

BALDWIN-WHITEHALL SCHOOL DISTRICT

PITTSBURGH, PENNSYLVANIA

JUNE 30, 2011

AUDIT REPORT

BALDWIN-WHITEHALL SCHOOL DISTRICT

PITTSBURGH, PENNSYLVANIA

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PITTSBURGH, PENNSYLVANIA
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Baldwin-Whitehall School District, as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Baldwin-Whitehall School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin-Whitehall School District, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows 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 March 31, 2012, on our consideration of the Baldwin-Whitehall School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xi be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baldwin-Whitehall School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

COTTRILL, ARBUTINA & ASSOCIATES, P.C.

Certified Public Accountants

Cottrill, Arbutina & Associates, P.C.

Beaver, PA 15009

March 31, 2012

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

JUNE 30, 2011

Required Supplementary Information (RSI)

The discussion and analysis of Baldwin-Whitehall School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

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

FINANCIAL HIGHLIGHTS

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

- ▶ Total assets of the District exceeded its liabilities at the close of the most recent year by \$25,925,645 (net assets). Of this amount, \$12,341,660 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- ▶ The District's total net assets total net assets increased from 2010 by \$2,092,912 or 8.8%.
- ▶ Unrestricted net assets increased by \$129,384 in 2011
- ▶ Net assets invested in capital assets, net of related debt were \$10,131,011 at June 30, 2011, an increase of \$2,246,013.
- ▶ The District's real property tax rate was decreased from 23.50 mills to 23.40 mills.
- ▶ At June 30, 2011, the district had \$76,865,000 of debt outstanding. This represents a decrease of \$3,195,000 or 4.0% from the previous year.
- ▶ The total fund balance of the General Fund at June 30, 2011 was \$13.376 million of which \$4.8 million was unassigned.
- ▶ The District maintained a strong investment grade bond rating of Aa3 from Moody's Investors Service for all related bond issuances and activities.

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

JUNE 30, 2011

USING THE ANNUAL FINANCIAL AUDIT REPORT

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

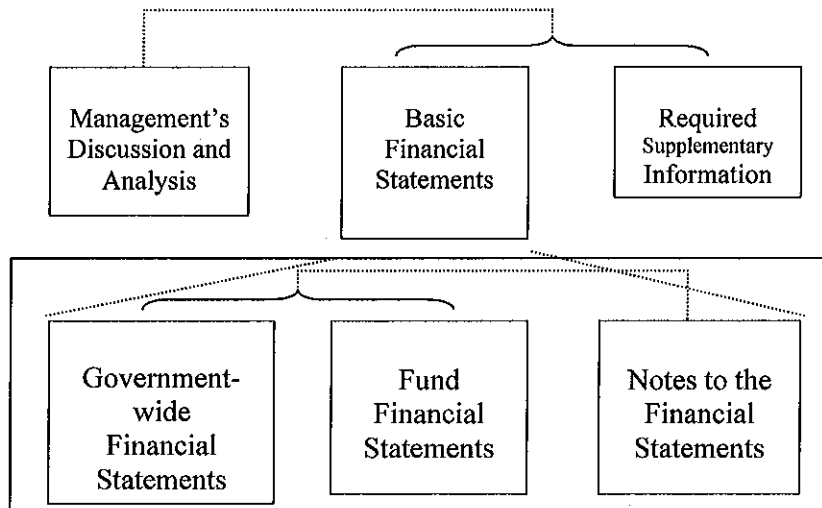
The first two statements are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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

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

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

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



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

JUNE 30, 2011

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

<p style="text-align: center;">Figure A-2 Major Features of Baldwin-Whitehall School District's Government-wide and Fund Financial Statements</p>				
		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Activity Funds
Required financial statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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

JUNE 30, 2011

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

The District's fund financial statements, which begin on Page 5, provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

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

BALDWIN-WHITEHALL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2011

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

Fiduciary funds - The District is the trustee, or fiduciary, for the Activity Funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on Page 12. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net assets were \$25,925,645 at June 30, 2011.

Table A-1
Fiscal Year ended June 30, 2011 and 2010
Net Assets

	<u>2011</u>			<u>2010</u>		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current & other assets	\$ 26,022,642	\$ (864,203)	\$ 25,158,439	\$ 27,071,431	\$ (869,506)	\$ 26,201,925
Capital assets	84,528,339	80,526	84,608,865	86,422,900	107,210	86,530,110
Total assets	<u>\$ 110,550,981</u>	<u>\$ (783,677)</u>	<u>\$ 109,767,304</u>	<u>\$ 113,494,331</u>	<u>\$ (762,296)</u>	<u>\$ 112,732,035</u>
Current & other liabilities	\$ 8,884,484	\$ 74,961	\$ 8,959,445	\$ 10,971,877	\$ 72,646	\$ 11,044,523
Long-term liabilities	74,833,444	48,770	74,882,214	77,798,119	56,660	77,854,779
Total liabilities	<u>\$ 83,717,928</u>	<u>\$ 123,731</u>	<u>\$ 83,841,659</u>	<u>\$ 88,769,996</u>	<u>\$ 129,306</u>	<u>\$ 88,899,302</u>
Net Assets						
Invested in capital assets, net of related debt	\$ 10,131,011	\$ 80,526	\$ 10,211,537	\$ 7,884,998	\$ 107,210	\$ 7,992,208
Restricted	3,372,448	0	3,372,448	0	0	0
Unrestricted	13,329,594	(987,934)	12,341,660	16,839,337	(998,812)	15,840,525
Total net assets	<u>\$ 26,833,053</u>	<u>\$ (907,408)</u>	<u>\$ 25,925,645</u>	<u>\$ 24,724,335</u>	<u>\$ (891,602)</u>	<u>\$ 23,832,733</u>
Total Liabilities and Net Assets	<u>\$ 110,550,981</u>	<u>\$ (783,677)</u>	<u>\$ 109,767,304</u>	<u>\$ 113,494,331</u>	<u>\$ (762,296)</u>	<u>\$ 112,732,035</u>

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

JUNE 30, 2011

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

The results of this year's operations as a whole are reported in the Statement of Activities on Page 4. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

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

Table A-2
Fiscal Year ended June 30, 2011 and 2010

	<u>2011</u>			<u>2010</u>		
	Governmental	Business-Type		Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Revenues						
Program revenues:						
Charges for services	\$ 189,655	\$ 1,048,863	\$ 1,238,518	\$ 125,328	\$ 1,055,024	\$ 1,180,352
Operating grants & contributions	9,905,540	856,274	10,761,814	10,475,787	861,650	11,337,437
Capital grants & contrib.	1,553,789	0	1,553,789	0	0	0
General revenues:						
Property taxes	33,599,338	0	33,599,338	33,983,348	0	33,983,348
Other taxes	4,074,715	0	4,074,715	5,670,383	0	5,670,383
Grants, subsidies and contributions, unrestricted	8,907,005	0	8,907,005	9,228,633	0	9,228,633
Other	<u>2,482,542</u>	<u>1,208</u>	<u>2,483,750</u>	<u>(143,173)</u>	<u>828</u>	<u>(142,345)</u>
Total Revenues	\$ 60,712,584	\$ 1,906,345	\$ 62,618,929	\$ 59,340,306	\$ 1,917,502	\$ 61,257,808

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

JUNE 30, 2011

Table A-2 - Continued

	<u>2011</u>			<u>2010</u>		
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
EXPENSES						
Instruction	\$ 32,894,889	\$ 0	\$ 32,894,889	\$ 29,267,461	\$ 0	\$ 29,267,461
Instructional student support	2,340,188	0	2,340,188	2,276,176	0	2,276,176
Administrative and financial support	6,549,688	0	6,549,688	5,560,986	0	5,560,986
Operation and maintenance of plant	6,311,665	0	6,311,665	6,893,019	0	6,893,019
Pupil transportation	4,872,843	0	4,872,843	4,271,121	0	4,271,121
Student activities	1,493,737	0	1,493,737	2,348,480	0	2,348,480
Community services	6,155	0	6,155	13,624	0	13,624
Interest on long-term debt	4,118,385	0	4,118,385	2,934,946	0	2,934,946
Capital expenditures not subject to depreciation	7,116	0	7,116	1,449,299	0	1,449,299
Food Services	<u>0</u>	<u>1,922,151</u>	<u>1,922,151</u>	<u>0</u>	<u>2,055,853</u>	<u>2,055,853</u>
Total expenses	<u>\$ 58,594,666</u>	<u>\$ 1,922,151</u>	<u>\$ 60,516,817</u>	<u>\$ 55,015,112</u>	<u>\$ 2,055,853</u>	<u>\$ 57,070,965</u>
Increase (decrease) in net assets before transfers	\$ 2,117,918	\$ (15,806)	\$ 2,102,112	\$ 4,325,194	\$ (138,351)	\$ 4,186,843
Transfers	<u>(9,200)</u>	<u>0</u>	<u>(9,200)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	<u>\$ 2,108,718</u>	<u>\$ (15,806)</u>	<u>\$ 2,092,912</u>	<u>\$ 4,325,194</u>	<u>\$ (138,351)</u>	<u>\$ 4,186,843</u>

