>\$110,237,672</u>

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

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

Table A-4 rearranges the statements in a way that details the revenue and expenses for governmental and business-type activities for fiscal years ending in 2008 and 2007.

Table A-4
Fiscal Year Ended June 30, 2008
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Totals
Revenues:			
Program revenues:			
Charges for service	\$ 210,762	\$ 1,063,605	\$ 1,274,367
Operating grants	10,124,931	673,040	10,797,971
General revenues:			
Property taxes	36,699,202	-	36,699,202
Other taxes	3,787,646	-	3,787,646
Grants, subsidies, and contributions	7,954,635	-	7,954,635
Investment earnings	2,371,135	17,627	2,388,762
Miscellaneous income	245,190	-	245,190
Net investment in joint venture	(805,108)	-	(805,108)
Transfers	(47,560)	47,560	-
Refund of prior years revenue	(68,249)	-	(68,249)
Total revenues	60,472,584	1,801,832	62,274,416
Expenses:			
Instructional services	26,518,415	-	26,518,415
Instructional student support	2,563,046	-	2,563,046
Administration and financial support	5,044,716	-	5,044,716
Operation of plant and maintenance services	6,499,453	-	6,499,453
Student transportation	4,592,428	-	4,592,428
Student activities	1,310,165	-	1,310,165
Community services	6,515	-	6,515
Interest on long-term debt	4,606,930	-	4,606,930
Food services	-	1,930,232	1,930,232
Total expenses	51,141,668	1,930,232	53,071,900
Change in net assets	9,330,916	(128,400)	9,202,516
Net Assets - (Deficit) July 1, 2007	319,099	(480,170)	(161,071)
Net Assets - (Deficit) June 30, 2008	\$ 9,650,015	\$ (608,570)	\$ 9,041,445

Table A-4
Fiscal Year Ended June 30, 2007
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Totals
Revenues:			
Program revenues:			
Charges for service	\$ 261,887	\$ 1,096,527	\$ 1,358,414
Operating grants	8,863,091	538,276	9,401,367
General revenues:			
Property taxes	36,354,456	-	36,354,456
Other taxes	3,844,203	-	3,844,203
Grants, subsidies, and contributions	7,761,863	-	7,761,863
Investment earnings	1,769,329	33,328	1,802,657
Miscellaneous income	56,339	-	56,339
Net investment in joint venture	(285,708)	-	(285,708)
Refund of prior years revenue	(69,345)	-	(69,345)
Total revenues	58,556,115	1,668,131	60,224,246
Expenses:			
Instructional services	31,117,678	-	31,117,678
Instructional student support	2,665,674	-	2,665,674
Administration and financial support	5,224,429	-	5,224,429
Operation of plant and maintenance services	5,635,836	-	5,635,836
Student transportation	4,451,823	-	4,451,823
Student activities	1,337,445	-	1,337,445
Community services	4,806	-	4,806
Interest on long-term debt	2,684,783	-	2,684,783
Food services	-	1,800,346	1,800,346
Total expenses	53,122,474	1,800,346	54,922,820
Change in net assets	5,433,641	(132,215)	5,301,426
Net Assets - (Deficit) July 1, 2006	(5,114,542)	(347,955)	(5,462,497)
Net Assets - (Deficit) June 30, 2007	\$ 319,099	\$ (480,170)	\$ (161,071)

Table A-5 shows the School District's eight largest functions – instructional, instructional student support, administration, operation of plant and maintenance services, student transportation services, student activities, community services, and interest on long-term debt, 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.

Table A-5
Fiscal Years Ended June 30, 2008 and 2007
Governmental Activities

Functions/Programs:	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instructional	\$ 26,518,415	\$ 20,234,846	\$31,117,678	\$ 25,863,363
Instructional student support	2,563,046	2,114,135	2,665,674	2,410,462
Administration	5,044,716	4,587,545	5,224,429	4,715,257
Operation of plant and maintenance services	6,499,453	6,252,398	5,635,836	5,438,666
Student transportation services	4,592,428	3,103,662	4,451,823	2,941,701
Student activities	1,310,165	1,188,743	1,337,445	1,250,777
Community services	6,515	6,146	4,806	4,633
Interest on long-term debt	4,606,930	3,288,500	2,684,783	1,372,637
Total governmental activities	<u>\$ 51,141,668</u>	<u>40,775,975</u>	<u>\$53,122,474</u>	<u>43,997,496</u>
Less:				
Unrestricted grants, subsidies		<u>7,954,635</u>		<u>7,761,863</u>
Total needs from local taxes and other revenues		<u>\$ 32,821,340</u>		<u>\$ 36,235,633</u>

Table A-6 reflects the activities of the food service program, the only business-type activity of the School District.

Table A-6
Fiscal Years Ended June 30, 2008 and 2007
Business-Type Activities

<u>Functions/Programs:</u>	<u>2008</u>		<u>2007</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 service	<u>\$ 1,930,232</u>	<u>\$ 193,587</u>	<u>\$ 1,800,346</u>	<u>\$ 165,543</u>
Less:				
Transfers		47,560		
Investment earnings		<u>17,627</u>		<u>33,328</u>
Total business-type activities		<u>\$ 128,400</u>		<u>\$ 132,215</u>

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

School District Funds

At June 30, 2008, the School District's General Fund reported a Fund Balance of \$12,080,600, which is an increase of \$3,556,300 from 2007. The budget for fiscal year 2008 anticipated maintaining the Fund Balance, but as a result of increased revenues and effective controls over expenditures, the School District added to the reserves at June 30, 2008. With the additional funds available to the School District, the Board designated \$3,953,626 of the Unreserved Fund Balance at June 30, 2008.

General Fund Budget

During the fiscal year, the administration recommended that the Board authorize revisions to the original budget to accommodate actual expenditures. These budget transfers reallocate unencumbered funds designated for one purpose to another part of the budget to be used for a different purpose. Subsequent to June 30, 2008, year-end budget transfers, not prohibited by state law, were approved. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided on pages 34 and 35. Transfers between specific categories of expenditures/financing uses occur during the year.

The budgetary reserve includes amounts that will be funded by the designated fund balance for planned opportunities of expenditures for improvements/enhancements to the School District operations. These amounts will only be appropriated into expenditure categories if the fiscal results of the prior year end with a positive addition to the fund balance, which exceeds the total

of these projected expenditures. The Board has historically used this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2008, the School District's governmental activities had \$76,426,349 invested in a broad range of capital assets, including land, site improvements, buildings, furniture, and equipment. This amount represents a net increase (including additions, deletions, and depreciations) of \$19,855,621 or 35 percent from last year. Construction in progress has increased due to the construction and renovation at the High School.

Table A-7
Government Activities
Fiscal Year Ended June 30
Capital Assets – Net of Depreciation

	2008	2007
Land	\$ 583,550	\$ 583,550
Site improvements	812,036	902,606
Buildings and building improvements	18,255,227	19,072,411
Furniture and equipment	1,888,974	1,217,734
Construction in progress	53,055,613	32,650,151
Vehicles	1,830,949	2,144,276

DEBT ADMINISTRATION

As of July 1, 2007, the School District had total outstanding bond principal of \$91,637,750. During the year, the School District incurred additional principal of \$132,230, retired principal totaling \$3,840,000. The total outstanding bond principal as of June 30, 2008 is \$87,929,800.

Table A-8
Outstanding Debt

General Obligation Bond	Bond Insurer	Bond Rating Moody's/S&P/Fitch	As of June 30, 2008	As of June 30, 2007
Series of 1986	None	None	\$ 189,800	\$ 517,570
Series A of 2001	FSA	Aaa/AAA/AAA	4,320,000	4,770,000
Series A of 2002	FSA	Aaa/AAA/AAA	7,245,000	7,710,000
Series of 2003	FSA	Aaa/AAA/AAA	-	650,000
Series A of 2003	MBIA	A2/AA/NR	9,675,000	9,775,000
Series of 2004	FGIC	B1/BB/CCC	14,985,000	14,990,000
Series of 2005	FSA	Aaa/AAA/AAA	7,155,000	7,695,000
Series of 2006	MBIA	A2/AA/NR	7,040,000	8,210,000
Series of 2007	FSA	Aaa/AAA/AAA	37,320,000	37,320,000
Total			\$87,929,800	\$91,637,570

Other obligations include accrued sick leave for specific employees of the School District. More detailed information about our long-term liabilities is included in Note 5 to the Financial Statements.

