

BALDWIN-WHITEHALL SCHOOL DISTRICT

PITTSBURGH, PENNSYLVANIA

JUNE 30, 2017

AUDIT REPORT

BALDWIN-WHITEHALL SCHOOL DISTRICT

PITTSBURGH, PENNSYLVANIA

TABLE OF CONTENTS

	Page
Independent Auditor’s Report	1 – 3
Management’s Discussion and Analysis (MD&A)	i - xi
Statement of Net Position	4
Statement of Activities	5
Balance Sheet – Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, Changes in Fund Balance – Governmental Fund Types	8
Reconciliation of the Governmental Funds – Statement of Revenues, Expenditures, Changes in Fund Balance to the Statement of Activities	9
Statement of Net Position – Proprietary Fund Types	10
Statement of Revenues, Expenses, Changes in Fund Net Position - Proprietary Fund Types	11
Statement of Cash Flows – Proprietary Fund Types	12
Statement of Net Position – Fiduciary Funds	13
Statement of Revenues, Expenditures, Changes in Fund Balance, Budget and Actual – General Fund	14
Notes to Financial Statements	15– 43
Required Supplementary Information	44
Schedule of Change in the District’s Net OPEB Liability and Related Ratios	45
Post-employment Benefits Other Than Pension Benefits (OPEBs) Schedule of Employer Contributions	46

BALDWIN-WHITEHALL SCHOOL DISTRICT

PITTSBURGH, PENNSYLVANIA

TABLE OF CONTENTS

	Page
Schedule of District's Proportionate Share of Net Pension Liability of the Public School Employees' Retirement System (PSERS)	47
Schedule of the District Contributions to the Public School Employees' Retirement System (PSERS)	48
Notes to the Required Supplementary Information	49
Single Audit Supplementary Reports	50
List of Report Distribution	51
Schedule of Expenditures of Federal Awards	52 - 53
Notes to the Schedule of Expenditures of Federal Awards	54
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55 - 56
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	57 - 58
Schedule of Findings and Questioned Costs	59 - 61
Summary Schedule of Prior Audit Findings	62
Corrective Action Plan	63-64

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin-Whitehall School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin-Whitehall School District as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 2 to the financial statements, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. Our opinion is not modified with respect to this item.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, post-employment information, schedule of the District's proportionate share of the net pension liability, and schedule of the District contributions on pages i-xi and 45-49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11 2017, on our consideration of the Baldwin-Whitehall School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Baldwin-Whitehall School District's internal control over financial reporting and compliance.

Cottrill, Arbutina and Assoc.

Beaver, PA 15009
October 11, 2017

BALDWIN-WHITEHALL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2017

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, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

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

FINANCIAL HIGHLIGHTS

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

- Total liabilities of the District exceeded its assets at the close of the most recent year by \$71,720,171 (net deficit). Of this amount, \$85,150,906 (unrestricted net deficit) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The District's total net position decreased from 2016 by \$2,388,783 or 3.45%.
- Unrestricted net position decreased by \$3,499,337 in 2017.
- Net investment in capital assets was \$12,510,950 at June 30, 2017, an increase of \$1,105,023.
- The District's real property tax rate increased .81 mills from 18.42 to 19.25.
- At June 30, 2017, the District had \$53,103,000 of bond debt outstanding. This represents a decrease of \$5,006,000 or 8.61% from the previous year.
- The total fund balance of the General Fund at June 30, 2017 was \$8.268 million of which \$3,019,180 was unassigned.
- The District remained at an 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, 2017

USING THE ANNUAL FINANCIAL AUDIT REPORT

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

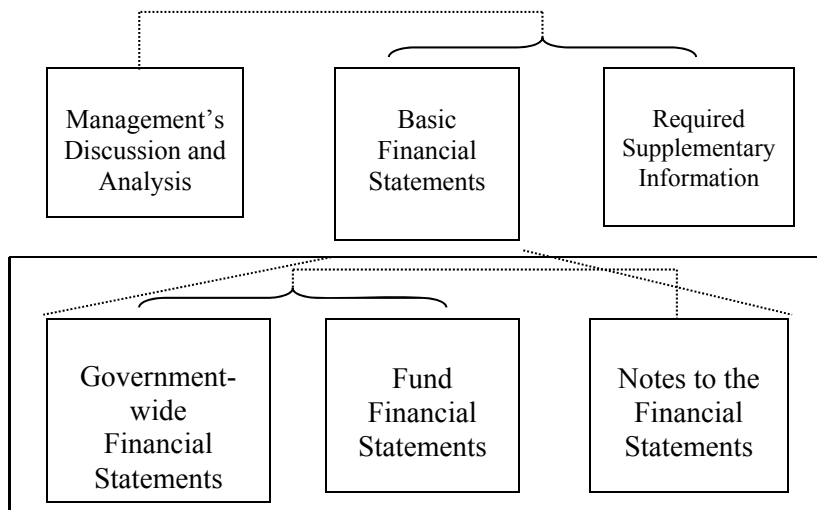
The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District’s overall financial status.

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

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

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

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



BALDWIN-WHITEHALL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2017

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

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

The District's fund financial statements, which begin on Page 6, provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2017

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was (\$71,720,171) at June 30, 2017.

Table A-1
Fiscal Year ended June 30, 2017 and 2016
Net Position

	<u>2017</u>			<u>2016</u>		
	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Current & other assets	\$ 19,008,400	\$ 724,080	\$ 19,732,480	\$ 21,317,812	\$ 477,324	\$ 21,795,136
Capital assets	66,414,542	559,779	66,974,321	70,722,388	643,416	71,365,804
Deferred Outflows of Resources	20,497,339	408,525	20,905,864	8,490,404	190,124	8,680,528
Total assets	<u>\$ 105,920,281</u>	<u>\$ 1,692,384</u>	<u>\$ 107,612,665</u>	<u>\$ 100,530,604</u>	<u>\$ 1,310,864</u>	<u>\$ 101,841,468</u>
Current & other liabilities	\$ 21,370,705	\$ 215,981	\$ 21,586,686	\$ 20,691,316	\$ 195,978	\$ 20,887,294
Long-term liabilities	149,059,353	2,152,797	151,212,150	147,304,362	2,130,199	149,434,561
Deferred Inflows of Resources	6,396,707	137,293	6,534,000	832,364	18,637	851,001
Total liabilities	<u>\$ 176,826,765</u>	<u>\$ 2,506,071</u>	<u>\$ 179,332,836</u>	<u>\$ 168,828,042</u>	<u>\$ 2,344,814</u>	<u>\$ 171,172,856</u>
Net Position						
Net Investment in Capital Assets	\$ 11,951,171	\$ 559,779	\$ 12,510,950	\$ 10,762,511	\$ 643,416	\$ 11,405,927
Restricted	919,785	0	919,785	914,254	0	914,254
Unrestricted	(83,777,440)	(1,373,466)	(85,150,906)	(79,974,203)	(1,677,366)	(81,651,569)
Total net position	<u>\$ (70,906,484)</u>	<u>\$ (813,687)</u>	<u>\$ (71,720,171)</u>	<u>\$ (68,297,438)</u>	<u>\$ (1,033,950)</u>	<u>\$ (69,331,388)</u>
Total Liabilities and Net Position	<u>\$ 105,920,281</u>	<u>\$ 1,692,384</u>	<u>\$ 107,612,665</u>	<u>\$ 100,530,604</u>	<u>\$ 1,310,864</u>	<u>\$ 101,841,468</u>

Due to the implementation of GASB Statement No. 68, beginning in 2014-15, the District was required to recognize its portion of pension liability. As a direct result of the net pension liability, the District’s Deferred Outflows of Resources increased by \$10.7 million; Deferred

BALDWIN-WHITEHALL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2017

Inflows of Resources increased by \$5.7 million, and long term liabilities increased by \$1.78 million.