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

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

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

JUNE 30, 2011

Table A-3
Fiscal Year ended June 30, 2011 and 2010
Governmental Activities

<u>Functions/Programs</u>	<u>June 30, 2011</u>		<u>June 30, 2010</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 32,894,889	\$ 25,153,530	\$ 30,870,027	\$ 24,068,592
Instructional student support	2,340,188	2,242,410	2,793,744	2,590,274
Administrative	6,549,688	6,198,843	5,681,582	5,527,330
Operation & maintenance	6,311,665	6,014,483	6,243,332	6,044,759
Pupil transportation	4,872,843	3,390,484	4,475,607	3,134,156
Student activities	1,493,737	1,372,020	1,328,698	1,232,475
Community services	6,155	2,200	13,624	13,408
Interest on long-term debt	4,118,385	2,564,596	2,934,946	1,175,635
Capital expenditures not subject to depreciation	7,116	7,116	822,023	822,023
Total governmental activities	<u>\$ 58,594,666</u>	<u>\$ 46,945,682</u>	<u>\$ 55,163,583</u>	<u>\$ 44,608,652</u>
Less:				
Unrestricted grants, subsidies		8,907,005		9,228,633
Total needs from local taxes and other revenues		<u>\$ 38,038,677</u>		<u>\$ 35,380,019</u>

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

Table A-4
Fiscal Year ended June 30, 2011 and 2010
Business-type Activities

<u>Functions/Programs</u>	<u>June 30, 2011</u>		<u>June 30, 2010</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Food Services	\$ 1,922,151	\$ (14,598)	\$ 2,041,044	\$ (122,714)
Less:				
Transfers In		0		0
Investment Earnings		1,208		828
Total business-type activities	<u>\$ (15,806)</u>		<u>\$ (123,542)</u>	

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

JUNE 30, 2011

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

THE DISTRICT FUNDS

At June 30, 2011, the District governmental funds reported a combined total fund balance of \$16,748,155 which is a slight decrease of \$57,835.

General Fund Budget

During the fiscal year, the Board authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District in accordance with state law. Transfers between specific categories of expenditures/financing uses occur during the year. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on Page 13.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2011, the District had \$83,777,084 invested in a broad range of capital assets, including land, buildings and furniture and equipment.

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

	<u>2011</u>	<u>2010</u>
Land	\$ 583,550	\$ 583,550
Site Improvements	5,193,009	2,063,743
Buildings	73,206,081	77,131,070
Furniture & Equipment	4,794,444	5,236,160
Construction in Progress	0	518,385

The reduction for Construction in Progress and the increase to Site Improvements is reflective of the significant progress made on the remaining closeout contracts for the construction and auditorium renovations. In addition, the District has made additions in capital assets with the acquisitions of various teacher and student laptops, servers and interactive whiteboards for classroom instruction.

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

JUNE 30, 2011

DEBT ADMINISTRATION

During the 2010-2011 fiscal year, the District made payments against bond principal of \$19,360,000 and additions of \$16,165,000 resulting in ending outstanding bond debt of \$76,865,000 as of June 30, 2011. Table A-6 below depicts the District's total outstanding debt by bond issue.

Table A-6
Outstanding Debt

General Obligation Notes/Bonds	<u>2011</u>	<u>2010</u>
Series 2004	\$ 0	\$ 14,975,000
Series 2005	5,445,000	6,035,000
Series 2006	1,735,000	2,955,000
Series 2007	37,305,000	37,310,000
Series 2009	7,130,000	9,285,000
Series A of 2009	9,085,000	9,500,000
Series 2010	16,165,000	0
	<u>\$ 76,865,000</u>	<u>\$ 80,060,000</u>

Other obligations include post employment benefit obligations of \$628,527 related to a retirement incentive provided to certain employees. More detailed information about our long-term liabilities is included in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The revenue budget for the 2010-2011 year is \$3,936,051 more than the original budget for 2009-2010. This represents a 6.70% increase in budgeted revenues. The expenditure budget for the 2010-2011 year is \$3,936,052 more than the original budget for 2009-2010.

The comparison of revenue and expenditure categories is as follows:

Table A-7
BUDGETED REVENUES

	2010-2011	2009-2010
Local	61.00%	64.38%
State	31.32%	32.25%
Federal/Other	7.68%	3.37%

BUDGETED EXPENDITURES

	2010-2011	2009-2010
Instruction	46.65%	50.31%
Support Services	30.88%	33.48%
Non-Instruction/Community	7.74%	2.03%
Fund Transfers/Debt	14.73%	14.18%

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

JUNE 30, 2011

FUTURE IMPLICATIONS

Budgeting in fiscal 2011-12 brought challenges as new legislation has changed school boards' ability to levy taxes. Act 1 of 2006 limits the ability of school boards to raise millage rates above an inflationary index without asking the community to approve that budget via a voting referendum. In addition, funding requirements for school districts has been very challenging with the required increases to employer retirement contributions. The completion of the high school construction project resulted in a favorable budget variance which was utilized to fund the high school auditorium renovation project. These excess resources relieved this previous commitment from the general fund and were utilized to assist in balancing the 2011-12 adopted budget. The 2011-12 budget is balanced at \$ 60,095,403 and the real estate millage remained at 23.4 mills for the 2011-12 fiscal year.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

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

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF NET ASSETS

AS OF JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 16,730,913	\$ 465,660	\$ 17,196,573
Taxes Receivable, net			
Property Taxes	3,950,265	0	3,950,265
Earned Income Taxes	1,260,533	0	1,260,533
Internal Balances	1,407,349	(1,407,349)	0
Due From Other Governments	1,509,943	25,556	1,535,499
Other Receivables	596,245	16,091	612,336
Prepaid Expenses	567,394	0	567,394
Inventories	<u>0</u>	<u>35,839</u>	<u>35,839</u>
Total Current Assets	<u>\$ 26,022,642</u>	<u>\$ (864,203)</u>	<u>\$ 25,158,439</u>
Noncurrent Assets			
Long-Term Prepayments (net of amortization)	\$ 751,255	\$ 0	\$ 751,255
Land	583,550	0	583,550
Site Improvements (net of depreciation)	5,193,009	0	5,193,009
Building & Building Improvements (net of depreciation)	73,206,081	0	73,206,081
Vehicles, Furniture & Equipment (net of depreciation)	<u>4,794,444</u>	<u>80,526</u>	<u>4,874,970</u>
Total Noncurrent Assets	<u>\$ 84,528,339</u>	<u>\$ 80,526</u>	<u>\$ 84,608,865</u>
TOTAL ASSETS	<u>\$ 110,550,981</u>	<u>\$ (783,677)</u>	<u>\$ 109,767,304</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 744,964	\$ 62,765	\$ 807,729
Retaining Payable	211,940	0	211,940
Current Portion of LT Debt	3,865,000	0	3,865,000
Short-Term Payables	729,109	0	729,109
Accrued Salaries and Benefits	3,326,473	0	3,326,473
Deferred Revenues	<u>6,998</u>	<u>12,196</u>	<u>19,194</u>
Total Current Liabilities	<u>\$ 8,884,484</u>	<u>\$ 74,961</u>	<u>\$ 8,959,445</u>
Noncurrent Liabilities			
Bonds Payable (net)	\$ 72,801,434	\$ 0	\$ 72,801,434
Unamortized bond discount/premium	1,403,483	0	1,403,483
LT Portion of Other Post-Employment Benefits	(161,133)	0	(161,133)
LT Portion of Compensated Absences	<u>789,660</u>	<u>48,770</u>	<u>838,430</u>
Total Noncurrent Liabilities	<u>\$ 74,833,444</u>	<u>\$ 48,770</u>	<u>\$ 74,882,214</u>
TOTAL LIABILITIES	<u>\$ 83,717,928</u>	<u>\$ 123,731</u>	<u>\$ 83,841,659</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 10,131,011	\$ 80,526	\$ 10,211,537
Restricted for:			
Capital Projects	2,510,859	0	2,510,859
Capital Reserves	861,589	0	861,589
Unrestricted (deficit)	<u>13,329,594</u>	<u>(987,934)</u>	<u>12,341,660</u>
TOTAL NET ASSETS	<u>\$ 26,833,053</u>	<u>\$ (907,408)</u>	<u>\$ 25,925,645</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 110,550,981</u>	<u>\$ (783,677)</u>	<u>\$ 109,767,304</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular Instruction	\$ 25,312,776	\$ 0	\$ 3,720,730	\$ 0	\$ (21,592,046)	\$ 0	\$ (21,592,046)
Special Instruction	5,400,262	0	3,931,404	0	(1,468,858)	0	(1,468,858)
Vocational Instruction	2,065,496	0	81,049	0	(1,984,447)	0	(1,984,447)
Other Instructional Programs	87,069	0	7,922	0	(79,147)	0	(79,147)
Adult Education Programs	1,835	0	254	0	(1,581)	0	(1,581)
Higher Education Programs	27,451	0	0	0	(27,451)	0	(27,451)
Total Instructional Services	\$ 32,894,889	\$ 0	\$ 7,741,359	\$ 0	\$ (25,153,530)	\$ 0	\$ (25,153,530)
Support Services:							
Pupil Personnel	\$ 1,343,905	\$ 0	\$ 45,692	\$ 0	\$ (1,298,213)	\$ 0	\$ (1,298,213)
Instructional Staff	996,283	0	52,086	0	(944,197)	0	(944,197)
Administration	3,728,263	0	147,858	0	(3,580,405)	0	(3,580,405)
Pupil Health	518,825	0	122,744	0	(396,081)	0	(396,081)
Business Services	1,495,426	0	50,367	0	(1,445,059)	0	(1,445,059)
Operation of Plant and Maintenance Services	6,311,665	130,894	166,288	0	(6,014,483)	0	(6,014,483)
Student Transportation Services	4,872,843	0	1,482,359	0	(3,390,484)	0	(3,390,484)
Central	754,345	0	29,876	0	(724,469)	0	(724,469)
Other Support Services	52,829	0	0	0	(52,829)	0	(52,829)
Total Support Services	\$ 20,074,384	\$ 130,894	\$ 2,097,270	\$ 0	\$ (17,846,220)	\$ 0	\$ (17,846,220)
Non-Instructional Services:							
Student Activities	\$ 1,493,737	\$ 58,761	\$ 62,956	\$ 0	\$ (1,372,020)	\$ 0	\$ (1,372,020)
Community Services	6,155	0	3,955	0	(2,200)	0	(2,200)
Interest on Long-Term Debt	4,118,385	0	0	1,553,789	(2,564,596)	0	(2,564,596)
Capital Expenditures not subject to capitalization	7,116	0	0	0	(7,116)	0	(7,116)
Total Non-Instructional Services	\$ 5,625,393	\$ 58,761	\$ 66,911	\$ 1,553,789	\$ (3,945,932)	\$ 0	\$ (3,945,932)
Total Governmental Activities	\$ 58,594,666	\$ 189,655	\$ 9,905,540	\$ 1,553,789	\$ (46,945,682)	\$ 0	\$ (46,945,682)
Business-Type Activities:							
Food Services	\$ 1,922,151	\$ 1,048,863	\$ 856,274	\$ 0	\$ 0	\$ (17,014)	\$ (17,014)
Total Primary Government	\$ 60,516,817	\$ 1,238,518	\$ 10,761,814	\$ 1,553,789	\$ (46,945,682)	\$ (17,014)	\$ (46,962,696)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net					\$ 33,599,338	\$ 0	\$ 33,599,338
Other taxes levied for general purposes, net					4,074,715	0	4,074,715
Property Tax Relief					1,661,934	0	1,661,934
Grants, subsidies & contributions not restricted					7,904,041	0	7,904,041
Grants, subsidies & contributions not restricted - ARRA					1,002,964	0	1,002,964
Investment earnings					52,475	1,208	53,683
Miscellaneous income					4,096	0	4,096
Refunds of prior year expenditures					764,037	0	764,037
Transfers					(9,200)	0	(9,200)
Total general revenues and transfers					\$ 49,054,400	\$ 1,208	\$ 49,055,608
Change in Net Assets					\$ 2,108,718	\$ (15,806)	\$ 2,092,912
Net Assets - beginning					24,724,335	(891,602)	23,832,733
Net Assets - ending					\$ 26,833,053	\$ (907,408)	\$ 25,925,645