Bond Rating

The School District maintains an underlying credit rating of "A3" from Moody's Investors Service. Additional security for the School District's general obligation bonds is provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program (the "Act"). The Act, which provides for undistributed state aid to be diverted to bondholders in the event of a payment default by the School District, carries a rating of "A1" from Moody's. All of the School District's bond issues except for the Series of 1986 are also supported by municipal bond insurance policies. The insurer and the insurer's credit ratings associated with each bond issue are outlined in the table above.

Economic Factors and the Impact on the 2008-2009 Budget

Renovation of the High School began in January 2006. This project is expected to take three years to complete. An approximate completion timeframe is the spring of 2009. At the end of the 2008-2009 year, the Collective Bargaining Agreement with the Baldwin-Whitehall Education Association will expire, and negotiations will commence in January 2009.

There are no expected significant changes in the number of employees for the 2008-2009 year. The School District does not expect significant growth in the near future, as student enrollment has remained steady at approximately 4,200.

The budget for 2008-2009 is a balanced budget of \$58,382,615. This budget has a millage rate of 23.61 or a one-mill decrease to taxpayers. The 2008-2009 budget is an increase of \$1,567,618 or 2.8% more than the original budget for 2007-2008. The School District will continue to be fiscally responsible to the taxpayers, and at the same time, manage its fund balance in a prudent manner.

The comparison of the General Fund revenue and expenditure categories is as follows:

Table A-9

	<u>Revenues</u>	
	<u>2007-2008</u>	<u>2006-2007</u>
Local	70.9%	71.5%
State	27.7%	26.2%
Federal/other	1.4%	2.3%
	<u>Expenditures</u>	
	<u>2007-2008</u>	<u>2006-2007</u>
Instruction	50.2%	51.1%
Support services	32.1%	34.5%
Non-instruction/community	1.9%	2.0%
Facilities	0.7%	0.4%
Fund transfers/debt	15.1%	12.0%

Contacting the School District's Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Jennifer L. Pesanka, Business Manager/Treasurer for the Baldwin-Whitehall School District, 4900 Curry Road, Pittsburgh, PA 15236-1898, (412) 885-7575.

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 13,904,727	\$ 96,460	\$ 14,001,187
Restricted cash, cash equivalents, and investments for capital additions	19,634,441	-	19,634,441
Taxes receivable, net of allowance for uncollectibles	2,040,500	-	2,040,500
Intergovernmental receivable	292,033	90,273	382,306
Internal balances	549,583	(549,583)	-
Other receivable	84,679	1,949	86,628
Inventory	-	46,715	46,715
Prepaid assets	495,263	-	495,263
Advance to Food Service Fund	366,389	-	366,389
Bond issue costs	1,018,499	-	1,018,499
Capital assets not being depreciated:			
Land	583,550	-	583,550
Construction in progress	53,055,613	-	53,055,613
Capital assets, net of accumulated depreciation	22,787,186	173,926	22,961,112
Total Assets	\$ 114,812,463	\$ (140,260)	\$ 114,672,203
Liabilities and Net Assets			
Liabilities:			
Accounts payable and other current liabilities	\$ 2,343,432	\$ 1,453	\$ 2,344,885
Accrued salaries and benefits	3,177,410	-	3,177,410
Retainage payable	4,454,557	-	4,454,557
Accrued interest payable	1,290,707	-	1,290,707
Unearned revenue	17,741	11,398	29,139
Noncurrent liabilities:			
Due within one year	5,005,610	-	5,005,610
Due in more than one year	88,872,991	455,459	89,328,450
Total Liabilities	105,162,448	468,310	105,630,758
Net Assets:			
Invested in capital assets, net of related debt	1,107,868	173,926	1,281,794
Unrestricted	8,542,147	(782,496)	7,759,651
Total Net Assets	9,650,015	(608,570)	9,041,445
Total Liabilities and Net Assets	\$ 114,812,463	\$ (140,260)	\$ 114,672,203

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instructional services:							
Regular instruction	\$ 19,090,203	\$ -	\$ 2,374,828	\$ -	\$ (16,715,375)	\$ -	\$ (16,715,375)
Special instruction	5,319,661	-	3,407,919	-	(1,911,742)	-	(1,911,742)
Vocational instruction	1,953,062	-	80,773	-	(1,872,289)	-	(1,872,289)
Other instructional programs	155,489	-	420,049	-	264,560	-	264,560
Total instructional services	26,518,415	-	6,283,569	-	(20,234,846)	-	(20,234,846)
Support services:							
Pupil personnel	1,564,385	-	163,829	-	(1,400,556)	-	(1,400,556)
Instructional staff	998,661	-	255,082	-	(743,579)	-	(743,579)
Administration	2,949,427	-	116,701	-	(2,832,726)	-	(2,832,726)
Pupil health	431,642	-	124,198	-	(307,444)	-	(307,444)
Business services	1,042,327	-	46,033	-	(996,294)	-	(996,294)
Operation of plant and maintenance services	6,499,453	-	247,055	-	(6,252,398)	-	(6,252,398)
Student transportation services	4,592,428	-	1,488,766	-	(3,103,662)	-	(3,103,662)
Central	568,925	143,340	24,635	-	(400,950)	-	(400,950)
Other support services	52,395	-	2,264	-	(50,131)	-	(50,131)
Total support services	18,699,643	143,340	2,468,563	-	(16,087,740)	-	(16,087,740)
Non-instructional services:							
Student activities	1,310,165	67,422	54,000	-	(1,188,743)	-	(1,188,743)
Community services	6,515	-	369	-	(6,146)	-	(6,146)
Total non-instructional services	1,316,680	67,422	54,369	-	(1,194,889)	-	(1,194,889)
Unallocated expenses - excluding direct expenses reported as a function above:							
Interest on long-term debt	4,606,930	-	1,318,430	-	(3,288,500)	-	(3,288,500)
Total governmental activities	51,141,668	210,762	10,124,931	-	(40,805,975)	-	(40,805,975)

(Continued)

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

(Continued)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food services	1,930,232	1,063,605	673,040	-	-	(193,587)	(193,587)
Total Primary Government	\$ 53,071,900	\$ 1,274,367	\$ 10,797,971	\$ -	(40,805,975)	(193,587)	(40,999,562)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net of uncollectibles					36,699,202	-	36,699,202
Other taxes levied for general purposes					3,787,646	-	3,787,646
Grants, subsidies, and contributions not restricted to specific programs					7,954,635	-	7,954,635
Investment earnings					2,371,135	17,627	2,388,762
Miscellaneous income					245,190	-	245,190
Net investment in joint venture					(805,108)	-	(805,108)
Refund of prior years revenue					(68,249)	-	(68,249)
Transfers					(47,560)	47,560	-
Total general revenues					50,136,891	65,187	50,202,078
Change in net assets					9,330,916	(128,400)	9,202,516
Net Assets:							
Beginning of year					319,099	(480,170)	(161,071)
End of year					<u>\$ 9,650,015</u>	<u>\$ (608,570)</u>	<u>\$ 9,041,445</u>

(Concluded)

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2008

	General Fund	Construction Fund	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 13,268,673	\$ 19,634,441	\$ 636,054	\$ 33,539,168
Taxes receivable, net of allowance for uncollectibles	2,040,500	-	-	2,040,500
Intergovernmental receivable	292,033	-	-	292,033
Due from other funds	564,633	-	-	564,633
Other receivable	75,432	-	9,247	84,679
Prepaid assets	495,263	-	-	495,263
Advance to Food Service Fund	366,389	-	-	366,389
Total Assets	\$ 17,102,923	\$ 19,634,441	\$ 645,301	\$ 37,382,665
Liabilities and Fund Balance				
Liabilities:				
Accounts payable and other current liabilities	\$ 427,209	\$ 1,915,162	\$ 1,061	\$ 2,343,432
Due to other funds	-	15,050	-	15,050
Accrued salaries and benefits	3,177,410	-	-	3,177,410
Retainage payable	-	4,454,557	-	4,454,557
Deferred revenue	1,417,704	-	-	1,417,704
Total Liabilities	5,022,323	6,384,769	1,061	11,408,153
Fund Balance:				
Reserved for:				
Prepaid assets	495,263	-	-	495,263
Advance to other fund	366,389	-	-	366,389
Encumbrances	2,463,624	-	-	2,463,624
Capital projects	-	13,249,672	-	13,249,672
Unreserved, designated for, reported in General Fund:				
Materials/textbooks - elementary language arts	43,626	-	-	43,626
Benefits stabilization	679,000	-	-	679,000
New software - (financial/student/IEP)	300,000	-	-	300,000
Post-construction technology	471,000	-	-	471,000
Recreation and athletic field improvements	2,460,000	-	-	2,460,000
Unreserved, undesignated for, reported in:				
General Fund	4,801,698	-	-	4,801,698
Special Revenue Funds	-	-	644,240	644,240
Total Fund Balance	12,080,600	13,249,672	644,240	25,974,512
Total Liabilities and Fund Balance	\$ 17,102,923	\$ 19,634,441	\$ 645,301	\$ 37,382,665

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2008

Total Fund Balance - Governmental Funds

\$ 25,974,512

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$112,901,456 and the accumulated depreciation is \$36,475,107.