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

The results of this year's operations as a whole are reported in the Statement of Activities on Page 5. 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, 2017 and 2016

	<u>2017</u>			<u>2016</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues						
Program revenues:						
Charges for services	\$ 537,078	\$ 742,657	\$ 1,279,735	\$ 689,361	\$ 750,018	\$ 1,439,379
Operating grants & contributions	11,005,002	1,239,924	12,244,926	12,729,511	1,138,710	13,868,221
Capital grants & contrib.	1,925,378	0	1,925,378	0	0	0
General revenues:						
Property taxes	33,083,975	0	33,083,975	32,772,496	0	32,772,496
Other taxes	5,413,364	0	5,413,364	4,976,581	0	4,976,581
Grants, subsidies and contributions, unrestricted	9,570,850	0	9,570,850	9,280,213	0	9,280,213
Other	1,592,416	1,535	1,593,951	2,018,549	1,288	2,019,837
Total Revenues	<u>\$ 63,128,063</u>	<u>\$ 1,984,116</u>	<u>\$ 65,112,179</u>	<u>\$ 62,466,711</u>	<u>\$ 1,890,016</u>	<u>\$ 64,356,727</u>

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

JUNE 30, 2017

Table A-2 - Continued

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
EXPENSES						
Instruction	\$ 42,271,073	\$ 0	\$ 42,271,073	\$ 36,956,964	\$ 0	\$ 36,956,964
Instructional student support	2,168,737	0	2,168,737	3,853,680	0	3,853,680
Administrative and financial support	6,030,115	0	6,030,115	6,807,903	0	6,807,903
Operation and maintenance of plant	6,741,098	0	6,741,098	7,017,000	0	7,017,000
Pupil transportation	4,864,081	0	4,864,081	5,100,399	0	5,100,399
Student activities	1,170,561	0	1,170,561	2,347,226	0	2,347,226
Community services	12,022	0	12,022	13,999	0	13,999
Interest on long-term debt	1,371,469	0	1,371,469	1,944,760	0	1,944,760
Capital expenditures not subject to depreciation	512,872	0	512,872	187,076	0	187,076
Food services	<u>0</u>	<u>1,763,853</u>	<u>1,763,853</u>	<u>0</u>	<u>1,848,869</u>	<u>1,848,869</u>
Total expenses	<u>\$ 65,142,028</u>	<u>\$ 1,763,853</u>	<u>\$ 66,905,881</u>	<u>\$ 64,229,007</u>	<u>\$ 1,848,869</u>	<u>\$ 66,077,876</u>
Increase (decrease) in net position before transfers	\$ (2,013,965)	\$ 220,263	\$ (1,793,702)	\$ (1,762,296)	\$ 41,147	\$ (1,721,149)
Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net position	<u>\$ (2,013,965)</u>	<u>\$ 220,263</u>	<u>\$ (1,793,702)</u>	<u>\$ (1,762,296)</u>	<u>\$ 41,147</u>	<u>\$ (1,721,149)</u>
Net position - Beginning	\$ (68,297,438)	\$ (1,033,950)	\$ (69,331,388)	\$ (69,953,935)	\$ (1,140,220)	\$ (71,094,155)
Prior Period Adjustment	<u>(595,081)</u>	<u>0</u>	<u>(595,081)</u>	<u>3,418,793</u>	<u>65,123</u>	<u>3,483,916</u>
Net Position - Ending	<u>\$ (70,906,484)</u>	<u>\$ (813,687)</u>	<u>\$ (71,720,171)</u>	<u>\$ (68,297,438)</u>	<u>\$ (1,033,950)</u>	<u>\$ (69,331,388)</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, interest on long-term debt, community service and 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, 2017

Table A-3
Fiscal Year ended June 30, 2017 and 2016
Governmental Activities

<u>Functions/Programs</u>	<u>June 30, 2017</u>		<u>June 30, 2016</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	\$ 42,271,073	\$ 33,473,913	\$ 36,956,964	\$ 28,493,487
Instructional student support	2,168,737	2,251,931	3,853,680	3,070,507
Administrative & financial support	6,030,115	5,626,878	6,807,903	6,091,527
Operation & Maintenance	6,741,098	6,012,937	7,017,000	6,031,677
Pupil transportation	4,864,081	3,251,358	5,100,399	3,245,530
Student activities	1,170,561	1,087,471	2,347,226	1,732,002
Community services	12,022	11,119	13,999	13,569
Interest on long-term debt	1,371,469	(553,909)	1,944,760	1,944,760
Capital expenditures not subject to depreciation	<u>512,872</u>	<u>512,872</u>	<u>187,076</u>	<u>187,076</u>
Total governmental activities	<u>\$ 65,142,028</u>	<u>\$ 51,674,570</u>	<u>\$ 64,229,007</u>	<u>\$ 50,810,135</u>
Less:				
Unrestricted grants, subsidies		\$ 9,570,850		\$ 9,280,213
Total need from local taxes & other revenues		<u>\$ 42,103,720</u>		<u>\$ 41,529,922</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, 2017 and 2016
Business-type Activities

<u>Functions/Programs</u>	<u>June 30, 2017</u>		<u>June 30, 2016</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	\$ 1,763,853	\$ (218,728)	\$ 1,848,869	\$ (39,859)
Less:				
Transfers In		0		0
Investment Earnings		<u>(1,535)</u>		<u>(1,288)</u>
Total business-type activities		<u>\$ (220,263)</u>		<u>\$ (41,147)</u>

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

JUNE 30, 2017

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

THE DISTRICT FUNDS

At June 30, 2017, the District governmental funds reported a combined total fund balance of \$8,268,904 which is a decrease of \$104,024.

General Fund Budget

During the fiscal year, the Board authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District in accordance with state law. Transfers between specific categories of expenditures/financing uses occur during the year. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on Page 14.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2017, the District had \$66,414,542 invested in a broad range of capital assets, including land, buildings, furniture, and equipment.

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

	<u>2017</u>	<u>2016</u>
Land	\$ 1,350,777	\$ 1,350,777
Site Improvements	3,431,559	3,683,685
Buildings	57,215,270	61,128,564
Furniture & Equipment	<u>4,416,936</u>	<u>4,559,362</u>
	<u>66,414,542</u>	<u>70,722,388</u>

DEBT ADMINISTRATION

During the 2016-2017 fiscal-year, the District made payments against bond principal of \$5,006,000 resulting in ending outstanding bond debt of \$53,103,000 as of June 30, 2017. Table A-6 below depicts the District's total outstanding debt by bond issue.