BALDWIN-WHITEHALL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Capital Reserve</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 12,537,384	\$ 3,331,940	\$ 861,589	\$ 16,730,913
Taxes Receivable:				
Property Taxes	3,950,265	0	0	3,950,265
Earned Income Taxes	1,260,533	0	0	1,260,533
Interfund Receivables	3,741,421	0	0	3,741,421
Intergovernmental Receivables	1,509,943	0	0	1,509,943
Other Receivables	596,043	0	0	596,043
Prepaid Expenditures	567,394	0	0	567,394
TOTAL ASSETS	<u>\$ 24,162,983</u>	<u>\$ 3,331,940</u>	<u>\$ 861,589</u>	<u>\$ 28,356,512</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 744,964	\$ 0	\$ 0	\$ 744,964
Retainage Payable	0	211,738	0	211,738
Accrued Salaries & Benefits	3,326,473	0	0	3,326,473
Interfund Payables	1,724,729	609,343	0	2,334,072
Deferred Revenue	4,991,110	0	0	4,991,110
TOTAL LIABILITIES	<u>\$ 10,787,276</u>	<u>\$ 821,081</u>	<u>\$ 0</u>	<u>\$ 11,608,357</u>
FUND BALANCES				
Nonspendable Fund Balance				
Prepaid Expenses	\$ 567,394	\$ 0	\$ 0	\$ 567,394
Restricted Fund Balance				
Capital Projects	0	786,130	0	786,130
Committed Fund Balance				
Whitehall Recreation Equipment	15,125	0	0	15,125
Concrete Projects	75,000	0	0	75,000
District-wide Telephone System	231,388	0	0	231,388
Slope Landscaping Project	125,000	0	0	125,000
Estimated Tax Assessment Appeals	1,476,000	0	0	1,476,000
Benefits Stabilization Funding	2,800,000	0	0	2,800,000
Advance to Proprietary Fund	562,940	0	0	562,940
Assigned Fund Balance				
Capital Reserve	0	0	861,589	861,589
Capital Projects	0	1,724,729	0	1,724,729
Auditorium Funds Available for Subsequent Year's Budget	2,715,228	0	0	2,715,228
Unassigned Fund Balance	4,807,632	0	0	4,807,632
TOTAL FUND BALANCES	<u>\$ 13,375,707</u>	<u>\$ 2,510,859</u>	<u>\$ 861,589</u>	<u>\$ 16,748,155</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,162,983</u>	<u>\$ 3,331,940</u>	<u>\$ 861,589</u>	<u>\$ 28,356,512</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 16,748,155

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

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

Add: Capital Assets	128,515,484
Deduct: Accumulated Depreciation	(44,738,400)

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

Add: Property Taxes	3,789,432
Add: Earned Income Taxes	1,194,680

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

Deduct: Bonds/Notes Payable	\$ (76,865,000)
Deduct: Unamortized Discount/Premium	(1,403,483)
Add: Deferred Refunding Loss	198,566
Add: Unamortized Bond Issue Costs	751,255
Deduct: Accrued Interest on Debt	(729,109)
Deduct: Compensated Absences and Other Post-Employment Benefit	<u>(628,527)</u>
	<u>(78,676,298)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 26,833,053

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Capital Reserve	Total Governmental Funds
REVENUES				
Local Sources	\$ 38,656,084	\$ 4,915	\$ 3,785	\$ 38,664,784
State Sources	18,031,288	0	0	18,031,288
Federal Sources	3,202,319	0	0	3,202,319
TOTAL REVENUES	\$ 59,889,691	\$ 4,915	\$ 3,785	\$ 59,898,391
EXPENDITURES				
Instruction	\$ 30,193,417	\$ 0	\$ 0	\$ 30,193,417
Support Services	18,758,232	0	0	18,758,232
Non-Instructional Services	1,279,355	0	0	1,279,355
Capital Outlay	116,322	2,616,982	0	2,733,304
Debt Services	7,515,126	0	0	7,515,126
TOTAL EXPENDITURES	\$ 57,862,452	\$ 2,616,982	\$ 0	\$ 60,479,434
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,027,239	\$ (2,612,067)	\$ 3,785	\$ (581,043)
OTHER FINANCING SOURCES (USES)				
Refund of Prior Year Receipts	\$ (76,316)	\$ 0	\$ 0	\$ (76,316)
Refund of Prior Year Expenditures	240,879	294,558		535,437
Bond (Premium) Discount	0	(108,448)	0	(108,448)
Proceeds of Refunding Bonds	0	16,165,000	0	16,165,000
Payment to Refunded Bond Escrow Agent	0	(15,983,265)	0	(15,983,265)
Interfund Transfers	(1,990,754)	1,931,554	50,000	(9,200)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (1,826,191)	\$ 2,299,399	\$ 50,000	\$ 523,208
NET CHANGE IN FUND BALANCES	\$ 201,048	\$ (312,668)	\$ 53,785	\$ (57,835)
FUND BALANCE - JUNE 30, 2010	13,174,659	2,823,527	807,804	16,805,990
FUND BALANCE - JUNE 30, 2011	\$ 13,375,707	\$ 2,510,859	\$ 861,589	\$ 16,748,155

BALDWIN-WHITEHALL SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (57,835)**

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the period.

Capital Outlays	\$	3,210,817	
Less: Depreciation Expense		<u>(4,966,640)</u>	
			(1,755,823)

Because some property and earned income taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues changed by this amount this year.

244,464

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

Repayment of Bond/Note Principal	\$	19,360,000	
Bond/Note Proceeds		(16,165,000)	
Repayment of Lease Principal		116,876	
Interest Expense		104,626	
Amortization of Deferred Refunding Loss		(40,903)	
Amortization and Acquisition of Bond Issuance Costs		(138,737)	
Amortization and Acquisition of Bond Premium/Discount		<u>248,627</u>	
			3,485,489

In the Statement of Activities, certain operating expenses-compensated absences and other post-employment benefits-are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, the total amount of the liability changed by this amount.