76,426,349

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

1,399,963

Government funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets.

1,018,499

Accrued interest payable is not recognized as a current period expense and therefore, is not reported as a liability in the funds.

(1,290,707)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable, net	\$ (89,267,407)
Capital lease payable	(334,296)
Termination benefits	(3,272,343)
Compensated absences	(1,004,555)

(93,878,601)

Total Net Assets - Governmental Activities

\$ 9,650,015

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	General Fund	Construction Fund	Other Governmental Funds	Total
Revenues:				
Local sources	\$ 42,403,548	\$ 1,444,322	\$ 93,794	\$ 43,941,664
State sources	16,596,238	-	-	16,596,238
Federal sources	855,599	-	-	855,599
Total revenues	59,855,385	1,444,322	93,794	61,393,501
Expenditures:				
Current:				
Instruction	28,237,878	-	-	28,237,878
Support services	18,069,221	-	-	18,069,221
Non-instructional services	1,080,770	-	205,181	1,285,951
Facilities acquisition, construction, and improvements services	380,274	20,624,202	-	21,004,476
Debt service:				
Principal and interest	8,125,133	-	-	8,125,133
Total expenditures	55,893,276	20,624,202	205,181	76,722,659
Excess (Deficiency) of Revenues Over Expenditures	3,962,109	(19,179,880)	(111,387)	(15,329,158)
Other Financing Sources (Uses):				
Transfer in (out)	(327,560)	-	280,000	(47,560)
Refund of prior year receipts	(68,249)	-	-	(68,249)
Total other financing sources (uses)	(395,809)	-	280,000	(115,809)
Net Change in Fund Balance	3,566,300	(19,179,880)	168,613	(15,444,967)
Fund Balance:				
Beginning of year	8,514,300	32,429,552	475,627	41,419,479
End of year	\$ 12,080,600	\$ 13,249,672	\$ 644,240	\$ 25,974,512

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

Net Change in Fund Balance - Governmental Funds

\$ (15,444,967)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlays	\$ 21,431,078
Less: depreciation expense	<u>(1,575,457)</u>

19,855,621

The change in net investment in joint venture is not reported in the governmental funds.

(805,108)

The issuance of long-term obligations (e.g. bonds, leases, and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the statement of activities. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

3,787,446

Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the statement of activities over the amount due is shown here.

(157,811)

In the statement of activities, certain operating expenses for accumulated employee benefits (vacations, sick days, and early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

2,095,735

Change in Net Assets of Governmental Activities

\$ 9,330,916

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF NET ASSETS PROPRIETARY FUND

JUNE 30, 2008

	Food Service Fund
<hr/>	
Assets	
<hr/>	
Current assets:	
Cash and cash equivalents	\$ 96,460
Intergovernmental receivable	90,273
Other receivable	1,949
Inventory	46,715
	<hr/>
Total current assets	235,397
	<hr/>
Non-current assets:	
Machinery and equipment	1,250,665
Less accumulated depreciation	(1,076,739)
	<hr/>
Total non-current assets	173,926
	<hr/>
Total Assets	\$ 409,323
	<hr/>
<hr/>	
Liabilities and Net Assets	
<hr/>	
Liabilities:	
<hr/>	
Current liabilities:	
Accounts payable	\$ 1,453
Due to General Fund	549,583
Deferred revenue	11,398
	<hr/>
Total current liabilities	562,434
	<hr/>
Non-current liabilities:	
Advance from General Fund	366,389
Compensated absences	89,070
	<hr/>
Total Liabilities	1,017,893
	<hr/>
Net Assets:	
<hr/>	
Invested in capital assets, net of related debt	173,926
Unrestricted	(782,496)
	<hr/>
Total Net Assets	(608,570)
	<hr/>
Total Liabilities and Net Assets	\$ 409,323
	<hr/>

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2008

	Food Service Fund
Operating Revenue:	
Sale of food	\$ 1,063,605
Operating Expenses:	
Salaries	695,794
Employee benefits	158,461
Food	813,909
Supplies	9,349
Purchased services	188,181
Depreciation	50,364
Other	14,174
Total operating expenses	1,930,232
Net Operating Loss	(866,627)
Non-Operating Revenues:	
State subsidies	76,440
Federal revenues:	
Subsidies	509,878
Donated commodities	86,722
Earnings on investments	17,627
Total non-operating revenues	690,667
Loss before transfers	(175,960)
Transfers in	47,560
Change in Net Assets	(128,400)
Net Assets:	
Beginning of year	(480,170)
End of year	\$ (608,570)

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2008

	Food Service Fund
Cash Flows From Operating Activities:	
Receipts from users	\$ 1,079,675
Payments to employees	(1,044,036)
Payments to suppliers	(824,254)
Payments for interfund services provided	(500,371)
Net cash provided by (used in) operating activities	(1,288,986)
Cash Flows From Non-Capital Financing Activities:	
Transfer from General Fund	47,560
Grants and subsidies received:	
State	76,440
Federal	501,106
Net cash provided by (used in) non-capital financing activities	625,106
Cash Flows From Investing Activities:	
Earnings on investments	17,627
Net Increase (Decrease) in Cash and Cash Equivalents	(646,253)
Cash and Cash Equivalents:	
Beginning of year	742,713
End of year	\$ 96,460
Reconciliation of Net Operating Loss to Net Cash Provided By (Used in) Operating Activities:	
Net operating loss	\$ (866,627)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:	
Depreciation expense	50,364
Donated commodities	86,722
Change in assets and liabilities:	
Other receivables	16,070
Inventory	(4,733)
Due to General Fund	(500,371)
Accounts payable	(68,811)
Compensated absences	(1,600)
Total adjustments	(422,359)
Net cash provided by (used in) operating activities	\$ (1,288,986)
Non-Cash, Non-Capital Financing Transactions:	
The Baldwin-Whitehall School District received donated commodities of \$86,722 from the Department of Agriculture.	

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	Agency Fund
Assets	
Cash and cash equivalents	\$ 121,709
Liabilities	
Other current liabilities	\$ 121,709

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conforms to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

Baldwin-Whitehall School District (School District) is a public school system operating under the authority of the Pennsylvania School Code of 1949 and is governed by an elected nine-member Board of Directors (Board). The School District provides public education, kindergarten through twelfth grade, to the residents of the Boroughs of Baldwin and Whitehall and the Township of Baldwin. The criteria set forth in Governmental Accounting Standards Board Statement (GASB) No. 14, *"The Financial Reporting Entity"* and Statement No. 39 *"Determining Whether Certain Organizations are Component Units an Amendment of GASB Statement No. 14,"* is followed by the School District to determine which governmental organizations should be included or excluded from the reporting entity. Criteria for inclusion of any legal entity (component unit) into a primary governmental unit's financial statements includes but is not limited to legal standing, fiscal dependency, imposition of will, financial benefit or burden, and appointment of a voting majority of the governing board. The School District presently has no component units that meet the above criteria.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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. The comparison of direct expenses with program revenues identifies the extent to which each governmental function self-finances or draws from the general revenues of the School District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The School District segregated 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type. Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary fund, even though the latter is excluded from the government-wide financial statements.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types" as follows:

Governmental Funds:

The School District presents the following major governmental funds:

General Fund

The General Fund is the general operating fund of the School District which is utilized to account for all revenues and expenditures except those required to be accounted for in another fund.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

Construction Fund

The Construction Fund accounts for the resources accumulated and related expenditures used in the renovation of the School District's high school and various other capital projects.