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

JUNE 30, 2017

Table A-6
 Outstanding Debt

General Obligation Notes/Bonds	<u>2017</u>	<u>2016</u>
Series 2010	\$ 0	\$ 965,000
Series 2012	1,445,000	2,230,000
Series 2013	9,815,000	9,975,000
Series 2014	5,905,000	6,430,000
Series 2014A	8,655,000	8,740,000
Series 2015	9,650,000	9,775,000
Series 2016	9,995,000	9,995,000
Series 2016A	<u>7,638,000</u>	<u>9,999,000</u>
	<u>\$ 53,103,000</u>	<u>\$ 58,109,000</u>

Other obligations include the following:

	<u>2017</u>	<u>2016</u>
Other Post-Employment Benefits	\$ 1,848,569	\$ (268,959)
Compensated Absences	1,225,561	793,898
Net Pension Liability	106,443,398	101,834,000
Leases	<u>697,500</u>	<u>1,059,939</u>
Total	<u>\$ 110,215,028</u>	<u>\$ 103,418,878</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The revenue budget for the 2017-2018 year is \$4,714,416 more than the original budget for 2016-2017. This represents a 7.68% increase in budgeted revenues. The expenditure budget for the 2017-2018 year is \$3,777,410 more than the original budget for 2016-2017, which is a 6.06% increase.

The comparison of revenue and expenditure categories is as follows:

Table A-7
 BUDGETED REVENUES

	2017-2018	2016-2017
Local	62.80%	64.02%
State	35.33%	33.99%
Federal/Other	1.87%	1.99%

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

JUNE 30, 2017

BUDGETED EXPENDITURES

	2017-2018	2016-2017
Instruction	54.20%	54.20%
Support Services	31.49%	31.49%
Non-Instruction/Community	2.33%	2.33%
Fund Transfers/Debt	11.98%	11.98%

FUTURE IMPLICATIONS

Budgeting in fiscal 2017-18 brought significant challenges as legislation has curtailed school boards' ability to levy taxes. In addition, funding requirements for school districts have been very challenging with the required increases to employer retirement contributions and health care costs. The millage rate was increased by 1.12 mills from 19.25 to 20.37 further impacting the local real estate tax revenue. The budget for 2017-18 was balanced by allocating \$24,249 in fund balance to cover the shortfall.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Mark Cherpak, Business Manager at:

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

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 9,217,465	\$ 1,307,937	\$ 10,525,402
Taxes Receivable, net			
Property Taxes	4,653,071	0	4,653,071
Earned Income Taxes	832,295	0	832,295
Internal Balances	770,514	(770,514)	0
Due From Other Governments	2,810,441	150,428	2,960,869
Other Receivables	227,721	1,891	229,612
Prepaid Expenses	496,893	0	496,893
Inventories	<u>0</u>	<u>34,338</u>	<u>34,338</u>
Total Current Assets	\$ 19,008,400	\$ 724,080	\$ 19,732,480
Noncurrent Assets			
Land	\$ 1,350,777	\$ 0	\$ 1,350,777
Site Improvements (net of depreciation)	3,431,559	0	3,431,559
Building & Building Improvements (net of depreciation)	57,215,270	0	57,215,270
Furniture & Equipment (net of depreciation)	<u>4,416,936</u>	<u>559,779</u>	<u>4,976,715</u>
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>
Total Noncurrent Assets	\$ 66,414,542	\$ 559,779	\$ 66,974,321
TOTAL ASSETS	\$ 85,422,942	\$ 1,283,859	\$ 86,706,801
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	\$ 19,033,868	\$ 408,525	\$ 19,442,393
Deferred outflows of resources related to OPEB	<u>1,463,471</u>	<u>0</u>	<u>1,463,471</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 20,497,339	\$ 408,525	\$ 20,905,864
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 841,918	\$ 0	\$ 841,918
Current Portion of LT Debt	6,597,544	0	6,597,544
Short-Term Payables	275,965	0	275,965
Accrued Salaries and Benefits	5,331,276	403	5,331,679
Current Portion of Net Pension Liability	8,324,002	176,804	8,500,806
Unearned Revenues	<u>0</u>	<u>38,774</u>	<u>38,774</u>
Total Current Liabilities	\$ 21,370,705	\$ 215,981	\$ 21,586,686
Noncurrent Liabilities			
Bonds Payable (net)	\$ 46,974,000	\$ 0	\$ 46,974,000
Unamortized bond discount/premium	662,871	0	662,871
LT Portion of Other Post-Employment Benefits	1,848,569	0	1,848,569
LT Portion of Leases Payable	228,956	0	228,956
LT Portion of Compensated Absences	1,225,561	44,999	1,270,560
LT Net Pension Liability	<u>98,119,396</u>	<u>2,107,798</u>	<u>100,227,194</u>
Total Noncurrent Liabilities	\$ 149,059,353	\$ 2,152,797	\$ 151,212,150
TOTAL LIABILITIES	\$ 170,430,058	\$ 2,368,778	\$ 172,798,836
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	<u>\$ 6,396,707</u>	<u>\$ 137,293</u>	<u>\$ 6,534,000</u>
NET POSITION			
Net Investment in capital assets	\$ 11,951,171	\$ 559,779	\$ 12,510,950
Restricted for:			
Capital Projects	0	0	0
Capital Reserve	919,785	0	919,785
Unrestricted (deficit)	<u>(83,777,440)</u>	<u>(1,373,466)</u>	<u>(85,150,906)</u>
TOTAL NET POSITION	\$ (70,906,484)	\$ (813,687)	\$ (71,720,171)