192,423

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 2,108,718**

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND TYPES

AS OF JUNE 30, 2011

	<u>Food Service</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 465,660
Due From Other Governments	25,556
Accounts Receivable	16,091
Inventories	<u>35,839</u>
Total Current Assets	<u>\$ 543,146</u>
Noncurrent Assets:	
Machinery & Equipment (net)	<u>\$ 80,526</u>
Total Noncurrent Assets	<u>\$ 80,526</u>
TOTAL ASSETS	<u>\$ 623,672</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 62,765
Due to Other Funds	1,407,349
Deferred Revenue	<u>12,196</u>
Total Current Liabilities	<u>\$ 1,482,310</u>
Noncurrent Liabilities:	
Compensated Absences Payable	<u>\$ 48,770</u>
Total Noncurrent Liabilities	<u>\$ 48,770</u>
TOTAL LIABILITES	<u>\$ 1,531,080</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$ 80,526
Unrestricted	<u>(987,934)</u>
TOTAL NET ASSETS	<u>\$ (907,408)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 623,672</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Food Service</u>
OPERATING REVENUES:	
Food Service Revenue	\$ 1,048,863
TOTAL OPERATING REVENUES	
OPERATING EXPENSES:	
Salaries	\$ 571,587
Employee Benefits	157,446
Purchased Professional & Technical Services	288,099
Food Purchases	793,740
Supplies	17,454
Repairs and Maintenance	9,458
Depreciation	26,684
Other Operating Expenses	<u>57,683</u>
TOTAL OPERATING EXPENSES	<u>\$ 1,922,151</u>
OPERATING INCOME (LOSS)	<u>\$ (873,288)</u>
NON-OPERATING REVENUES (EXPENSES):	
Earnings on Investments	\$ 1,208
State Sources	118,051
Federal Sources	<u>738,223</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>\$ 857,482</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ (15,806)
Operating Transfers In (Out)	<u>0</u>
CHANGE IN NET ASSETS	\$ (15,806)
TOTAL NET ASSETS - JUNE 30, 2010	<u>(891,602)</u>
TOTAL NET ASSETS - JUNE 30, 2011	<u>\$ (907,408)</u>

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 1,147,875
Cash Payments to Employees for Services	(687,678)
Cash Payments to Suppliers for Goods and Services	(1,109,121)
Cash Payments for Other Operating Expenses	(57,683)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (706,607)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	\$ 118,051
Federal Sources	712,667
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 830,718</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	\$ 1,208
NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES	<u>\$ 1,208</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 125,319
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>340,341</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 465,660</u>
 <u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	<u>\$ (873,288)</u>
Depreciation and Net Amortization	\$ 26,684
Change in Assets and Liabilities	
(Increase) Decrease in Inventories	(3,906)
(Increase) Decrease in Accounts Receivable	99,012
Increase (Decrease) in Accounts Payable	3,537
Increase (Decrease) in Due to Other Funds	50,466
Increase (Decrease) in Accrued Salaries and Other Payroll Liabilities	24
Increase (Decrease) in Compensated Absences	(9,135)
Increase (Decrease) in Deferred Revenue	(1)
Total Adjustments	<u>\$ 166,681</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (706,607)</u>

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
AS OF JUNE 30, 2011

	Student Activities Fund
ASSETS	
Cash and Cash Equivalents	\$ 48,529
TOTAL ASSETS	<u>\$ 48,529</u>
LIABILITIES	
Due to Student Groups	\$ 48,529
TOTAL LIABILITIES	<u>\$ 48,529</u>
TOTAL NET ASSETS	<u>\$ 0</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 48,529</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with		
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)	Budget to GAAP Difference	Actual Amounts GAAP Basis
REVENUES						
Local revenues	\$ 38,257,380	\$ 38,257,380	\$ 38,656,084	\$ 398,704	\$ 0	\$ 38,656,084
State program revenues	19,640,783	19,640,783	18,031,288	(1,609,495)	0	18,031,288
Federal program revenues	1,331,023	1,331,023	3,202,319	1,871,296	0	3,202,319
TOTAL REVENUES	\$ 59,229,186	\$ 59,229,186	\$ 59,889,691	\$ 660,505	\$ 0	\$ 59,889,691
EXPENDITURES						
Regular Programs	\$ 21,961,942	\$ 21,961,942	\$ 22,436,621	\$ (474,679)	\$ 0	\$ 22,436,621
Special Programs	5,247,180	5,247,180	5,574,945	(327,765)	0	5,574,945
Vocational Programs	2,030,505	2,030,505	2,065,496	(34,991)	0	2,065,496
Other Instructional Programs	17,606	17,606	87,069	(69,463)	0	87,069
Adult Education Programs	0	0	1,835	(1,835)	0	1,835
Higher Education Programs	0	0	27,451	(27,451)	0	27,451
Pupil Personnel Services	1,391,394	1,391,394	1,343,905	47,489	0	1,343,905
Instructional Staff Services	1,123,654	1,123,654	989,975	133,679	0	989,975
Administrative Services	3,268,800	3,268,800	3,376,854	(108,054)	0	3,376,854
Pupil Health	539,235	539,235	516,441	22,794	0	516,441
Business Services	1,443,844	1,443,844	1,495,426	(51,582)	0	1,495,426
Operation & Maintenance of Plant Services	6,675,980	6,675,980	6,264,051	411,929	0	6,264,051
Student Transportation Services	4,022,422	4,022,422	3,968,677	53,745	0	3,968,677
Central	845,503	845,503	750,074	95,429	0	750,074
Other Support Services	53,000	53,000	52,829	171	0	52,829
Student Activities	1,049,935	1,049,935	1,273,200	(223,265)	0	1,273,200
Community Services	0	0	6,155	(6,155)	0	6,155
Facilities Acquisition and Construction	3,805,400	3,805,400	116,322	3,689,078	0	116,322
Debt Services	8,026,738	8,026,738	7,515,126	511,612	0	7,515,126
TOTAL EXPENDITURES	\$ 61,503,138	\$ 61,503,138	\$ 57,862,452	\$ 3,640,686	\$ 0	\$ 57,862,452
Excess (deficiency) of revenues over expenditures	\$ (2,273,952)	\$ (2,273,952)	\$ 2,027,239	\$ 4,301,191	\$ 0	\$ 2,027,239
OTHER FINANCING SOURCES (USES)						
Interfund Transfers	\$ (330,700)	\$ (330,700)	\$ (1,990,754)	\$ (1,660,054)	\$ 0	\$ (1,990,754)
Other Financing Sources	3,488,400	3,488,400	0	(3,488,400)	0	0
Budgetary Reserve	(883,749)	(883,749)	0	883,749	0	0
Refund of Prior Year Expenditures	0	0	240,879	240,879	0	240,879
Refund of Prior Year Receipts	0	0	(76,316)	(76,316)	0	(76,316)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 2,273,951	\$ 2,273,951	\$ (1,826,191)	\$ (4,100,142)	\$ 0	\$ (1,826,191)
Net change in fund balances	\$ (1)	\$ (1)	\$ 201,048	\$ 201,049	\$ 0	\$ 201,048
Fund Balance - June 30, 2010	5,823,993	5,823,993	13,174,659	7,350,666	0	13,174,659
Fund Balance - June 30, 2011	\$ 5,823,992	\$ 5,823,992	\$ 13,375,707	\$ 7,551,715	\$ 0	\$ 13,375,707

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 1 - REPORTING ENTITY

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

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Baldwin-Whitehall School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The Baldwin-Whitehall School District does not have any component units.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Baldwin-Whitehall School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant accounting policies of the District are described below.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Basis of Presentation

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

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

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

Fund financial statements—During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds, if applicable, are aggregated and presented in a single column. The fiduciary funds are reported by type. A break out of all funds that are aggregated for reporting purposes is shown as supplementary information after the notes to the financial statements.

B. Measurement Focus/Basis of Accounting

Fund Accounting

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The District reports the following major governmental funds:

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

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

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

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. Enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its enterprise activities.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

C. Budgetary Process

The District passed an appropriated original budget for the fiscal year ending June 30, 2011 with revenues totaling \$62,717,586 and expenditures totaling \$62,717,587.

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

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

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

D. Deposits and Investments

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

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments, which have a remaining term of one year or less at the time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes.

E. Interfund Balances

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

F. Inventories

On government-wide financial statements, inventories are stated at cost using the purchase method. The purchase method means that food products, materials, and supplies are charged as expenditures when acquired. Inventory on hand at the end of the period is then recorded as an asset by offsetting the appropriate expense account. Inventories for governmental activities are not reported as of June 30, 2011 due to their immaterial balance.

On fund financial statements, inventories are stated at cost using the purchase method for enterprise funds. The inventory for Business-type Activities at June 30, 2011 is \$35,839. Inventories are not maintained in governmental funds for fund financial statement reporting.

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District capitalizes all purchases made out of debt service funds and maintains a capitalization threshold of \$4,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

<u>Description</u>	Governmental Activities	Business-Type Activities
	<u>Estimated Lives</u>	<u>Estimated Lives</u>
Site Improvements	15-20 years	N/A
Buildings and Improvements	10-50 years	10-50 years
Furniture and Equipment	5-20 years	5-20 years

H. Unamortized Issuance Costs/Bond Premium and Discount

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

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

I. Compensated Absences/Retirement Incentives

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

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

Payment for each unused sick day is made in June of each year; therefore, there is no existing liability for compensated absences as of June 30, 2011.

The District measured and recognized an “other post-employment benefit” (OPEB) liability in accordance with provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. This statement provides guidance on accounting and financial reporting for

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

“other post-employment benefits” accounted for in financial statements of plan sponsors and employers. OPEB refer to non-pension benefits provided after the termination of employment. One example of this type of benefit is healthcare insurance premiums paid by employers on behalf of former employees. Governmental entities have traditionally accounted for OPEB on a pay-as-you-go basis. The guidance in this statement rests on the assumption that OPEB should be accrued as service is provided by employees.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Assets

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

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

L. Fund Balance

The GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) effective for reporting periods after June 15, 2010. The School has adopted GASB 54 as part of its 2010-11 fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the School’s financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

those resources. GASB 54 provides for two major types of fund balances, which are non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories.