Additionally, the School District reports the following other governmental funds:

Special Revenue Funds

Special Revenue Funds are used to account for proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds utilized by the School District are the Athletic Fund and the Capital Reserve Fund.

Proprietary Fund:

Enterprise Fund (Food Service Fund)

The Food Service Fund is authorized under Section 504 of the Public School Code of 1949 to account for all revenues and expenses pertaining to cafeteria operations and is presented as a major fund. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the students and/or faculty on a continuing basis are financed or recovered primarily through user charges and government subsidies.

Fiduciary Fund:

Agency Fund

The Student Activities Fund is used to account for assets held by the School District in a trustee capacity or as agent for individuals or private organizations.

Joint Ventures

The School District is one of eleven-member school districts of the Steel Center Area Vocational-Technical School (Steel Center Vo-Tech). Steel Center Vo-Tech provides vocational-technical training and education for high school students. Direct oversight of Steel Center Vo-Tech's operations is the responsibility of its Board, which consists of one representative from each participating school district. In addition, the School District is one of ten members of the Southeastern Area Special School (Southeastern).

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

Southeastern, which provides special education and training programs for exceptional children, is controlled and governed by the Joint School Committee, which is composed of representatives from each participating school district. The debt and fixed assets related to Steel Center Vo-Tech and Southeastern were consolidated under the Southeastern Authority (Authority) as of June 30, 1993. The School District's share of annual operating and capital costs for Steel Center Vo-Tech and Southeastern (collectively known as Special Schools) fluctuates based on the percentage enrollment in the applicable school and are reflected as expenditures of the General Fund. The School District's payments to the Authority for debt service in the current fiscal year amounted to \$178,893.

Separate financial statements for the Authority are available at the administrative offices of each of its member districts.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary 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.

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers tax revenues to be available when they are collected. State and federal grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District. 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 and claims and judgments, are recorded only when payment is due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

private-sector guidance for their business-type activities and Enterprise Funds, subject to the same limitation. The School District has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund are charges to students and faculty for the sale of food. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred revenue reported on the governmental funds balance sheet arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the School District before it has a legal claim to them, as when intergovernmental funds are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

Cash and Investments

For purposes of the statement of cash flows, cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date of three months or less when purchased by the School District.

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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activities are reported in the government-wide financial statement as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property tax receivables are shown net of an allowance for uncollectibles.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost and donated fixed assets are recorded at their fair market values at the time of donation. The School District maintains a capitalization threshold of \$4,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method, over the following useful lives:

Site improvements	15 years
Buildings and improvements	20-40 years
Machinery, equipment, and furniture	5-15 years
Vehicles	8 years

Compensated Absences

The School District accrues for certain accumulated employee benefits, such as unpaid vacation, sick pay, and retirement lump sum payments. The amount of the accrual is based on the vacation, sick, and retirement lump-sum payments, which are expected to be paid to employees upon their termination or retirement from the School District.

BALDWIN-WHITEHALL SCHOOL DISTRICT

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The entire accumulated employee benefits liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid accumulated employee benefits is the amount of early retirement and severance pay expected to be paid using expendable available resources within the next fiscal year. These amounts are recorded in the statement of net assets. There was no current portion as of June 30, 2008.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium and discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Inventory

The inventory of the Food Service Fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Net Assets

The government-wide and proprietary fund financial statements are required to report three components of net assets:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation, and is reduced by the

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- **Restricted** - This component of net assets consists of constraints placed on net asset use through external restrictions. As of June 30, 2008, the School District had none.
- **Unrestricted** - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." The net investment in joint ventures is also reflected here.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reserved

The term "reserved" is used to denote that portion of fund balance that is not available for expenditure appropriation or is legally segregated for a specific purpose. The School District has reserved fund balance related to the following items:

- Reserved for prepaid assets represents that portion of fund balance already expended that has not been consumed.
- Reserved for encumbrances represents commitments for expenditures through purchase orders or contracts.
- Reserved for advance represents that portion of fund balance to be used to offset the receivable and are not available to pay current liabilities.
- Reserved for capital improvements represents that portion of the fund balance that has been restricted for high school construction.

Designated

The School District has designated approximately \$4.4 million of unreserved fund balance related to the following items: materials/textbooks – elementary

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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language arts, benefits stabilization, new software – (financial/student/IEP), post-construction technology, recreation and athletic field improvements and purchase of buses.

Unreserved

Unreserved is used to denote that portion of the fund balance that is available for appropriation.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Pending Pronouncements

In June 2004, GASB issued Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."* This statement provides the accounting and reporting requirements for the benefit plans as well as requires that public sector employers accrue the cost of any postretirement healthcare or similar benefits (OPEB) they may offer to employees. Currently, the School District recognizes the cost of other postemployment benefits on a pay-as-you-go basis. For the purpose of the government-wide financial statements, GASB Statement No. 45 requires that governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in the same manner as they currently do for pensions. This standard may require an actuarial valuation to be performed.

These changes in accounting must be completed for GASB Statement No. 45 during fiscal year 2009. The effect of implementation of these statements has not yet been determined.

2. CASH AND CASH EQUIVALENTS

Under Section 440.1 of the Public School Code for 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.

The deposit and investment policy of the School District adheres to state statutes and prudent business practices. Deposits of the governmental funds are either maintained in demand deposits or savings accounts, certificates of deposit, or cash equivalents held by a Trustee of the School District. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The majority of the School District's investments is in U.S. Government Obligations and is therefore not exposed to this type of risk. Investments in PLGIT and PSDLAF (described below) have received an AAA rating from Standard & Poor's.

Custodial Credit Risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2008, the carrying amount of the School District's cash and deposits in all fund types was \$28,378,600 and the related bank balances totaled \$29,305,197. \$200,000 of the bank balance was covered by federal depository insurance. The remaining balance was collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

Investments

PLGIT and PSDLAF were established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools, and municipalities. The purpose of these funds is to enable such governmental units to pool their available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. The fair value of the

BALDWIN-WHITEHALL SCHOOL DISTRICT

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School District's position in the external investment pools is the same as the value of the pool shares. All investments in an external investment pool that are not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. Pooled investments are short-term in nature and are included in cash and cash equivalents on the statement of net assets.

The School District's investments included on the statement of net assets at June 30, 2008 consisted of:

<u>Pooled Funds</u>	<u>June 30, 2008</u>
PLGIT	\$ 1,307,178
PSDLAF	3,949,850
Carrying value	<u>\$ 5,257,028</u>

Fiduciary Fund

The School District maintains bank accounts for the various student activities funds. The balance of these accounts is reflected in the statement of fiduciary net assets. Revenues and expenditures for student activities were \$479,022 and \$499,549, respectively, for the year ended June 30, 2008. The carrying amount of deposits for the student activities funds was \$121,709, and the bank balance was \$125,963. None of the bank balance was covered by federal depository insurance; however, the entire balance was collateralized in accordance with Act 72 of the Pennsylvania state legislature.

3. REAL ESTATE TAXES RECEIVABLE

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed valuations provided by the County. The School District's tax rate for all purposes in fiscal year 2008 was 24.61 mills (\$24.61 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for the fiscal year ended June 30, 2008 is as follows:

July 1, 2007 - tax levy date
July 1, 2007 - August 31, 2007 - 2% discount period
September 1, 2007 - October 31, 2007 - face payment period
November 1, 2007 - Collection - 10% penalty period
January 1, 2008 - Lien Filing Date

BALDWIN-WHITEHALL SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2008

Beginning with the 2007 tax levy, taxpayers had the option to pay their real estate taxes at face on three installments due August 31, 2007, October 31, 2007, and December 31, 2007.