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular Instruction	\$ 36,021,965	\$ 26,384	\$ 5,915,126	\$ 0	\$ (30,080,455)	\$ 0	\$ (30,080,455)
Special Instruction	4,258,834	0	2,718,437	0	(1,540,397)	0	(1,540,397)
Vocational Instruction	1,930,328	0	123,854	0	(1,806,474)	0	(1,806,474)
Other Instructional Programs	9,359	0	13,359	0	4,000	0	4,000
Non-Public School Programs	50,587	0	0	0	(50,587)	0	(50,587)
Adult Education Programs	0	0	0	0	0	0	0
Higher Education Programs	0	0	0	0	0	0	0
Total Instructional Services	\$ 42,271,073	\$ 26,384	\$ 8,770,776	\$ 0	\$ (33,473,913)	\$ 0	\$ (33,473,913)
Support Services:							
Pupil Personnel	\$ 336,673	\$ 0	\$ (295,755)	\$ 0	\$ (632,428)	\$ 0	\$ (632,428)
Instructional Staff	1,314,247	0	81,933	0	(1,232,314)	0	(1,232,314)
Administration	4,345,813	0	304,523	0	(4,041,290)	0	(4,041,290)
Pupil Health	517,817	0	130,628	0	(387,189)	0	(387,189)
Business Services	1,118,707	0	53,960	0	(1,064,747)	0	(1,064,747)
Operation of Plant and Maintenance Services	6,741,098	448,549	279,612	0	(6,012,937)	0	(6,012,937)
Student Transportation Services	4,864,081	0	1,612,723	0	(3,251,358)	0	(3,251,358)
Central	512,136	0	44,754	0	(467,382)	0	(467,382)
Other Support Services	53,459	0	0	0	(53,459)	0	(53,459)
Total Support Services	\$ 19,804,031	\$ 448,549	\$ 2,212,378	\$ 0	\$ (17,143,104)	\$ 0	\$ (17,143,104)
Non-Instructional Services:							
Student Activities	\$ 1,170,561	\$ 62,145	\$ 20,945	\$ 0	\$ (1,087,471)	\$ 0	\$ (1,087,471)
Community Services	12,022	0	903	0	(11,119)	0	(11,119)
Interest on Long-Term Debt	1,371,469	0	0	1,925,378	553,909	0	553,909
Capital Expenditures not subject to capitalization	512,872	0	0	0	(512,872)	0	(512,872)
Total Non-Instructional Services	\$ 3,066,924	\$ 62,145	\$ 21,848	\$ 1,925,378	\$ (1,057,553)	\$ 0	\$ (1,057,553)
Total Governmental Activities	\$ 65,142,028	\$ 537,078	\$ 11,005,002	\$ 1,925,378	\$ (51,674,570)	\$ 0	\$ (51,674,570)
Business-Type Activities:							
Food Services	1,763,853	742,657	1,239,924	0	0	218,728	218,728
Total Primary Government	\$ 66,905,881	\$ 1,279,735	\$ 12,244,926	\$ 1,925,378	\$ (51,674,570)	\$ 218,728	\$ (51,455,842)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net					\$ 33,083,975	\$ 0	\$ 33,083,975
Other taxes levied for general purposes, net					5,413,364	0	5,413,364
Property Tax Relief					1,662,350	0	1,662,350
Grants, subsidies & contributions not restricted					9,570,850	0	9,570,850
Investment earnings					69,501	1,535	71,036
Miscellaneous income					5,011	0	5,011
Sale of Fixed Assets					0	0	0
Refunds of prior year expenditures					60,548	0	60,548
Refunds of prior year revenues					(204,994)	0	(204,994)
Gain (Loss) from Sale of Fixed Assets					0	0	0
Transfers					0	0	0
Total general revenues and transfers					\$ 49,660,605	\$ 1,535	\$ 49,662,140
Change in Net Position					\$ (2,013,965)	\$ 220,263	\$ (1,793,702)
Net Position - June 30, 2016					(68,297,438)	(1,033,950)	(69,331,388)
Prior Period Adjustment (Note 14)					(595,081)	0	(595,081)
Net Position -June 30, 2016, restated					\$ (68,892,519)	\$ (1,033,950)	\$ (69,926,469)
Net Position - June 30, 2017					\$ (70,906,484)	\$ (813,687)	\$ (71,720,171)

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 9,217,465	\$ 0	\$ 9,217,465
Taxes Receivable:			
Property Taxes	4,653,071	0	4,653,071
Earned Income Taxes	832,295	0	832,295
Intergovernmental Receivables	2,810,441	0	2,810,441
Other Receivables	227,721	0	227,721
Interfund Receivables	770,514	0	770,514
Prepaid Expenditures	496,893	0	496,893
TOTAL ASSETS	\$ 19,008,400	\$ 0	\$ 19,008,400
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 841,918	\$ 0	\$ 841,918
Accrued Salaries & Benefits	5,331,276	0	5,331,276
Unearned Revenue	0	0	0
TOTAL LIABILITIES	\$ 6,173,194	\$ 0	\$ 6,173,194
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 4,566,302	\$ 0	\$ 4,566,302
 FUND BALANCES			
Nonspendable Fund Balance			
Prepaid Expenses	\$ 496,893	\$ 0	\$ 496,893
Committed Fund Balance			
Whitehall Recreation Equipment	5,000	0	5,000
Technology	835,000	0	835,000
Facility Improvements	2,968,797	0	2,968,797
Assigned Fund Balance			
Capital Reserve	919,785	0	919,785
Next Year's Budget	24,249	0	24,249
Unassigned Fund Balance	3,019,180	0	3,019,180
TOTAL FUND BALANCES	\$ 8,268,904	\$ 0	\$ 8,268,904
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 19,008,400	 \$ 0	 \$ 19,008,400

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 8,268,904

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

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

Add: Capital Assets	131,977,445
Deduct: Accumulated Depreciation	(65,562,903)

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

Add: Property Taxes	4,566,302
---------------------	-----------

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds

Net Pension Liability	(106,443,398)
-----------------------	---------------

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

Deferred outflows of resources related to pensions and OPEB	\$ 20,497,339	
Deferred inflows of resources related to pensions and OPEB	<u>(6,396,707)</u>	
		14,100,632

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	\$ (53,103,000)	
Deduct: Leases Payable	(697,500)	
Deduct: Unamortized Discount/Premium	(662,871)	
Deduct: Accrued Interest on Debt	(275,965)	
Deduct: Compensated Absences and Other Post-Employment Benefit	<u>(3,074,130)</u>	
		<u>(57,813,466)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (70,906,484)**

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2017

REVENUES	General	Capital Projects	Total Governmental Funds
Local Sources	\$ 40,404,557	\$ 0	\$ 40,404,557
State Sources	22,624,065	0	22,624,065
Federal Sources	<u>860,852</u>	<u>0</u>	<u>860,852</u>
TOTAL REVENUES	<u>\$ 63,889,474</u>	<u>\$ 0</u>	<u>\$ 63,889,474</u>
EXPENDITURES			
Instruction	\$ 35,620,972	\$ 0	\$ 35,620,972
Support Services	19,663,878	0	19,663,878
Non-Instructional Services	1,332,973	0	1,332,973
Capital Outlay	1,160,769	0	1,160,769
Debt Services	<u>6,374,980</u>	<u>0</u>	<u>6,374,980</u>
TOTAL EXPENDITURES	<u>\$ 64,153,572</u>	<u>\$ 0</u>	<u>\$ 64,153,572</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (264,098)</u>	<u>\$ 0</u>	<u>\$ (264,098)</u>
OTHER FINANCING SOURCES (USES)			
Refund of Prior Year Receipts	\$ (204,991)	\$ 0	\$ (204,991)
Refund of Prior Year Expenditures	60,548	0	60,548
Lease Proceeds	<u>304,517</u>	<u>0</u>	<u>304,517</u>
Proceeds of Refunding Bonds	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0
Interfund Transfers	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 160,074</u>	<u>\$ 0</u>	<u>\$ 160,074</u>
NET CHANGE IN FUND BALANCES	\$ (104,024)	\$ 0	\$ (104,024)
FUND BALANCE - JUNE 30, 2016	<u>8,372,928</u>	<u>0</u>	<u>8,372,928</u>
FUND BALANCE - JUNE 30, 2017	<u>\$ 8,268,904</u>	<u>\$ 0</u>	<u>\$ 8,268,904</u>

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (104,024)

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	\$ 591,693	
	Less: Depreciation Expense	<u>(4,899,539)</u>	
			(4,307,846)

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

(616,963)

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

	District pension contributions	\$ 8,237,589	
	Cost of benefits earned net of employee contributions	<u>(10,098,032)</u>	
			(1,860,443)

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	\$ 5,006,000	
	Refunding Bond Payment	0	
	Refunding Bond Proceeds	0	
	Lease Proceeds	(304,517)	
	Payment of Lease Payable	666,956	
	Interest Expense	(130,556)	
	Amortization of Deferred Refunding Loss	0	
	Amortization and Acquisition of Bond Premium/Discount	<u>128,067</u>	
			5,365,950

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.