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

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

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

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

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

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

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

M. Use of Estimates

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 3 – CASH / INVESTMENTS

Statutory Authority

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

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

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 3 – CASH / INVESTMENTS - CONTINUED

- c. The investment company is rated in the highest category by a nationally recognized rating agency.

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2011, \$7,508,762 of the District's bank balance of \$7,884,049 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution	\$	0
Uninsured and collateral held by the pledging bank's trust department not in the District's name	\$	7,508,762

Other Deposits

As of June 30, 2011, the District had the following other deposits in The Pennsylvania School Liquid Asset Fund (PSDLAF) which was established as common law trust, organized under laws of the Commonwealth of Pennsylvania. Shares of the fund are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the fund is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification. PLGIT and PSDLAF are governed by an elected board of trustees who are responsible for the overall management of the funds. The trustees are elected from the several classes of local governments participating in them. Each fund is audited annually by independent auditors. The Funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report net assets to compute share prices. The Funds maintain net asset value of \$1 per share. Accordingly, the fair value of the position in PLGIT and PSDLAF is the same as the value of PLGIT and PSDLAF shares. The value of the funds as of June 30, 2011 is as follows:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 3 – CASH / INVESTMENTS - CONTINUED

<u>Type</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
PA Local Government Investment Trust	\$ 3,512,138	AAAm
PA School District Liquid Asset Fund	6,164,990	AAAm
Total	<u>\$ 9,677,128</u>	

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 7,508,762
Collateralized Amount Above	375,287
Petty Cash	1,350
Other Deposits Above	<u>9,677,128</u>
Carrying Amount - Bank Balances	\$ 17,562,527
Less: Outstanding Items	(300,428)
Less: Fiduciary Funds	<u>(65,526)</u>
Total	<u>\$ 17,196,573</u>

NOTE 4 – TAXES

Property Taxes

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

The schedule for property taxes levied for 2010-2011 is as follows:

July 1, 2010	- tax levy date
Through August 31, 2010	- 2% discount period
Through October 31, 2010	- face payment period
Beginning November 1, 2010	- 5% penalty period
April 15, 2011	- lien date

The District tax rate for all purposes in 2010-2011 was 23.40 mills (\$23.40 per \$1,000 assessed valuation). Collections for the 2010-2011 year were \$32,087,080.

As of June 30, 2011, property taxes receivable by the District includes uncollected taxes assessed as of July 1, 2010 or earlier. It is estimated that 90% of all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected; therefore, property taxes receivable reflect this estimate. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 4 – TAXES - CONTINUED

Income Taxes

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

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 583,550	\$ 0	\$ 0	\$ 583,550
Construction in Progress	518,385	0	518,385	0
Total Capital assets, not being depreciated	\$ 1,101,935	\$ 0	\$ 518,385	\$ 583,550
Capital assets, being depreciated:				
Site Improvements	\$ 4,048,083	\$ 3,342,067	\$ 0	\$ 7,390,150
Building and building improvements	103,235,481	0	0	103,235,481
Furniture and equipment	16,919,169	387,134	0	17,306,303
Total capital assets, being depreciated	\$ 124,202,733	\$ 3,729,201	\$ 0	\$ 127,931,934
Accumulated depreciation for:				
Site Improvements	\$ (1,984,340)	\$ (212,801)	\$ 0	\$ (2,197,141)
Building and building improvements	(26,104,411)	(3,924,989)	0	(30,029,400)
Furniture and equipment	(11,683,009)	(828,850)	0	(12,511,859)
Total accumulated depreciation	\$ (39,771,760)	\$ (4,966,640)	\$ 0	\$ (44,738,400)
Total capital assets, being depreciated, net	\$ 84,430,973	\$ (1,237,439)	\$ 0	\$ 83,193,534
Governmental activities capital assets, net:	\$ 85,532,908	\$ (1,237,439)	\$ 518,385	\$ 83,777,084
Business-type activities:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 726,188	\$ 0	\$ 0	\$ 726,188
Total capital assets, being depreciated	\$ 726,188	\$ 0	\$ 0	\$ 726,188
Accumulated depreciation for:				
Furniture and equipment	\$ (618,978)	\$ (26,684)	\$ 0	\$ (645,662)
Total accumulated depreciation	\$ (618,978)	\$ (26,684)	\$ 0	\$ (645,662)
Total capital assets, being depreciated, net	\$ 107,210	\$ (26,684)	\$ 0	\$ 80,526
Business-type activities capital assets, net:	\$ 107,210	\$ (26,684)	\$ 0	\$ 80,526
Total Governmental & Business-type activities, net	\$ 85,640,118	\$ (1,264,123)	\$ 518,385	\$ 83,857,610

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 5 – CAPITAL ASSETS – CONTINUED

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

Governmental Activities:

Instruction:

Regular Instruction	\$ 3,411,734
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Support Services:

Instructional Staff	6,308
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Administration	212,672
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Pupil Health	2,384
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Operation of Plant and Maintenance Services	63,225
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Student Transportation Services	1,021,042
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Central	4,271
---------	-------

Non-Instructional Services:

Student Activities	<u>245,004</u>
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Total Depreciation expense, Governmental Activities:	<u>\$ 4,966,640</u>
--	---------------------

Business-Type Activities:

Food Services	<u>\$ 26,684</u>
---------------	------------------

Total Depreciation expense, Business-Type Activities:	<u>\$ 26,684</u>
---	------------------

Total Depreciation expense, Governmental and Business-Type Activities:	<u>\$ 4,993,324</u>
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NOTE 6 – RISK MANAGEMENT

Baldwin-Whitehall is a member of the Allegheny County Health Consortium (The Consortium) for Health Insurance. This Consortium was formed in 1987 in order to purchase health benefits on behalf of participating public school districts in Allegheny County, Pennsylvania. The District pays an annual premium to the Consortium for its health and medical insurance coverage. The formation agreement of the Consortium provides that the Consortium will be self-sustaining through annually determined member premiums and will reinsure through commercial companies for excess claims of amounts as defined in the insurance contract. Additionally, during fiscal 2005, the Consortium designated a portion of the net assets for rate stabilization and catastrophic claims. The Net Assets Designated for rate stabilization was \$2,989,000 as of June 30, 2011, while the Net Assets Designated for Catastrophic Claims was \$17,242,000.

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 6 – RISK MANAGEMENT - CONTINUED

The Consortium fund balance attributable to Baldwin-Whitehall School District was \$1,707,526 as of June 30, 2011 (audited) and at this time Baldwin-Whitehall has no plans on withdrawing from the Consortium. The financial statements of the Consortium for the year ended June 30, 2011 are on file with the Baldwin-Whitehall School District.

NOTE 7 – RETIREMENT PLANS/OTHER POSTEMPLOYMENT BENEFITS

Public School Employees' Retirement System (PSERS)

Plan Description. Baldwin-Whitehall School District contributes to the Public School Employees' Retirement System (PSERS); a Governmental cost sharing multiple employer defined benefit pension plan administered by the Public School Employees' Retirement System Board of Trustees under the authority of the Public School Employees' retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535). PSERS provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement System issues a publicly available comprehensive annual financial report that may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125. The publication is also available on the PSERS website at <http://www.psers.state.pa.us/publications/cafr/index.htm>.

Funding Policy. Active members who joined the system prior to July 22, 1983, are required to contribute 5.25% (Membership Class TC) or at 6.50% (Membership Class TD) of the qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class TC) or at 7.50% (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001 contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. The Baldwin-Whitehall School District is required to contribute at an actuarially determined rate. The rates applied to annual covered payroll were 5.64% at June 30, 2011, 4.78% at June 30, 2010 and 4.76% at June 30, 2009. The 5.64% at June 30, 2011 is composed of a pension contribution rate of 5.00% for pension benefits and 0.64% for healthcare insurance premium assistance.

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

<u>Fiscal Year Ending</u>	<u>Employer Contribution</u>
June 30, 2011	\$1,576,670
June 30, 2010	\$1,376,726
June 30, 2009	\$1,259,075

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT

Long-term liability for the year ended June 30, 2011 is as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 80,060,000	\$ 16,165,000	\$ (19,360,000)	\$ 76,865,000	\$ 3,865,000
Deferred amounts for issuance premium/(discount)/(issue costs)	762,118	181,735	(291,625)	652,228	0
Deferred refunding loss	(239,468)	0	40,902	(198,566)	0
Total bonds payable, net	\$ 80,582,650	\$ 16,346,735	\$ (19,610,723)	\$ 77,318,662	\$ 3,865,000
Lease obligations	116,876	0	(116,876)	0	0
Other post- Emp. benefit obligation/ comp abs payable	820,950	0	(192,423)	628,527	0
Total governmental activity long- term liabilities	<u>\$ 81,520,476</u>	<u>\$ 16,346,735</u>	<u>\$ (19,920,022)</u>	<u>\$ 77,947,189</u>	<u>\$ 3,865,000</u>

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

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2011, including interest payments are as follows:

	<u>Bonds and Notes Payable</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 4,420,000	\$ 2,635,287	\$ 7,055,287
2013	4,490,000	2,488,217	6,978,217
2014	4,315,000	2,325,902	6,640,902
2015	4,845,000	2,177,518	7,022,518
2016	4,925,000	2,027,999	6,952,999
2017-2021	27,785,000	7,576,814	35,361,814
2022-2026	26,085,000	2,590,879	28,675,879
Total	<u>\$ 76,865,000</u>	<u>\$ 21,822,616</u>	<u>\$ 98,687,616</u>

General Obligation Bonds, Refunding Series of 2010

On November 9, 2010, the Baldwin-Whitehall School District issued \$16,165,000 in General Obligation Bond, Refunding Series of 2010. Total interest and principal payments over the

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT - CONTINUED

scheduled life of the Bond is \$18,357,734, with interest rates between 2.00% and 3.30%. The bonds are scheduled to mature on February 15, 2023.