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are however, recorded as deferred revenue on the balance sheet until they are received. The property taxes receivable amount as included in the aggregate taxes receivable line item (\$1,635,051) is net of an uncollectible allowance of \$590,078.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance at July 1, 2007	Increases	Decreases	Balance at June 30, 2008
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 583,550	\$ -	\$ -	\$ 583,550
Construction in progress	32,650,151	20,624,202	(218,740)	53,055,613
Total capital assets, not being depreciated	33,233,701	20,624,202	(218,740)	53,639,163
Capital assets, being depreciated:				
Site improvements	2,608,222	-	-	2,608,222
Building and improvements	40,319,491	3,600	-	40,323,091
Furniture and equipment	9,990,629	1,016,601	(50,658)	10,956,572
Vehicles	5,368,993	5,415	-	5,374,408
Total capital assets, being depreciated	58,287,335	1,025,616	(50,658)	59,262,293
Less: accumulated depreciation for:				
Site improvements	(1,705,616)	(90,570)	-	(1,796,186)
Building and improvements	(21,247,080)	(820,784)	-	(22,067,864)
Furniture and equipment	(8,772,895)	(345,361)	50,658	(9,067,598)
Vehicles	(3,224,717)	(318,742)	-	(3,543,459)
Total accumulated depreciation	(34,950,308)	(1,575,457)	50,658	(36,475,107)
Capital assets being depreciated, net	23,337,027	(549,841)	-	22,787,186
Governmental activities capital assets, net	\$ 56,570,728	\$ 20,074,361	\$ (218,740)	\$ 76,426,349

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

	Balance at July 1, 2007	Additions	Balance at June 30, 2008
Business-Type Activities:			
Capital assets, being depreciated:			
Furniture and equipment	\$ 1,250,665	\$ -	\$ 1,250,665
Less: accumulated depreciation for:			
Furniture and equipment	(1,026,375)	(50,364)	(1,076,739)
Business-type activities capital assets, net	<u>\$ 224,290</u>	<u>\$ (50,364)</u>	<u>\$ 173,926</u>

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

Governmental Activities:

Instruction	\$ 1,082,227
Support:	
Instructional support services	1,998
Administration	67,459
Pupil health services	754
Operation of plant and maintenance services	20,051
Student transportation services	323,888
Central	1,362
Student activities	77,718
	<u>\$ 1,575,457</u>

5. LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

Changes in the School District's long-term debt during fiscal year 2008 were as follows:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

	Beginning Balance at July 1, 2007	Additions	Retirements	Ending Balance at June 30, 2008	Amounts Due Within One Year
General obligation bonds:					
Series of 1986	\$ 517,570	\$ 132,230	\$ (460,000)	\$ 189,800	\$ 230,000
Series A of 2001	4,770,000	-	(450,000)	4,320,000	465,000
Series A of 2002	7,710,000	-	(465,000)	7,245,000	730,000
Series of 2003	650,000	-	(650,000)	-	-
Series A of 2003	9,775,000	-	(100,000)	9,675,000	320,000
Series of 2004	14,990,000	-	(5,000)	14,985,000	5,000
Series of 2005	7,695,000	-	(540,000)	7,155,000	550,000
Series of 2006	8,210,000	-	(1,170,000)	7,040,000	1,830,000
Series of 2007	37,320,000	-	-	37,320,000	5,000
	<u>91,637,570</u>	<u>132,230</u>	<u>(3,840,000)</u>	<u>87,929,800</u>	<u>4,135,000</u>
Deferred refunding (loss)	(362,178)	-	40,903	(321,275)	-
Unamortized premium	1,751,994	-	(93,113)	1,658,881	-
Termination benefits	5,265,618	-	(1,993,274)	3,272,344	759,178
Capital lease	445,728	-	(111,432)	334,296	111,432
Accumulated employee benefits:					
Governmental-type activities	1,107,015	-	(102,460)	1,004,555	-
Business-type activities	90,670	12,510	(14,110)	89,070	-
Advance due to General Fund	566,537	-	(200,148)	366,389	-
	<u>\$100,502,954</u>	<u>\$ 144,740</u>	<u>\$ (6,313,634)</u>	<u>\$ 94,334,060</u>	<u>\$ 5,005,610</u>

General Obligation Bonds, Series of 1986

On April 15, 1986, the School District issued \$4,250,000 of General Obligation Bonds, Series of 1986 with varying interest rates ranging from 5.00% to 7.25% and various maturity dates through August 15, 2001. In addition, on May 21, 1986, the School District issued \$901,164.77 in Capital Appreciation Bonds with a set interest rate of 7.75% and various maturity dates from February 15, 2002 through August 15, 2010. The proceeds of the Bonds were used to refund \$3,860,000 aggregate principal amount outstanding of General Obligation Bonds, Series of 1985 of the School District, to finance school building and school property improvements, and the costs of bond issuance.

The Capital Appreciation Bonds maturing between February 15, 2002 and August 15, 2010 are not subject to redemption prior to maturity.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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General Obligation Bonds, Series A of 2001

On November 15, 2001, the School District issued \$6,655,000 of General Obligation Bonds, Series A of 2001 with varying interest rates from 2.15% to 4.40% and various maturity dates through August 15, 2015. The proceeds of the Bonds were used to refund the School District's outstanding General Obligation Bonds, Series of 1996, and to pay the cost of issuing the Series A Bonds.

Bonds maturing on and after August 15, 2007 are subject to redemption at the option of the School District prior to their stated maturity dates as a whole or in part on February 15, 2007 or on any date thereafter, upon payment of the redemption price of 100% of the principal amount, together with interest accrued to the date fixed for redemption.

General Obligation Bonds, Series A of 2002

On August 15, 2002, the School District issued \$9,120,000 of General Obligation Bonds, Series A of 2002 with varying interest rates between 1.9% and 4.00% and various maturity dates through January 15, 2013 to refund \$9,170,000 of the outstanding General Obligation Series of 1998 and to pay the cost of issuing the Bonds.

Bonds which mature after January 15, 2008 are subject to redemption prior to maturity, at the option of the School District, as a whole or in part on July 15, 2007 or on any date thereafter, in both cases upon payment of the redemption price of 100% of the principal amount, together with interest accrued to the date fixed for redemption.

General Obligation Bonds, Series A of 2003

On December 15, 2003, the School District issued \$9,800,000 of General Obligation Bonds, Series A of 2003 with varying interest rates from 3.125% to 4.300% and various maturity dates through February 15, 2022. The proceeds of the Bonds will be used toward the design, construction, furnishing and equipping of renovations and additions to the Baldwin High School, toward capital improvements to facilities owned and operated by the School District; and to pay the costs of issuing the bonds.

Bonds which mature after February 15, 2010 are subject to redemption prior to maturity, at the option of the School District, as a whole or in part on February 15, 2009 or on any date thereafter, upon payment of the redemption price of 100% of the principal amount, together with interest accrued to the date fixed for redemption.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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General Obligation Bonds, Series of 2004

On August 1, 2004, the School District issued \$15 million of General Obligation Bonds, Series 2004 with varying interest rates from 2.200% to 5.000% and various maturity dates through February 2023. The proceeds of the Bonds will be used to finance renovations to the high school, toward capital improvements to facilities owned and operated by the School District; and to pay the costs of issuing the bonds.

Bonds which mature on or after February 15, 2013 are subject to redemption prior to maturity, at the option of the School District, as a whole or in part on February 15, 2012 or on any date thereafter, upon payment of the redemption price of 100% of the principal amount, together with interest accrued to the date fixed for redemption.

General Obligation Bonds, Series of 2005

On June 15, 2005, the School District issued \$8.615 million of General Obligation Bonds, Series 2005 with varying interest rates from 3.500% to 4.300% and various maturity dates through September, 2022. The proceeds of the Bonds will be used to advance refund the outstanding General Obligation Bonds, Series B of 2001 of \$3,115,000, advance refund the outstanding General Obligation Bonds, Series 2002 of \$ 5,320,000 and to pay the costs of issuing the Bonds. As a result, the Series B 2001 Bonds and Series 2002 Bonds are considered to be defeased and the liability for those Bonds has been removed from the governmental activities column of the statement of net assets. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$123,727 and a decrease in the debt service of \$186,630.

Bonds which mature on or after September 15, 2013 are subject to redemption prior to maturity, at the option of the School District, as a whole or in part on September 15, 2012 or on any date thereafter, upon payment of the redemption price of 100% of the principal amount, together with interest accrued to the date fixed for redemption.