(1,954,110)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (3,477,436)**

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
JUNE 30, 2017

	Food Service
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,307,937
Due From Other Governments	150,428
Accounts Receivable	1,891
Inventories	34,338
Total Current Assets	\$ 1,494,594
Noncurrent Assets:	
Machinery & Equipment (net)	\$ 559,779
Total Noncurrent Assets	\$ 559,779
TOTAL ASSETS	\$ 2,054,373
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pension	\$ 408,525
LIABILITIES	
Current Liabilities:	
Accrued Salaries and Benefits	403
Current Portion of Net Pension Liability	176,804
Unearned Revenue	38,774
Total Current Liabilities	\$ 986,495
Noncurrent Liabilities:	
Compensated Absences Payable	\$ 44,999
Net Pension Liability	2,107,798
Total Noncurrent Liabilities	\$ 2,152,797
TOTAL LIABILITIES	\$ 3,139,292
DEFERRED INFLOWS OF RESOURCES	
Related to Pensions	\$ 137,293
NET POSITION	
Net Investment in capital assets	\$ 559,779
Unrestricted	(1,373,466)
TOTAL NET POSITION	\$ (813,687)

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2017

	Food Service
OPERATING REVENUES:	
Food Service Revenue	\$ 742,657
TOTAL OPERATING REVENUES	
OPERATING EXPENSES:	
Salaries	\$ 583,879
Employee Benefits	242,130
Purchased Professional & Technical Services	0
Food Purchases	819,372
Supplies	24,726
Repairs and Maintenance	18,597
Depreciation	66,514
Equipment	0
Other Operating Expenses	8,635
TOTAL OPERATING EXPENSES	\$ 1,763,853
OPERATING INCOME (LOSS)	\$ (1,021,196)
NON-OPERATING REVENUES (EXPENSES):	
Earnings on Investments	\$ 1,535
State Sources	167,817
Federal Sources	1,072,107
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 1,241,459
INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ 220,263
Operating Transfers In (Out)	0
CHANGE IN NET POSITION	\$ 220,263
TOTAL NET POSITION - JUNE 30, 2016	(1,033,950)
PRIOR PERIOD ADJUSTMENT (see Note 2)	0
TOTAL NET POSITION - JUNE 30, 2016 RESTATED	(1,033,950)
TOTAL NET POSITION - JUNE 30, 2017	\$ (813,687)

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 741,526
Cash Payments to Employees for Services	(921,505)
Cash Payments to Suppliers for Goods and Services	(862,575)
Cash Payments for Other Operating Expenses	(8,635)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,051,189)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	\$ 160,061
Federal Sources	942,521
Transfers in(out)	0
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 1,102,582</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	\$ 17,123
NET CASH PROVIDED (USED) FROM CAPITAL AND RELATED ACTIVITIES	<u>\$ 17,123</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	\$ 1,535
NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES	<u>\$ 1,535</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 70,051
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,237,886</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,307,937</u>
 <u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	<u>\$ (1,021,196)</u>
Depreciation and Net Amortization	\$ 66,514
Change in Assets and Liabilities	
(Increase) Decrease in Inventories	(2,334)
(Increase) Decrease in Accounts Receivable	(1,131)
(Increase) Decrease in Deferred Outflows of Resources	(218,401)
Increase (Decrease) in Accounts Payable	(2,273)
Increase (Decrease) in Due to/from Other Funds	(35,896)
Increase (Decrease) in Accrued Salaries and Other Payroll Liabilities	404
Increase (Decrease) in Compensated Absences	(14,696)
Increase (Decrease) in Deferred Inflows of Resources	118,656
Increase (Decrease) in Net Pension Liability	54,437
Increase (Decrease) in Deferred Revenue	4,727
Total Adjustments	<u>\$ (29,993)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,051,189)</u>

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Student Activities Fund
	<u> </u>
ASSETS	
Cash and Cash Equivalents	\$ <u>170,819</u>
TOTAL ASSETS	<u>\$ 170,819</u>
LIABILITIES	
Due to Student Groups	\$ <u>170,819</u>
TOTAL LIABILITIES	<u>\$ 170,819</u>
TOTAL NET POSITION	<u>\$ 0</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 170,819</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive</u>	<u>Budget to GAAP</u>	<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>	<u>Difference</u>	<u>GAAP Basis</u>
REVENUES						
Local revenues	\$ 39,308,568	\$ 39,308,568	\$ 40,404,557	\$ 1,095,989	\$ 0	\$ 40,404,557
State program revenues	20,872,765	20,872,765	22,624,065	1,751,300	0	22,624,065
Federal program revenues	1,220,996	1,220,996	860,852	(360,144)	0	860,852
TOTAL REVENUES	\$ 61,402,329	\$ 61,402,329	\$ 63,889,474	\$ 2,487,145	\$ 0	\$ 63,889,474
EXPENDITURES						
Regular Programs	\$ 25,365,385	\$ 25,365,385	\$ 27,046,864	\$ (1,681,479)	\$ 0	\$ 27,046,864
Special Programs	6,380,367	6,380,367	6,583,834	(203,467)	0	6,583,834
Vocational Programs	2,027,331	2,027,331	1,930,328	97,003	0	1,930,328
Other Instructional Programs	6,885	6,885	9,359	(2,474)	0	9,359
Non-Public School Programs	21,000	21,000	50,587	(29,587)	0	50,587
Adult Education Programs	0	0	0	0	0	0
Higher Education Programs	0	0	0	0	0	0
Pupil Personnel Services	1,552,539	1,552,539	1,586,673	(34,134)	0	1,586,673
Instructional Staff Services	1,301,438	1,301,438	1,200,578	100,860	0	1,200,578
Administrative Services	4,182,716	4,182,716	3,970,508	212,208	0	3,970,508
Pupil Health	491,722	491,722	473,231	18,491	0	473,231
Business Services	1,219,318	1,219,318	1,223,224	(3,906)	0	1,223,224
Operation & Maintenance of Plant Services	5,690,784	5,690,784	6,157,614	(466,830)	0	6,157,614
Student Transportation Services	4,689,204	4,689,204	4,530,550	158,654	0	4,530,550
Central	457,786	457,786	468,040	(10,254)	0	468,040
Other Support Services	51,296	51,296	53,460	(2,164)	0	53,460
Student Activities	1,431,477	1,431,477	1,320,951	110,526	0	1,320,951
Community Services	20,885	20,885	12,022	8,863	0	12,022
Facilities Acquisition and Construction	850,000	850,000	1,160,769	(310,769)	0	1,160,769
Debt Services	6,623,451	6,623,451	6,374,980	248,471	0	6,374,980
TOTAL EXPENDITURES	\$ 62,363,584	\$ 62,363,584	\$ 64,153,572	\$ (1,789,988)	\$ 0	\$ 64,153,572
Excess (deficiency) of revenues over expenditures	\$ (961,255)	\$ (961,255)	\$ (264,098)	\$ 697,157	\$ 0	\$ (264,098)
OTHER FINANCING SOURCES (USES)						
Interfund Transfers	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Refund of Prior Year Expenditures	0	0	60,548	60,548	0	60,548
Refund of Prior Year Receipts	0	0	(204,991)	(204,991)	0	(204,991)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 0	\$ 0	\$ 160,074	\$ 160,074	\$ 0	\$ 160,074
Net change in fund balances	\$ (961,255)	\$ (961,255)	\$ (104,024)	\$ 857,231	\$ 0	\$ (104,024)
FUND BALANCE - JUNE 30, 2016	(2,722,488)	(2,722,488)	8,372,928	11,095,416	0	8,372,928
FUND BALANCE - JUNE 30, 2017	\$ (3,683,743)	\$ (3,683,743)	\$ 8,268,904	\$ 11,952,647	\$ 0	\$ 8,268,904