The proceeds of the bond were used to currently refund the School District's General Obligation Bonds, Series of 2004 and to pay the cost of issuing the bonds. As a result, the 2004 Bonds are considered to be defeased, and the liability for these bonds has been removed from the balance of bonds payable. The total interest and principal payments of the defeased amounts to be paid out over the life of the bond issue at the time of refunding was \$22,116,935, with interest rates between 2.20% and 5.00%. The bonds were originally scheduled to mature on February 15, 2023.

General Obligation Bonds and Notes

General obligation bonds and notes payable at June 30, 2011, with their outstanding balance are as follows:

\$8,615,000 2005 general obligation bonds, due in annual installments of \$400,000 to \$250,000, beginning September 15, 2005, through September 15, 2022, interest from 2.51 to 4.38%	\$ 5,445,000
\$8,730,000 2006 general obligation bonds, due in annual installments of \$15,000 to \$2,255,000, beginning March 15, 2006, through September 15, 2014, interest from 3.20 to 3.75%	1,735,000
\$37,320,000 2007 general obligation bonds, due in annual installments of \$5,000 to \$6,575,000, beginning May 15, 2009, through May 15, 2025, interest from 4.0 to 5.0%	37,305,000
\$9,995,999 2009 general obligation bonds, due in annual installments of \$585,000 to \$2,935,000, beginning January 15, 2010, through January 15, 2016, interest from 1.55 to 2.89%	7,130,000
\$9,680,000 2009A general obligation refunding bonds, due in annual installments of \$180,000 to \$1,270,000, beginning February 15, 2010, through February 15, 2022, interest from 2.00 to 3.50%	9,085,000
\$16,165,000 2010 general obligation refunding bonds, due in annual installments of \$5,000 to \$3,350,000, beginning February 15, 2012, through February 15, 2023, interest from 2.00 to 3.30%	<u>16,165,000</u>
	<u>\$ 76,865,000</u>

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2011, consisted of the following fund receivables and payables:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES – CONTINUED

	<u>Receivables</u>	<u>Payables</u>
General Fund: Enterprise Fund	\$ 1,407,349	\$ 0
Enterprise Fund: General Fund	0	1,407,349
General Fund: Capital Projects Fund	2,334,072	0
Capital Projects Fund: General Fund	0	2,334,072
Totals	<u>\$ 3,741,421</u>	<u>\$ 3,741,421</u>

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

Interfund transfers for the year ended June 30, 2011 were as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
General Fund: Capital Projects	\$ 206,825	\$ 0
Athletic Fund: General Fund	0	206,825
General Fund: Capital Reserve	50,000	0
Capital Reserve: General Fund	0	50,000
General Fund: Fiduciary Fund	9,200	0
Fiduciary Fund: General Fund	0	9,200
Totals	<u>\$ 266,025</u>	<u>\$ 266,025</u>

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 10 – CONTINGENCIES

A. Litigation

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

B. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

Post-retirement benefits

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB No. 45 during the year ended June 30, 2011, the District recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years will be phased in over five years, commencing with the 2009 liability.

Plan description

The District provides post-retirement benefits for certain employees for current and future health, pharmacy, dental and vision insurance benefit expenses through a single-employer defined benefit plan. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2010. The post-retirement plan does not issue stand-alone financial reports.

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

Membership in the plan consisted of the following at July 1, 2010, the date of the last actuarial valuation.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Retirees and beneficiaries receiving benefits	104
Active plan members	<u>0</u>
Total	<u>104</u>

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The actuarial accrued liability as of July 1, 2010 is estimated to be \$2,587,416. The District's contributions represent payments made for premiums for insured individuals.

Schedule of Funding Progress (\$000's)						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll (Total)	UAAL as a Percentage of Payroll
7/1/2010	\$ 0	\$ 2,587	\$ 2,587	0%	TBD	TBD

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

GASB45 Schedule of Employer Contributions (\$000's)			
Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB	
		Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 586	130%	\$ (161)

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuations and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2011

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Valuation Date:	July 1, 2010
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Market Value
Amortization Method:	Open level dollar amortization
Remaining Amortization Period:	Five years
Actuarial Assumptions:	
Investment rate of return	4.50%
Inflation rate	None
Health cost trend rates	Medical and pharmacy costs and premium rates are assumed to increase as shown in the following table (selected years shown):

Fiscal Year Ending June 30	Increase in Health Cost over Prior Year
2012	n/a*
2013	n/a*
2014	n/a*
2015	n/a*
2016	n/a*
2017 and on	n/a*

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

NOTE 12 – SUBSEQUENT EVENT

The School District evaluated its June 30, 2011 financial statements for subsequent events through March 31, 2012. The School District is not aware of additional subsequent events that would require recognition or disclosure in the financial statements.

SINGLE AUDIT SUPPLEMENTARY REPORTS

BALDWIN-WHITEHALL SCHOOL DISTRICT

LIST OF REPORT DISTRIBUTION

1 copy	Bureau of Audits Special Audit Services Division 555 Walnut Street Forum Place – Eighth Floor Harrisburg, PA 17101 Online Submission
1 copy	Allegheny County Prothonotary City County Building 414 Grant Street, First Floor Pittsburgh, PA 15219
30 copies	Baldwin-Whitehall School District 4900 Curry Road Pittsburgh, PA 15236
1 copy	Cottrill, Arbutina & Associates, P.C. 525 Third Street Beaver, PA 15009
1 copy	Bloomberg Municipal Repository 100 Business Park Drive Skillman, NJ 08558
1 copy	DPC Data Inc. 1 Executive Drive Fort Lee, NJ 07024
1 copy	Interactive Data Pricing and Reference Data, Inc. Attn: NRMSIR 100 Williams Street New York, NY 10038
1 copy	Standard & Poor's Corporate & Government Services State and Local Government Group 55 Water Street – 38 th Floor Mailbox 38-1-10 New York, NY 10041

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period From - To	Program or Award Amount	Total Received For Year	Accrued (Deferred) Revenue @ 7/1/10	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue @ 6/30/11
U.S. Department of Education:										
Passed through the PA Dept. of Education:										
Title I Grants to Local Education Agencies	I	84.010	013-100020	07/01/09-09/30/10	\$ 472,713	\$ 219,146	\$ 219,146	\$ 0	\$ 0	\$ 0
Title I Grants to Local Education Agencies	I	84.010	013-110020	07/01/10-09/30/11	471,815	478,813	0	471,815	471,815	(6,998)
Academic Achievement Award	I	84.010	077-090020	07/01/08-09/30/09	3,000	0	(509)	509	509	0
Academic Achievement Award	I	84.010	077-110020	07/01/10-09/30/11	5,000	3,960	0	5,000	5,000	1,040
Title I - ARRA	I	84.389	127-100020	07/01/09-09/30/10	265,433	0	(148,259)	148,259	148,259	0
State Fiscal Stabilization Fund- Basic Ed ARRA	I	84.394	126-100020	07/01/09-06/30/10	1,093,436	364,479	364,479	0	0	0
State Fiscal Stabilization Fund- Basic Ed ARRA	I	84.394	126-100020	07/01/10-06/30/11	1,093,845	638,076	0	1,002,964	1,002,964	364,888
Improving Teacher Quality State Grants	I	84.367	020-100020	07/01/09-09/30/10	153,092	10,206	(40,051)	50,257	50,257	0
Improving Teacher Quality State Grants	I	84.367	020-110020	07/01/10-09/30/11	154,374	144,599	0	154,377	154,377	9,778
21st Century Community Learning Center	I	84.287	4100043174	07/01/09-09/30/10	240,766	240,766	187,122	53,644	53,644	0
State Grants for Innovative Programs	I	84.298	011-090020	07/10/07-09/30/09	5,578	0	1,859	0	0	1,859
English Language Acquisition Grants	I	84.365	010-100020	07/01/09-09/30/10	40,019	20,756	16,675	4,081	4,081	0
English Language Acquisition Grants	I	84.365	010-110020	07/01/10-09/30/11	49,917	34,558	0	49,917	49,917	15,359
Education Jobs Fund - ARRA	I	84.410	140-158683	07/01/10-06/30/11	647,776	647,776	0	647,776	647,776	0
Total PA Department of Education:					\$ 4,696,764	\$ 2,803,135	\$ 600,462	\$ 2,588,599	\$ 2,588,599	\$ 385,926
Passed through the Allegheny Intermediate Unit:										
IDEA ARRA- Special Education - Grants to States	I	84.391	N/A	07/01/09-06/30/11	660,935	175,234	189,413	323,082	323,082	337,261
IDEA - Special Education - Grants to States	I	84.027	N/A	07/01/10-06/30/11	549,748	0	0	549,748	549,748	549,748
Total Department of Education:					\$ 5,907,447	\$ 2,978,369	\$ 789,875	\$ 3,461,429	\$ 3,461,429	\$ 1,272,935
U.S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Education:										
Refugee and Entrant Assistance - Discretionary Grants		93.576	4100045643	08/15/09-08/14/10	\$ 55,000	\$ 11,997	\$ 55,000	\$ 0	\$ 0	\$ 43,003
Total U.S. Department of Health and Human Services:					\$ 55,000	\$ 11,997	\$ 55,000	\$ 0	\$ 0	\$ 43,003
U.S. Department of Agriculture:										
Passed through the PA Dept. of Education:										
National School Lunch Program	I	10.555	N/A	07/01/09-06/30/10	N/A	F \$ 102,859	\$ 102,859	\$ 0	\$ 0	\$ 0
National School Lunch Program	I	10.555	N/A	07/01/10-06/30/11	N/A	F 552,201	0	575,082	575,082	22,881
National School Breakfast Program	I	10.553	N/A	07/01/10-06/30/11	N/A	F 83,136	0	83,136	83,136	0
Passed through the PA Dept. of Agriculture:										
National School Lunch Program	I	10.555	N/A	07/01/10-06/30/11	N/A	F 80,005	a 0	80,005	80,005	0
Total Department of Agriculture					\$ 0	\$ 818,201	\$ 102,859	\$ 738,223	\$ 738,223	\$ 22,881
Total Federal Assistance					\$ 5,962,447	\$ 3,808,567	\$ 947,734	\$ 4,199,652	\$ 4,199,652	\$ 1,338,819