General Obligation Bonds, Series of 2006

On January 15, 2006, the School District issued \$8.73 million of General Obligation Bonds, Series 2006 with varying interest rates from 3.500% to 3.750% and various maturity dates through September, 2014. The proceeds of the Bonds will be used to currently refund the outstanding General Obligation Bonds, Series of 2001 of \$8,460,000, and to pay the costs of issuing the Bonds. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$141,331 and a decrease in the debt service of \$119,246.

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The Bonds are not subject to optional or mandatory redemption prior to their stated dates of maturity.

General Obligation Bonds, Series of 2007

On February 1, 2007, the School District issued \$37.32 million of General Obligation Bonds, Series 2007 with varying interest rates from 4.000% to 5.000% and various maturity dates from May 15, 2009 through February 15, 2025. The proceeds of the Bonds were used to refund, on a current refunding basis, the Note reflecting the draw on the Loan Agreement with a bank of \$35,000,000, to complete the high school renovation project, and to pay the costs of issuing the bonds.

Bonds which mature on or after May 15, 2017 are subject to redemption prior to maturity, at the option of the School District in any order of maturities either as a whole or in part, at any time on or after November 15, 2016, and if in part, by lot within a maturity, at a redemption price equal to 100% of the principal amount, together with accrued interest to the date fixed for redemption.

Defeased Bonds

At June 30, 2008, \$1,150,000 of Series 1986 General Obligation Bonds considered defeased are outstanding.

Future Maturities

The future scheduled maturities of General Obligation Bonds are as follows for each fiscal year ending June 30:

BALDWIN-WHITEHALL SCHOOL DISTRICT

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Fiscal Year Ending June 30,	Principal Payment	Interest Payment	Total Payment
2009	\$ 4,135,000	\$ 3,725,844	\$ 7,860,844
2010	4,270,000	3,587,868	7,857,868
2011	4,305,000	3,458,206	7,763,206
2012	4,380,000	3,313,844	7,693,844
2013	4,455,000	3,142,169	7,597,169
2014-2018	23,605,000	12,998,454	36,603,454
2019-2023	29,510,000	7,216,834	36,726,834
2024-2025	13,310,000	845,112	14,155,112
	87,970,000	38,288,331	126,258,331
Less deferred interest	(40,200)	-	(40,200)
Total payments	\$ 87,929,800	\$ 38,288,331	\$ 126,218,131

During August 2006, the School District entered into a lease agreement for financing the acquisition of nine school buses. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired under these capital leases total a gross amount of \$557,160 and have been included in Vehicles in Note 4.

The future minimum lease obligations and the net present value of these minimum lease payments were as of June 30, 2008 were as follows:

For the Year ending June 30,	
2009	\$ 122,895
2010	122,895
2011	122,895
Total minimum lease payments	368,685
Less: amount representing interest	(34,389)
Present value of future minimum lease payments	\$ 334,296

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

6. RETIREMENT BENEFITS

Plan Description

Substantially all full-time and part-time employees of the School District participate in the Public School Employees' Retirement System (PSERS), a governmental cost sharing multiple employer defined benefit plan. The PSERS provides retirement and disability benefits, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. The PSERS was established under the Public School Employees' Retirement Code (Code) (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535). The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by making a request in writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125. The publication is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Active members who joined PSERS prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (Membership Class T-D) of the member's qualifying compensation. Members who joined PSERS 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 PSERS after June 30, 2001, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.

School districts must contribute at rates based upon an actuarial valuation. For the fiscal year ended June 30, 2008, the rate of employer contributions was 7.13% of covered payroll. The 7.13% is composed of a pension contribution rate of 6.44% for pension benefits and .69% for healthcare insurance premium assistance.

During fiscal year 2008, the School District contributed approximately \$2.0 million from the General Fund, which was equal to its required contribution for the year. In accordance with Act 29, the Commonwealth of Pennsylvania reimburses school districts for at least one-half of contributions made to the PSERS. The School District received reimbursement from the Commonwealth of Pennsylvania of \$902,156. For

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

fiscal years 2007 and 2006, the School District's contributions, net of Commonwealth of Pennsylvania reimbursements, approximated \$700,000 and \$620,000, respectively, which were equal to its required contribution for those years.

7. TERMINATION BENEFITS

The School District provides early retirement incentives (termination benefits) to employees, as deemed appropriate by the School Board. Under each termination benefit agreement, only eligible employees may elect termination benefits during the time frame set forth in the agreement. The School District's obligation to pay healthcare costs or a portion thereof depends on which agreement the employee retired under. The termination benefits will continue until the retired employee reaches 65 years of age or ten years which ever occurs first. The School District recognizes these expenditures in the fund statements when paid. During fiscal year 2008, 108 eligible retirees received benefits totaling approximately \$812,000. Included in the government-wide financial statements is a liability of \$3.3 million for the termination benefits as required by GASB Statement No. 47. The liability is calculated at the discount present value, assuming an interest rate of 5%.

8. INTERFUND TRANSFERS, RECEIVABLES, AND PAYABLES

Interfund transactions at June 30, 2008, are summarized below:

	Interfund Transfer In	Interfund Transfer Out
Major Funds:		
General	\$ -	\$ 327,560
Food Service	47,560	-
Other Governmental Funds:		
Athletic Fund	130,000	-
Capital Reserve Fund	150,000	-
Total	<u>\$ 327,560</u>	<u>\$ 327,560</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

	<u>Interfund receivable</u>	<u>Interfund payable</u>
Major Funds:		
General	\$ 564,633	\$ -
Construction	-	15,050
Food Service	-	549,583
Total	<u>\$ 564,633</u>	<u>\$ 564,633</u>
	<u>Interfund advance to</u>	<u>Interfund advance from</u>
Major Funds:		
General	\$ 366,389	\$ -
Food Service	-	366,389
Total	<u>\$ 366,389</u>	<u>\$ 366,389</u>

Transactions between funds which are not expected to be repaid are accounted for as transfers. Transfers are used for reimbursements and for cash flow purposes. When repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts. Long-term repayments are accounted for as advances.

9. CONTINGENCIES

Litigation

The School District is subject to various legal proceedings and claims which arise in the ordinary course of operations. In the opinion of management, the amount of ultimate liability, if any, with respect to these actions, will not materially affect the financial position of the School District.

Government Grants

Certain grants require the fulfillment of conditions and compliance with applicable laws and regulations set forth in the grant agreements. Failure to fulfill the conditions or maintaining compliance with the aforementioned laws and regulations could result in the return of the funds to the grantors. Although this is a possibility, the School District deems the contingency remote.

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District provides medical insurance coverage under either

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

traditional indemnity insurance contracts, point of service medical plans, and Health Maintenance Organization plans. The School District continues to carry commercial insurance for all other risks of loss. There has been no reduction in insurance coverage from the previous year, nor have amounts of settlements exceeded coverage levels in the past three years.

11. OPERATING LEASES AND COMMITMENTS

Operating Lease

The School District entered into an agreement in December 2006 for document management services through November, 2011 with required minimum monthly payments of \$29,365. Total payments made on this lease for the year ended June 30, 2008, was approximately \$426,000.

Construction Contracts and Other Commitments

Certain contracts relating to the High School project have been entered into by the School District, for which the liability is not reflected in the financial statements in accordance with the measurement focus as described in Note 1. As of June 30, 2008, the School District has committed funds for construction contracts of approximately \$11 million.

12. HEALTH CONSORTIUM

The School District is one of forty-six members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. The School District paid approximately \$6.4 million to the Consortium during fiscal year 2008.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net assets or deficiency in net assets, respectively, as determined on the fiscal year-end date after withdrawal. The accounting for the Consortium's fiscal year ended June 30, 2008 has a surplus of \$57,382,067. The School District's share of this surplus is \$1,840,300.