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 1 - REPORTING ENTITY

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

B. Measurement Focus/Basis of Accounting

Fund Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due. Property taxes and interest associated with past and current fiscal periods are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if they are collected within 60 days of the end of the current fiscal period. All other property taxes associated with past and current fiscal periods are deferred in the Governmental fund financial statements.

The School District reports the following major governmental funds:

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

Capital Projects Funds—The Capital Projects Funds account for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the School District. There were no funds of this type in the current year.

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

The School District reports its only proprietary fund, the Food Service Fund, as major.

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

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

C. Budgetary Process

The School District passed an appropriated original budget for the fiscal year ending June 30, 2017 with revenues totaling \$61,402,329 and expenditures totaling \$62,363,584.

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

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

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

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

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).

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

D. Deposits and Investments

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

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

E. Interfund Balances

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

F. Inventories

On government-wide financial statements, inventories are stated at cost using the purchase method. The purchase method means that food products, materials, and supplies are charged as expenditures when acquired. Inventory on hand at the end of the period is then recorded as an

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

asset by offsetting the appropriate expense account. Inventories for governmental activities are not reported as of June 30, 2017 due to their immaterial balance.

On fund financial statements, inventories are stated at cost using the purchase method for proprietary funds. The inventory for Business-type Activities at June 30, 2017 is \$34,338. Inventories are not maintained in governmental funds for fund financial statement reporting.

G. Capital Assets

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

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

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

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

H. Bond Premiums and Discounts

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Compensated Absences/Retirement Incentives

Compensated Absences

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

<u>Days of Unused Sick Leave</u>	<u>Rate</u>
1-75 days	\$53/day
76-150 days	\$63/day
151-200 days	\$75/day
Accrued sick days cannot exceed 200 days	

The School District’s governmental liability is as follows:

Compensated absences liability at 6/30/16	\$	793,898
Increase in liability		<u>431,663</u>
Compensated absences liability at 6/30/17	\$	1,225,561

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

Compensated absences liability at 6/30/16	\$	59,695
Increase in liability		<u>(14,696)</u>
Compensated absences liability at 6/30/17	\$	44,999

Retirement Incentives

Recently Issued and Adopted Accounting Pronouncements

The School District measured and recognized an “other post-employment benefit” (OPEB) liability in accordance with provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. This statement provides guidance on accounting and financial reporting for “other post-employment benefits” accounted for in financial statements of plan sponsors and employers. OPEB refer to non-pension benefits provided after the termination of employment. One example of this type of benefit is healthcare insurance premiums paid by employers on behalf of former employees. Governmental entities have traditionally accounted for OPEB on a pay-as-you-go basis. The guidance in this statement rests on the assumption that OPEB should be accrued as service is provided by employees. More information on these liabilities is included later in these notes.

The liabilities for the above items are reported on the government-wide financial statements. For governmental funds, the current portion of the liabilities is the amount that is normally expected

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

to be paid using expendable financial resources. In proprietary funds, if applicable, the entire amount of the liabilities is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

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

L. Fund Balance

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

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

M. Use of Estimates

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

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reported \$20,497,339 in the Governmental Activities and \$408,525 in the Business-type Activities as deferred outflows of resources.

In addition to liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District reported \$6,396,707 in the Governmental Activities and \$137,293 in the Business-type Activities as deferred inflows of resources.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. Pensions

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

P. GASB Statement No. 68, Accounting and Financial Reporting for Pensions

GASB 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements in which:

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

NOTE 3 – CASH / INVESTMENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2017, \$4,360,712 of the School District's bank balance of \$4,610,712 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution	\$	0
Uninsured and collateral held by the pledging bank's trust department not in the District's name	\$	4,360,712

Other Deposits

As of June 30, 2017, the School District had the following other deposits in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School Liquid Asset Fund

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 3 – CASH / INVESTMENTS - CONTINUED

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

Credit Risk

The value of the funds as of June 30, 2017 is as follows:

<u>Type</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
PA Local Government Investment Trust	\$ 3,879,253	AAAm
PA School District Liquid Asset Fund	<u>2,887,064</u>	AAAm
Total	<u>\$ 6,766,317</u>	

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 4,360,712
Collateralized Amount Above	250,000
Other Deposits Above	<u>6,766,317</u>
Carrying Amount - Bank Balances	\$ 11,377,029
Less: Outstanding Items	(680,808)
Less: Fiduciary Funds	<u>(170,819)</u>
Total	<u>\$ 10,525,402</u>

Interest Rate Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral security

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 3 – CASH / INVESTMENTS - CONTINUED

that are in the possession of an outside party. The School District has no investment subject to custodial credit risk.

Statutory Authority

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

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

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

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.

NOTE 4 – TAXES

Property Taxes

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

The schedule for property taxes levied for 2016-2017 is as follows:

July 1, 2016 - tax levy date
Through August 31, 2016 - 2% discount period
Through October 31, 2016 - face payment period
Beginning November 1, 2016 - 5% penalty period
April 15, 2017 - lien date

The School District tax rate for all purposes in 2016-2017 was 19.25 mills (\$19.25 per \$1,000 assessed valuation). Collections for the 2016-2017 year were \$32,370,536.