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Source Codes:
 I=Indirect Funding
 F=Federal Share
 S=State Share

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

Test of 50% rule:
 Total Federal Expenditures
 Total Federal Expenditures

\$ 4,199,652
 \$ 4,199,652

Title I Cluster, SFSP-Basic Ed ARRA, Education Jobs-ARRA, National School Lunch Program Cluster, IDEA Cluster
 Total Federal Expenditures

\$ 3,887,376
 \$ 4,199,652 =

(High risk auditee 50% required)

92.56%

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF

EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - BUDGETARY DATA

The District passed and had approved by the appropriate agency, budgets for the fiscal year ending June 30, 2011 for all federal programs.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Baldwin-Whitehall School District as of and for the year ended June 30, 2011, which collectively comprise Baldwin-Whitehall School District's basic financial statements and have issued our report thereon dated March 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. These are items 2011-1 through 2011-4.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency. These are items 2011-5, 2011-6 and 2011-7.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of Baldwin-Whitehall School District in a separate communication dated January 5, 2012.

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

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

COTTRILL, ARBUTINA & ASSOCIATES, P.C.

Certified Public Accountants

Cottrill, Arbutina & Associates, P.C.

Beaver, PA 15009

March 31, 2012

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

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

Compliance

We have audited Baldwin-Whitehall School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Baldwin-Whitehall School District's major federal programs for the year ended June 30, 2011. Baldwin-Whitehall School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Baldwin-Whitehall School District's management. Our responsibility is to express an opinion on Baldwin-Whitehall School District's compliance based on our audit.

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

In our opinion, Baldwin-Whitehall School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

do not express an opinion on the effectiveness of Baldwin-Whitehall School District's internal control over compliance.

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

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

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

COTTRILL, ARBUTINA & ASSOCIATES, P.C.

Certified Public Accountants

Cottrill, Arbutina & Associates, P.C.

Beaver, PA 15009

March 31, 2012

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

A. SUMMARY OF AUDIT RESULTS

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

National School Lunch Program Cluster – CFDA 10.555, 10.553
ARRA-Education Jobs – CFDA 84.410A
ARRA-Fiscal Stabilization-Basic Ed – CFDA 84.394
Title I Cluster – CFDA 84.010, 84.389
IDEA Cluster – CFDA 84.027, 84.391

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Baldwin-Whitehall School District qualified to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2011-1 Preparation of Financial Statements

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

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

B. FINDINGS - FINANCIAL STATEMENTS AUDIT – CONTINUED

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

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

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

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

2011-2 Balance Sheet Account Reconciliations

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

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

Condition: Reconciliations were not properly performed for the General Fund cash, Cafeteria Fund cash and Activity Fund cash accounts.

Criteria: As we began testing the cash accounts of the funds mentioned above, we determined that they had not been properly reconciled for much of the fiscal year. There were various entries that were not made to the General Ledger and miscalculations on the reconciliation. Due to the fact that cash accounts typically include extensive activity and are areas of high risk, we recommend the District fully reconcile each cash account on a monthly basis and ensure that all appropriate entries have been made to the General Ledger.

Condition: Accounts Payable was not properly reconciled.

Criteria: We noted that Accounts Payable had not been properly reconciled and thus did not reflect the proper balance as of the year end. We recommend the District examine and reconcile Accounts

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

Payable on a monthly basis. In doing so, the District should be able to identify all unpaid payables and reconcile them to the General Ledger.

Effect: Possible effects of the above finding could be:

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

2011-3 Activity Fund Management

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

Criteria: The PASBO "Student Activity Funds Guide" states, "*Student Activity Funds are generally earned by the students and used for student activities. The monies should be designated for student purposes and restricted to use for those students currently in school.*" In order to ensure that all transactions that run through the District's Activity Funds are appropriate, we recommend that at least one student signature be present on all receipt and expenditure vouchers. Transactions should be for student activities only. Additionally, the employee handling the financial reporting and cash receipting is also processing checks for payment which creates a lack of segregation of duties. We recommend that the Board adopt policies that coincide with the "Student Activity Funds Guide" in order to ensure appropriate accounting of the various Activity Funds in the District as well as segregating the financial duties related to the financial processing.

Effect: The District could have inappropriate transactions clearing through the Activity Funds.

2011-4 Inventory Fixed Assets

Condition: We noted during our audit that no recent physical inventory of fixed assets has been performed and there were certain items included on the fixed asset ledger that the District had disposed of in previous years.

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

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

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

SIGNIFICANT DEFICIENCIES

2011-5 Investigate Old Outstanding Checks and Other Old Uncleared Reconciling Items

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

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

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

2011-6 Cafeteria Fund Monitoring and Lack of Reconciliations

Condition: During our audit, we noted that the Board of Directors was not provided with accurate and timely information regarding the performance of the Cafeteria Fund throughout the 2010-2011 fiscal year. There were no reconciliations done between the District's general ledger and the system used by the contracted food service provider.

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

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

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

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

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2011

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

2011-7 Controls Over Athletic Fund Start-Up Cash

Condition: Historically, the General Fund issues a check to the Athletic Fund for start-up cash at the beginning of the year and, subsequently, is reimbursed the same amount at the end of the school year from the Athletic Fund. During our audit, we were unable to account for the reimbursement from the Athletic Fund.

Criteria: We recommend the District set up stronger controls over the issuance and reimbursement of start-up cash between the General Fund and the Athletic Fund.

Effect: Misappropriation of District assets could occur.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

None

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2010-1 Preparation of Financial Statements

Condition: Under the auditing standard, "*Communicating Internal Control Related Matters Identified in an Audit*" which was effective for the year ending June 30, 2001, 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 records. Adjustments were required to: 1) reclass various accounts; 2) properly record expenditures to the correct period; 3) student activity and foods service fund accounts; and 4) several other categories.

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

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

2010-2 Liability Account Reconciliations

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

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

Current Status: The Business office has worked diligently to review and balance all of the accounts that were transferred from the previous accounting system to the new accounting system

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

module. The District believes there are less items that are unreconciled than in the previous audit and with the results of the auditors' fieldwork we have balanced the accounts for the audit period ending June 30, 2011 and will continue to reconcile and monitor all liability accounts.

2010-3 Payroll

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

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

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

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

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

Current Status: The District has taken measures to mitigate and resolve this issue. The new accounting module system automatically generates liability invoices to be processed and paid for all monthly and quarterly payroll obligations.

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

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

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

Current Status: The District has taken measures to mitigate and resolve this issue. The new accounting module system generates the quarterly 941 reports which are reconciled to the payroll records.

Condition: Distribution of paychecks.

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

Current Status: We believe our internal controls, segregation of duties and appropriate authorizations are adequate for the processing and distribution of pay checks. Less than 15% of pay checks are non-direct deposit and the District's new payroll time clock system requires individual employees to punch-in and submit their time with a unique identifier which are reviewed and approved by their supervisor and forwarded to payroll for processing.

Condition: Excessive manual checks were issued

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

Current Status: The District has taken significant strides to address this and has reduced necessary manual checks to very minimum – in fact for the 2010-11 fiscal year there were only ten.

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

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

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

Current Status: This issue does not exist anymore. The District does not provide advances.

2010-4 Activity Fund Management

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

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

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

- The District has closed all of the separate Student Activities Accounts that were previously maintained at the building level. All transactions must be run through the established controls of the district business office.
- We have created a Student Activities Funds Accounting Manual which has been communicated to all appropriate staff and was implemented at the start of the 2010-11 fiscal year. This manual used various accredited resources to compile relevant controls and procedures including Generally Accepted Accounting Principles (GAAP), Pennsylvania

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

Association of School Business Officials (PASBO), Pennsylvania School Code, sound business practices and strong internal controls. This manual and its associated procedures will be the document to ensure appropriate accounting and controls are implemented regarding these funds and activities.