REQUIRED SUPPLEMENTARY INFORMATION

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

YEAR ENDED JUNE 30, 2008

	Budget		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Local sources:				
Current real estate taxes	\$ 34,391,208	\$ 34,391,208	\$ 34,787,512	\$ 396,304
Public utility realty tax	42,000	42,000	57,674	15,674
Real estate transfer tax	350,000	350,000	439,006	89,006
Per capita taxes	35,000	35,000	27,005	(7,995)
Earned income tax	3,100,000	3,100,000	3,263,961	163,961
Delinquent taxes	900,000	900,000	1,911,690	1,011,690
Interest	675,000	675,000	900,441	225,441
Revenue from intermediary sources - state funds	-	-	30,000	30,000
Revenue from intermediary sources - federal funds	513,370	532,785	597,729	64,944
Rental of facilities	100,000	100,000	143,340	43,340
Contribution from private sources	35,000	35,000	32,996	(2,004)
Refunds and other miscellaneous revenue	5,000	195,091	212,194	17,103
Total local sources	40,146,578	40,356,084	42,403,548	2,047,464
State sources:				
Basic instructional subsidy	7,967,240	7,967,240	7,958,214	(9,026)
Charter school subsidy	97,282	97,282	91,279	(6,003)
Tuition for orphans and children placed in private homes	25,375	25,375	63,129	37,754
Homebound instruction	508	508	299	(209)
Alternate education grant	30,450	30,450	62,705	32,255
Special education	2,415,234	2,415,234	2,411,632	(3,602)
Transportation	1,390,250	1,390,250	1,302,834	(87,416)
Rental reimbursement	1,434,338	1,434,338	1,318,430	(115,908)
Health services	111,650	111,650	98,018	(13,632)
Dual enrollment	35,159	39,340	39,339	(1)
High school initiative	71,000	71,000	100,584	29,584
Accountability grant	594,508	629,413	629,413	-
Other state grants	10,150	60,150	50,000	(10,150)
Social Security reimbursements	1,079,616	1,079,616	1,092,209	12,593
Retirement reimbursements	672,724	672,724	902,156	229,432
Classrooms for the future	-	505,997	475,997	(30,000)
Total state sources	15,935,484	16,530,567	16,596,238	65,671
Federal sources:				
Title I - Improving the Academic Achievement of the Disadvantaged	409,985	438,522	374,457	(64,065)
Title II - Preparing, Training and Recruiting High Quality Teachers and Principals	151,284	151,366	208,481	57,115
Title III - Language Instruction for LEP and Immigrant Students	44,959	37,157	45,492	8,335
Title IV - Twenty-First Century Schools	55,825	186,172	96,540	(89,632)
Title V - Promoting Informed Parental Choice and Innovative Programs	5,882	5,578	4,225	(1,353)
Other restricted federal grants-in-aid through the Commonwealth of PA	20,000	66,500	83,805	17,305
Medical Assistance - reimbursements	45,000	45,000	42,599	(2,401)
Total federal sources	732,935	930,295	855,599	(74,696)
Total revenues	56,814,997	57,816,946	59,855,385	2,038,439

(Continued)

See the accompanying notes to required supplementary schedule.

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

(Continued)

YEAR ENDED JUNE 30, 2008

	Budget		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Expenditures:				
Instruction:				
Regular programs	20,915,729	21,201,304	20,798,967	402,337
Special programs	4,979,090	5,289,605	5,330,360	(40,755)
Vocational education programs	2,081,240	1,962,035	1,953,062	8,973
Other instructional programs	37,319	144,639	155,489	(10,850)
Total instruction	28,013,378	28,597,583	28,237,878	359,705
Support services:				
Pupil personnel	1,535,633	1,634,502	1,565,785	68,717
Instructional staff	1,056,275	1,131,974	997,663	134,311
Administration	2,835,831	3,016,862	2,883,968	132,894
Pupil health	413,833	453,833	430,888	22,945
Business	1,447,683	1,118,178	1,044,327	73,851
Operation and maintenance of plant services	5,563,594	6,001,160	6,110,815	(109,655)
Student transportation services	4,488,990	4,516,435	4,399,317	117,118
Central	589,516	598,392	584,063	14,329
Other support services	55,000	55,000	52,395	2,605
Total support services	17,986,355	18,526,336	18,069,221	457,115
Non-instructional services:				
Student activities	1,162,411	1,311,712	1,074,255	237,457
Community services	8,485	8,972	6,515	2,457
Total non-instructional services	1,170,896	1,320,684	1,080,770	239,914
Facilities acquisition, construction, and improvement services	590,227	668,202	380,274	287,928
Debt service	8,187,304	8,187,304	8,125,133	62,171
Other Financing Uses:				
Transfer out	266,837	416,837	327,560	89,277
Refund of prior year receipts	200,000	100,000	68,249	31,751
Budgetary reserve	400,000	-	-	-
Total expenditures and other expenditures and financing uses	56,814,997	57,816,946	56,289,085	1,527,861
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,566,300</u>	<u>\$ 3,566,300</u>

(Concluded)

See the accompanying notes to required supplementary schedule.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE

YEAR ENDED JUNE 30, 2008

1. BUDGETS AND BUDGETARY ACCOUNTING

The Board approves, prior to the beginning of each fiscal year, an annual budget on the modified accrual basis for the General Fund, as required by state law.

The School District follows these procedures for establishment of their annual budget:

1. Prior to May of the preceding fiscal year, the School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. At least 20 days prior to the date set for budget adoption, the budget is made available for public inspection.
3. A meeting of the Board is then called for the purpose of adopting the proposed budget. This meeting may only be held after 10 days of public notification.
4. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.
5. The budget must be filed with the Pennsylvania Department of Education by July 15 of the fiscal year or within 30 days of adoption.

The Public School Code allows the Board to authorize budget transfer amendments beginning 90 days after the start of each fiscal year. The budget data reflected in the statement of revenues, expenditures, and changes in fund balance – budget and actual includes the effect of such approved budget transfer amendments and, for comparative purposes; the actual results have also been presented. The budget transfer amendments made during the year were not significant. The School District expenditures may not legally exceed the revised budget amounts by function and object unless funds are received in excess of the budgeted State allocation levels. Accordingly, the legal level of budgetary control is at the object level within each function and fund.

Unexpended appropriations lapse at year-end. No supplemental appropriations were required during the current fiscal year.

Budgetary control for other governmental funds is maintained through enforcement of the related grant provisions or through provisions of various debt agreements.

ADDITIONAL INFORMATION

BALDWIN-WHITEHALL SCHOOL DISTRICT

COMBINING BALANCE SHEET OTHER GOVERNMENTAL FUNDS

JUNE 30, 2008

	Special Revenue Funds		Total
	Athletic Fund	Capital Reserve Fund	
Assets			
Cash and cash equivalents	\$ 6,144	\$ 629,910	\$ 636,054
Other receivable	3,000	6,247	9,247
Total assets	<u>\$ 9,144</u>	<u>\$ 636,157</u>	<u>\$ 645,301</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable and other current liabilities	\$ 1,061	\$ -	\$ 1,061
Fund Balance:			
Unreserved, undesignated	8,083	636,157	644,240
Total Fund Balance	<u>8,083</u>	<u>636,157</u>	<u>644,240</u>
Total Liabilities and Fund Balance	<u>\$ 9,144</u>	<u>\$ 636,157</u>	<u>\$ 645,301</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OTHER GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	Special Revenue Funds		
	Athletic Fund	Capital Reserve Fund	Total
Revenues:			
Local sources	\$ 67,422	\$ 26,372	\$ 93,794
Expenditures:			
Non-instructional services	205,181	-	205,181
Excess (Deficiency) of Revenues Over Expenditures	(137,759)	26,372	(111,387)
Other Financing Sources:			
Transfers in (out)	130,000	150,000	280,000
Net Change in Fund Balance	(7,759)	176,372	168,613
Fund Balance:			
Beginning of year	15,842	459,785	475,627
End of year	\$ 8,083	\$ 636,157	\$ 644,240