As of June 30, 2017, property taxes receivable by the School District include uncollected taxes assessed as of July 1, 2016 or earlier. It is estimated that 90% of all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected; therefore, property taxes receivable reflect this estimate. Delinquent property tax receivable is recognized as revenue in the government- wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Income Taxes

The School District levies a voted continuing tax of 0.50% for general operations on the income of residents. Taxpayers are required to file an annual return. The collector makes periodic distributions to the School District after withholding amounts for administrative fees. Income tax receipts are credited to the general fund.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,350,777	\$ 0	\$ 0	\$ 1,350,777
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital assets, not being depreciated	<u>\$ 1,350,777</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,350,777</u>
Capital assets, being depreciated:				
Site Improvements	\$ 6,859,252	\$ 29,860	\$ 0	\$ 6,889,112
Building and building improvements	106,197,063	14,706	0	106,211,769
Furniture and equipment	18,113,031	716,633	(1,303,877)	17,525,787
Total capital assets, being depreciated	<u>\$ 131,169,346</u>	<u>\$ 761,199</u>	<u>\$ (1,303,877)</u>	<u>\$ 130,626,668</u>
Accumulated depreciation for:				
Site Improvements	\$ (3,175,567)	\$ (281,986)	\$ 0	\$ (3,457,553)
Building and building improvements	(45,068,499)	(3,928,000)	0	(48,996,499)
Furniture and equipment	<u>(13,553,669)</u>	<u>(689,553)</u>	<u>1,134,371</u>	<u>(13,108,851)</u>
Total accumulated depreciation	<u>\$ (61,797,735)</u>	<u>\$ (4,899,539)</u>	<u>\$ 1,134,371</u>	<u>\$ (65,562,903)</u>
Total capital assets, being depreciated, net	<u>\$ 69,371,611</u>	<u>\$ (4,138,340)</u>	<u>\$ (169,506)</u>	<u>\$ 65,063,765</u>
Governmental activities capital assets, net:	<u>\$ 70,722,388</u>	<u>\$ (4,138,340)</u>	<u>\$ (169,506)</u>	<u>\$ 66,414,542</u>
Business-type activities:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 1,369,943	\$ 7,497	\$ (34,434)	\$ 1,343,006
Total capital assets, being depreciated	<u>\$ 1,369,943</u>	<u>\$ 7,497</u>	<u>\$ (34,434)</u>	<u>\$ 1,343,006</u>
Accumulated depreciation for:				
Furniture and equipment	\$ (726,527)	\$ (66,514)	\$ 9,814	\$ (783,227)
Total accumulated depreciation	<u>\$ (726,527)</u>	<u>\$ (66,514)</u>	<u>\$ 9,814</u>	<u>\$ (783,227)</u>
Total capital assets, being depreciated, net	<u>\$ 643,416</u>	<u>\$ (59,017)</u>	<u>\$ (24,620)</u>	<u>\$ 559,779</u>
Business-type activities capital assets, net:	<u>\$ 643,416</u>	<u>\$ (59,017)</u>	<u>\$ (24,620)</u>	<u>\$ 559,779</u>
Total Governmental & Business-type activities, net	<u>\$ 71,365,804</u>	<u>\$ (4,197,357)</u>	<u>\$ (194,126)</u>	<u>\$ 66,974,321</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 5 – CAPITAL ASSETS – CONTINUED

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

Governmental Activities:

Instruction:	
Regular Instruction	\$ 3,176,862
Support Services:	
Instructional Staff	113,669
Administration	375,305
Pupil Health	44,586
Operation of Plant and Maintenance Services	599,704
Student Transportation Services	433,119
Central	44,096
Non-Instructional Services:	
Student Activities	<u>112,198</u>
Total Depreciation expense, Governmental Activities:	<u>\$ 4,899,539</u>

Business-Type Activities:

Food Services	<u>\$ 66,514</u>
Total Depreciation expense, Business-Type Activities:	<u>\$ 66,514</u>

Total Depreciation expense, Governmental and Business-Type Activities: \$ 4,966,053

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 School District pays an annual premium to the Consortium for its health and medical insurance coverage. The formation agreement of the Consortium provides that the Consortium will be self-sustaining through annually determined member premiums and will reinsure through commercial companies for excess claims of amounts as defined in the insurance contract. Additionally, during fiscal 2005, the Consortium designated a portion of the net assets for rate stabilization and catastrophic claims. The Net Assets Designated for rate stabilization was \$25,095,000 as of June 30, 2017, while the Net Assets Designated for Catastrophic Claims was \$18,821,000.

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

The Consortium fund balance attributable to Baldwin-Whitehall School District was \$1,158,292 as of June 30, 2017 (audited), and at this time Baldwin-Whitehall has no plans to withdraw from the Consortium. The financial statements of the Consortium for the year ended June 30, 2017 are on file with the Baldwin-Whitehall School District.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 7 – PENSION PLAN

Public School Employees' Retirement System (PSERS)

General Information about the Pension Plan

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

Benefits Provided: PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of 5 years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of 5 years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least 1 year of credited service (age 65 with at least 3 years of credited service for Class T-E and Class T-F members) or who has at least 5 years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 7 – PENSION PLAN - CONTINUED

Contributions:

Member Contributions:

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

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$8,414,393 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$108,728,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's 1-year reported covered payroll as it related to the total 1-year reported covered payroll. At June 30, 2016, the District's proportion was 0.2194%, which was a decrease of 0.0157% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$8,455,496. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 7 – PENSION PLAN - CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 906,000
Changes in assumptions	3,925,000	0
Net difference between projected and actual investment earnings	6,060,000	0
Changes in proportions	1,043,000	5,628,000
Difference between employer contributions and proportionate share of total contributions	0	0
District contributions subsequent to the measurement date	<u>8,414,393</u>	<u>0</u>
Total	<u>\$ 19,442,393</u>	<u>\$ 6,534,000</u>

The District reported \$8,414,393 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended June 30:

2017	656,000
2018	656,000
2019	2,269,000
2020	914,000

Changes in Actuarial Assumptions: The total pension liability as of June 30, 2016 was determined by rolling forward the System’s total pension liability as of the June 30, 2015 to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016:

- The Investment Rate of Return was adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.00% to 2.75%
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 7 – PENSION PLAN - CONTINUED

effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the 5-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	<u>100.0%</u>	

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 7 – PENSION PLAN - CONTINUED

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District’s proportionate share of the Net Pension Liability to changes in the discount rate: The following presents the School District’s proportionate share of the net pension liability, calculated using the discount rate of 7.25%, as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%
School District's proportionate share of net pension liability	\$ 133,003,000	\$ 108,728,000	\$ 88,329,000

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT

Long-term liability for the year ended June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds/Notes Payable:					
General obligation bonds/notes	\$ 58,109,000	\$ 0	\$ (5,006,000)	\$ 53,103,000	\$ 6,129,000
Deferred amounts for issuance premium/(discount)	<u>811,968</u>	<u>0</u>	<u>(149,097)</u>	<u>662,871</u>	<u>0</u>
Total bonds/notes payable, net	\$ 58,920,968	\$ 0	\$ (5,155,097)	\$ 53,765,871	\$ 6,129,000
Net Pension Liability	\$ 99,603,835	\$ 6,839,563	\$ 0	\$ 106,443,398	\$ 8,324,002
Lease obligations	1,059,939	304,517	(666,956)	697,500	468,544
Other post- Emp. benefit obligation/ comp abs payable	<u>524,939</u>	<u>2,549,191</u>	<u>0</u>	<u>3,074,130</u>	<u>0</u>
Total governmental activity long- term liabilities	<u>\$ 160,109,681</u>	<u>\$ 9,693,271</u>	<u>\$ (5,822,053)</u>	<u>\$ 163,980,899</u>	<u>\$ 14,921,546</u>
Business-type Activities:					
Net Pension Liability	\$ 2,230,165	\$ 54,437	\$ 0	\$ 2,284,602	\$ 176,804
Other post- Emp. benefit obligation/ comp abs payable	<u>59,695</u>	<u>0</u>	<u>(14,696)</u>	<u>44,999</u>	<u>0</u>
Total business-type activity long- term liabilities	<u>\$ 2,289,860</u>	<u>\$ 54,437</u>	<u>\$ (14,696)</u>	<u>\$ 2,329,601</u>	<u>\$ 176,804</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, 2017, 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>
2018	\$ 6,129,000	\$ 1,199,897	\$ 7,328,897
2019	6,303,000	1,024,637	7,327,637
2020	6,506,000	816,567	7,322,567
2021	6,690,000	642,346	7,332,346
2022	6,696,000	512,536	7,208,536
2023-2025	<u>20,779,000</u>	<u>673,144</u>	<u>21,452,144</u>
Total	<u>\$ 53,103,000</u>	<u>\$ 4,869,127</u>	<u>\$ 57,972,127</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT - CONTINUED