2010-5 Construction Fund - QuickBooks Backup Considerations

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

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

Current Status: We agree and in August 2010 began backing up the data on a monthly basis. We transferred all of the construction fund financial activity to the new accounting software and QuickBooks is not used. In addition, the high school construction project has only one vendor payment left which is retainage as the final punch list items are completed in a satisfactory manner.

2010-6 Construction Fund -Voided Check Numbers

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

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

Current Status: We agree and have instituted the recommendation. As previously indicated, we transferred all of the construction fund financial activity to the new accounting software and QuickBooks is not used. In addition, the high school construction project has only one vendor payment left which is retainage as the final punch list items are completed in a satisfactory manner.

2010-7 Construction Fund - Reconciliation

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

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

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

Current Status: We agree and have instituted the recommendation. As previously indicated, we transferred all of the construction fund financial activity to the new accounting software and QuickBooks is not used. In addition, the high school construction project has only one vendor payment left which is retainage as the final punch list items are completed in a satisfactory manner

SIGNIFICANT DEFICIENCIES

2010-8 Athletic Fund Start-up Cash

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

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

Current Status: For the 2010-11 fiscal year, we had instituted an annual athletic department written request for start-up funds and year-end reconciliation that is documented and signed off on by the business office and the athletic director. In addition, to further enhance the controls in this area, written procedures have been developed and implemented regarding the monitoring of start-up athletic fund cash.

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

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

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

Current Status: We agree and will investigate any old outstanding checks and other older outstanding reconcilable items to resolve.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

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

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

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

Current Status: Monthly bank reconciliations are done monthly and on a timely basis with appropriate segregation of duties.

2010-11 Cafeteria Fund Monitoring and Lack of Reconciliations

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

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

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

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

Current Status: In previous years, Cafeteria fund financial reports were generated by the Food Service management Company and given to the board. We believe the responsibility of all financial reports and financial statements lies with the District. We do meet on a monthly basis to review the

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

cafeteria fund activity with the contracted service company and beginning in January 2011, with the new accounting system module software conversion, the business office generates monthly Cafeteria fund revenues and expenditure reports that are provided to the board.

2010-12 Inventory Fixed Assets

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

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

Current Status: We are continuing to examine the current process of recording and the valuation of our fixed assets and will continue to work to take any additional measures to strengthen controls over the safeguarding and accounting of fixed assets and consider the audit recommendation in conjunction with board policy No. 622 – GASB Statement 34 and its capitalization thresholds.

2010-13 Procurement Card Vendors

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

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

Current Status: The District has recalled and cancelled almost all employee P-cards. Only three P-cards remain active at this time and will be used only in very limited situations. Additionally, the District no longer provides travel advances to employees. We believe these steps have mitigated the most significant risks associated with procurement activities.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

2010-14 Access Program Collections

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

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

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

B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

MATERIAL WEAKNESSES

2010-15 Reporting

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

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

Current Status: The District addressed this finding and implemented the recommendations and there were no issues in the current year audit.

2010-16 Allowable Costs

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

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

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

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

Current Status: The District addressed this finding and implemented the recommendations and there were no issues in the current year audit.

2010-17 Reporting

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

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

Current Status: The District addressed this finding and implemented the recommendations and there were no issues in the current year audit.

SIGNIFICANT DEFICIENCIES

2010-18 Allowable Costs

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

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

Current Status: The District addressed this finding and implemented the recommendations and there were no issues in the current year audit.

BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

JUNE 30, 2011

A. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2011-1 Preparation of Financial Statements

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

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

2011-2 Balance Sheet Account Reconciliations

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

Action Taken: We agree and have reduced from the prior year the number of accounts that had variances. The District will institute interim and year-end procedures that ensure proper analysis and reconciliations are performed between the payroll system and the general ledger.

Criteria: As we began testing the cash accounts of the funds mentioned above, we determined that they had not been properly reconciled for much of the fiscal year. There were various entries that were not made to the General Ledger and miscalculations on the reconciliation. Due to the fact that cash accounts typically include extensive activity and are areas of high risk, we recommend the District fully reconcile each cash account on a monthly basis and ensure that all appropriate entries have been made to the General Ledger.

Action Taken: We agree and have reduced from the prior year the number of accounts that had variances. The District will take steps to ensure reconciliations are done accurately, timely and with appropriate amount of segregation of duties and oversight.

Criteria: We noted that Accounts Payable had not been properly reconciled and thus did not reflect the proper balance as of the year end. We recommend the District examine and reconcile Accounts

BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

JUNE 30, 2011

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

Payable on a monthly basis. In doing so, the District should be able to identify all unpaid payables and reconcile them to the General Ledger.

Action Taken: There were issues that had to be addresses at year-end regarding accounts payable and the conversion from the old to the new software. We do agree with the recommendation and will work to implement this current fiscal year.

2011-3 Activity Fund Management

Criteria: The PASBO "Student Activity Funds Guide" states, "*Student Activity Funds are generally earned by the students and used for student activities. The monies should be designated for student purposes and restricted to use for those students currently in school.*" In order to ensure that all transactions that run through the District's Activity Funds are appropriate, we recommend that at least one student signature be present on all receipt and expenditure vouchers. Transactions should be for student activities only. Additionally, the employee handling the financial reporting and cash receipting is also processing checks for payment which creates a lack of segregation of duties. We recommend that the Board adopt policies that coincide with the "Student Activity Funds Guide" in order to ensure appropriate accounting of the various Activity Funds in the District as well as segregating the financial duties related to the financial processing.

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

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

2011-4 Inventory Fixed Assets

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

JUNE 30, 2011

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

Action Taken: We are continuing to examine the current process of recording and the valuation of our fixed assets and will continue to work to take any additional measures to strengthen controls over the safeguarding and accounting of fixed assets and consider the audit recommendation in conjunction with board policy No. 622 – GASB Statement 34 and its capitalization thresholds.

SIGNIFICANT DEFICIENCIES

2011-5 Investigate Old Outstanding Checks and Other Old Uncleared Reconciling Items

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

Action Taken: We agree and will investigate any old outstanding checks and other older outstanding reconcilable items to resolve.

2011-6 Cafeteria Fund Monitoring and Lack of Reconciliations

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

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

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

Action Taken: In previous years, Cafeteria fund financial reports were generated by the Food Service Management Company and given to the Board. We believe the responsibility of all financial reports and financial statements lies with the District. We do meet on a monthly basis to review the cafeteria fund activity with the contracted service company and beginning in January 2011, with the new accounting system module software conversion, the Business Office generates monthly Cafeteria fund revenues and expenditure reports that are provided to the Board.

BALDWIN-WHITEHALL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

JUNE 30, 2011

A. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

2011-7 Controls Over Athletic Fund Start-Up Cash

Criteria: We recommend the District set up stronger controls over the issuance and reimbursement of start-up cash between the General Fund and the Athletic Fund.

Action Taken: For the 2010-11 fiscal year, we had instituted an annual athletic department written request for start-up funds and year-end reconciliation that is documented and signed off on by the Business Office and the Athletic Director. In addition, to further enhance the controls in this area, written procedures have been developed and implemented regarding the monitoring of start-up athletic fund cash.

If the Pennsylvania Department of Education has questions regarding this plan, please call William D. McKain, CPA, Assistant to the Superintendent for Finance & Operations for the Baldwin-Whitehall School District at 412-885-7580.

William D. McKain CPA
Assistant to the Superintendent for Finance & Operations
Baldwin-Whitehall School District

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Baldwin-Whitehall School District for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 20, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Baldwin-Whitehall School District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements were:

The estimate for the earned income taxes receivable. This was discussed and agreed upon by the Business Manager;

Management's estimate of the liability for other post-employment benefits is based on an actuarial valuation report issued by a third party. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of cash and investments in Note 3 to the financial statements;
The disclosure of capital assets in Note 5 to the financial statements;
The disclosure of risk management in Note 6 to the financial statements;
The disclosure of long-term debt in Note 8 to the financial statements;
The disclosure of other post-employment benefits in Note 11 to the financial statements;

Difficulties Encountered in Performing the Audit

The completion of our audit was delayed because of problems obtaining proper backup for certain transactions which led to an expanded scope and ultimately an audit qualification.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has agreed to make all proposed adjusting journal entries to correct all known and likely misstatements that were provided with the letter of representation.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Baldwin-Whitehall School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

COTTRILL, ARBUTINA & ASSOCIATES, P.C.

Certified Public Accountants

Cottrill, Arbutina & Associates, P.C.

Beaver, PA 15009

December 20, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Baldwin-Whitehall School District for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 17, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Baldwin-Whitehall School District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements were:

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The disclosure of capital assets in Note 5 to the financial statements;
The disclosure of risk management in Note 6 to the financial statements;
The disclosure of long-term debt in Note 8 to the financial statements;
The disclosure of other post-employment benefits in Note 11 to the financial statements;

Difficulties Encountered in Performing the Audit

The completion of our audit was delayed because of problems obtaining proper backup for certain transactions. We were ultimately able to obtain the appropriate supporting documentation in order to express an unqualified opinion.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has agreed to make all proposed adjusting journal entries to correct all known and likely misstatements that were provided with the letter of representation.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 5, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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This information is intended solely for the use of the Board of Directors and management of Baldwin-Whitehall School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

COTTRILL, ARBUTINA & ASSOCIATES, P.C.

Certified Public Accountants

Cottrill, Arbutina & Associates, P.C.

Beaver, PA 15009

March 31, 2012