BALDWIN-WHITEHALL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Project Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received For the Year	Accrued (Deferred) Revenue at June 30, 2007	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
U.S. Department of Agriculture									
Passed through the Pennsylvania Department of Education:									
National School Lunch Program	10.555	n/a	7/1/06-6/30/07	n/a	\$ 70,937	\$ 70,937	\$ -	\$ -	\$ -
National School Lunch Program	10.555	n/a	7/1/07-6/30/08	n/a	382,024	-	450,075	450,075	68,051
Total National School Lunch Program					452,961	70,937	450,075	450,075	68,051
Special Milk Program for Children	10.556	n/a	7/1/06-6/30/07	n/a	1,295	1,295	-	-	-
School Breakfast Program	10.553	n/a	7/1/06-6/30/07	n/a	622	622	-	-	-
School Breakfast Program	10.553	n/a	7/1/07-6/30/08	n/a	49,330	-	59,804	59,804	10,474
Total School Breakfast Program					49,952	622	59,804	59,804	10,474
Food Nutrition Service	n/a	n/a	7/1/06-6/30/07	n/a	8,647	8,647	-	-	-
Food Nutrition Service	n/a	n/a	7/1/07-6/30/08	n/a	64,692	-	76,440	76,440	11,748
Total Food Nutrition Services					73,339	8,647	76,440	76,440	11,748
					577,547	81,501	586,319	586,319	90,273
Passed through the Pennsylvania Department of Agriculture:									
Food Donation	10.550	n/a	7/1/07-6/30/08	n/a	-	-	86,722	86,722	-
Total U.S. Department of Agriculture					577,547	81,501	673,041	673,041	90,273
U.S. Department of Education									
Passed Through the Pennsylvania Department of Education:									
Title I Grants to Local Educational Agencies	84.010	013-070020	7/5/06-9/30/08	407,292	161,301	125,762	26,951	26,951	(8,588)
Title I Grants to Local Educational Agencies	84.010	013-080020	7/10/07-9/30/08	434,280	318,520	-	343,354	343,354	24,834
Title I Grants to Local Educational Agencies - Academic Achievement Award	84.010	077-070020	7/5/06-9/30/08	4,152	4,152	-	4,152	4,152	-
Total Title I Grants to Local Educational Agencies					483,973	125,762	374,457	374,457	16,246
Safe and Drug-Free Schools and Communities - State Grants	84.186	100-070020	7/1/06-9/30/07	12,825	-	(1,147)	1,147	1,147	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	100-080020	8/7/07-9/30/08	12,953	5,551	-	3,631	3,631	(1,920)
Total Safe and Drug-Free Schools and Communities - State Grants					5,551	(1,147)	4,778	4,778	(1,920)
Improving Teacher Quality State Grants	84.367	020-070020	7/5/06-9/30/08	151,123	30,096	(54,000)	77,024	77,024	(7,072)
Improving Teacher Quality State Grants	84.367	020-080020	7/10/07-9/30/08	151,366	111,002	-	131,457	131,457	20,455
Total Improving Teacher Quality State Grants					141,098	(54,000)	208,481	208,481	13,383
Twenty-First Century Community Learning Centers	84.287	4100043174	1/1/08-6/30/08	173,219	43,304	-	92,909	92,909	49,605
State Grants for Innovative Programs	84.298	011-070020	7/1/06-9/30/07	5,882	1,961	-	1,961	1,961	-
State Grants for Innovative Programs	84.298	011-080020	7/10/07-9/30/08	5,578	1,859	-	1,117	1,117	(742)
Total State Grants for Innovative Programs					3,820	-	3,078	3,078	(742)
English Language Acquisition Grants	84.365	010-070020	7/12/06-9/30/08	44,959	26,606	(16,625)	36,781	36,781	(5,450)
English Language Acquisition Grants	84.365	010-080020	7/18/07-9/30/08	37,157	17,340	-	8,711	8,711	(8,629)
Total English Language Acquisition Grants					43,946	(16,625)	45,492	45,492	(15,079)
					721,692	53,990	729,195	729,195	61,493
Passed through the Allegheny Intermediate Unit:									
Special Education - Grants to States	84.027	n/a	7/1/07-6/30/08	412,158	412,158	-	412,158	412,158	-
Total U.S. Department of Education					1,133,850	53,990	1,141,353	1,141,353	61,493

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008
(Continued)

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Program or Award Amount</u>	<u>Total Received For the Year</u>	<u>Accrued (Deferred) Revenue at June 30, 2008</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2008</u>
Passed Through the Pennsylvania Department of Education:									
Learn and Serve America - School and Community Based Programs	94.004	019-060102	8/1/06-6/30/07	20,000	7,273	-	7,273	7,273	-
Learn and Serve America - School and Community Based Programs	94.004	019-070001	8/1/07-6/30/08	3,500	1,750	-	3,500	3,500	1,750
Learn and Serve America - School and Community Based Programs	94.004	019-070103	8/1/07-6/30/08	20,000	14,545	-	20,000	20,000	5,455
Total U.S. Department of Corporation for National and Community Service					23,568	-	30,773	30,773	7,205
<u>U.S. Department of Health and Human Services</u>									
Passed Through the Pennsylvania Department of Education:									
Refugee and Entrant Assistance - Discretionary Grants	93.576	028-006001	4/1/06-8/14/06	43,000	-	(8,831)	8,831	8,831	-
Refugee and Entrant Assistance - Discretionary Grants	93.576	028-007001	9/15/06-8/14/07	68,589	28,579	9,329	19,250	19,250	-
Refugee and Entrant Assistance - Discretionary Grants	93.576	4100040577	8/15/07-8/14/08	53,000	-	-	24,951	24,951	24,951
Total Refugee and Entrant Assistance - Discretionary Grants					28,579	498	53,032	53,032	24,951
Medical Assistance Program	93.778	044-007020	n/a	n/a	41,815	-	41,815	41,815	-
Passed through the Allegheny Intermediate Unit:									
Medical Assistance Program	93.778	n/a	n/a	n/a	33,271	-	33,271	33,271	-
Total Medical Assistance Program					75,086	-	75,086	75,086	-
Total U.S. Department of Health and Human Services					103,665	498	128,118	128,118	24,951
Total					\$ 1,838,630	\$ 135,989	\$ 1,973,285	\$ 1,973,285	\$ 183,922
					Less: state funds		(76,440)	(76,440)	
					Total federal financial assistance		\$ 1,896,845	\$ 1,896,845	

(Concluded)

Note to Schedule of Expenditures of Federal Awards:

1. The schedule was prepared using the accrual basis of accounting. Expenditures were recognized as liabilities were incurred.

BALDWIN- WHITEHALL SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
IN ACCORDANCE WITH
OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2008

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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

Board of Directors
Baldwin-Whitehall School District

We have audited 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 (School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

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

Board of Directors
Baldwin-Whitehall School District
Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the School District in a separate letter dated December 5, 2008.

* * * * *

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

Maher Duessel

Pittsburgh, Pennsylvania
December 5, 2008

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Independent Auditor's Report on Compliance with Requirements Applicable to Each of its Major Programs and on Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Directors
Baldwin-Whitehall School District

Compliance

We have audited the compliance of Baldwin-Whitehall School District (School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 School District's internal control over compliance.

A control deficiency in the School District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal

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program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School District's internal control.

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

* * * * *

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

Maher Duessel

Pittsburgh, Pennsylvania
December 5, 2008

BALDWIN-WHITEHALL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

1. Summary of Auditor's Results:

- i. The auditor's report on the financial statements was an unqualified opinion.
- ii. There were no significant deficiencies in internal control that were disclosed by the audit of the financial statements.
- iii. The audit did not disclose an area of noncompliance which was material to the financial statements.
- iv. There were no significant deficiencies in internal control over each of its major federal programs that were disclosed by the audit.
- v. The auditor's report on compliance for each of its major federal programs was an unqualified opinion.
- vi. The audit did not disclose an audit finding relative to each of its major federal programs that the auditor is required to report.
- vii. The major federal programs were:
 - a. Children Nutrition Cluster - CFDA #'s 10.553 and 10.555
 - b. Title I Grants to Local Educational Agencies - CFDA # 84.010
- viii. The dollar threshold used to distinguish between type A and type B programs was \$300,000.
- ix. Baldwin-Whitehall School District was determined to be a low risk auditee.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported

3. Findings and questioned costs for federal awards.

No matters were reported

BALDWIN-WHITEHALL SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2008

Prior Year Audit Findings:

Finding 2007-01 Financial Reporting System

Condition: Under the new auditing standard, "*Communicating Internal Control Related Matters Identified in an Audit*," which is effective for the year ending June 30, 2007, emphasis is placed on an organization's ability to produce its financial statements in accordance with generally accepted accounting principles applicable to governmental entities ("GAAP").

During the audit process, several significant adjustments were made to the Baldwin Whitehall School District's (School District) records. Adjustments were required to: 1.) to adjust the capital projects fund accounts payable and retainage payable and 2.) to record the real estate taxes receivable. Management does review and accept the financial statements prior to their final issuance.

Status: No similar condition was found in the current year.