General obligation bonds and notes payable at June 30, 2017, with their outstanding balance are as follows:

\$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%	\$	0
\$4,945,000 2012 general obligation bonds, due in annual installments of \$235,000 to \$785,000, beginning September 15, 2005, through September 15, 2022, interest from 1.00 to 2.25%		1,445,000
\$9,980,000 2013 general obligation bonds, due in annual installments of \$5,000 to \$3,020,000, beginning November 15, 2015, through November 15, 2022, interest from .5% to 2.55%		9,815,000
\$8,320,000 2014 general obligation bonds, due in annual installments of \$525,000 to \$1,295,000, beginning May 15, 2015, through November 15, 2021, interest from 0.20% to 5.00%		5,905,000
\$8,825,000 2014A general obligation bonds, due in annual installments of \$85,000 to \$5,745,000, beginning November 15, 2015, through November 15, 2024, interest from 0.60% to 6.20%		8,655,000
\$9,895,000 2015 general obligation bonds, due in annual installments of \$120,000 to \$6,960,000, beginning November 15, 2015, through November 15, 2024, interest from 2.00% to 5.00%		9,650,000
\$9,995,000 2016 general obligation note, due in annual installments of \$138,000 to \$3,434,000, beginning November 15, 2017, through November 15, 2022, interest at 1.54%		9,995,000
\$9,999,000 2016 general obligation note series A, due in annual installments of \$199,000 to \$4,116,000, beginning November 15, 2016, through November 15, 2019, interest at 1.875%		7,638,000
		<u>\$ 53,103,000</u>

For the year ended June 30, 2017, total interest and debt fees incurred of \$1,365,330 were charged to expense; no interest costs were capitalized during the period.

Capital Leases

During the year ending June 30, 2016, the District entered into a capital lease agreement for buses used for transportation for a total amount of \$1,205,841. Principal lease payments expensed to the District during the current year totaled \$401,872. At the conclusion of the lease, the District will own the buses.

During the year ending June 30, 2017, the District entered into a capital lease agreement for copiers for a total amount of \$304,517. Principal lease payments expensed to the District during the current year totaled \$18,533. At the conclusion of the lease, the District will own the copiers.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT - CONTINUED

Future minimum lease payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2018	\$ 468,544	\$ 19,757	\$ 488,301
June 30, 2019	59,233	7,676	66,909
June 30, 2020	61,523	5,385	66,908
June 30, 2021	63,902	3,006	66,908
June 30, 2022	44,298	637	44,935
	<u>\$ 697,500</u>	<u>\$ 36,461</u>	<u>\$ 733,961</u>

Operating Leases

During the year ending June 30, 2017, the District had operating lease agreements for copiers and networking equipment used for District operations. Principal lease payments expensed to the District during the current year totaled \$178,818. There were no remaining payments as of June 30, 2017 on the agreements.

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2017, consisted of the following fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund: Enterprise Fund	\$ 770,514	\$ 0
Enterprise Fund: General Fund	0	770,514

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

NOTE 10 – CONTINGENCIES

A. Litigation

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

B. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 10 – CONTINGENCIES - CONTINUED

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, 2017.

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

Plan description

The School District provides post-retirement benefits for certain employees for current and future health, pharmacy, dental and vision insurance benefit expenses through a single-employer defined benefit plan. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2016. The post-retirement plan does not issue stand-alone financial reports.

Currently, there are no early retirement incentives in place for any of the employee groups. However, as with and school district, employees can retire and elect to continue in the medical program provided they contribute the full premium rate in accordance with Act 110/43.

Below is a description of the former incentives that had been in place:

Classified

In past years, there were various incentives for retiring classified employees. Generally, these incentives provided post-retirement medical benefits up to the age of 65. As of March 1, 2017, any retired classified employee who has remained on the medical plan is contributing 100% of the premium rate.

Professional/Teachers

As mentioned above, there is no early retirement incentive currently in place for the Teachers. There are, however, some existing retirees who had retired under a prior early retirement incentive. A brief description of those incentives is as follows:

2015 Incentive

Teachers who retired under this incentive are eligible for medical and prescription drug benefits for a period up to the point in which they became eligible for Medicare or June 30, 2021, whichever occurs first.

During the incentive period, the District will pay a maximum of \$14,000 per year towards retiree medical coverage.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Incentives prior to 2015

Teachers who retired under any incentive prior to the 2015 incentive were eligible for medical and prescription drug benefits for various durations. For example, one incentive provided benefits for a 5-year period whereas another provided benefits for a period up to the point in which they became eligible for Medicare or attained age 65, whichever occurred first.

Any teachers who retired under these prior incentives are now required to contribute 100% of the premium rate in order to maintain coverage.

Retired Administrators

In past years, there were various incentives for retiring administrators. Generally, these incentives provided postretirement medical benefits for a 10-year period. On June 30, 2017, the 10-year period expired for all existing retired administrators.

Any retired administrators who remain on the medical plan after June 30, 2017 will be required to contribute 100% of the premium rate.

Special Contracts

There are no current retirees who retired under a special contract.

Medical

Employees who retire and remain in the medical plan are enrolled in either a PPO program or an EPO program. The programs are provided through the Allegheny County Schools Health Insurance Consortium (ACSHIC) and is administered by Highmark.

Dental

Retirees are also eligible for dental benefits. Retirees with dental coverage must contribute 100% of the premium rate. Dental benefits are provided up to the age of 65 only.

Vision

Retirees are also eligible for vision benefits. Retirees with vision coverage must contribute 100% of the premium rate. Dental benefits are provided up to the age of 65 only.

Life Insurance

Post-retirement life insurance is not provided.

Membership in the plan consisted of the following at July 1, 2016, the date of the last actuarial valuation.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Retirees and beneficiaries receiving benefits	46
Active plan members	<u>332</u>
Total	<u><u>378</u></u>

The OPEB liability is calculated as follows:

	Total OPEB
	<u>Liability</u>
Balance at 6/30/2016	\$ 326,122
Changes for the year:	
Interest	\$ 14,675
Differences between expected and actual experience	714,446
Changes of assumptions or other inputs	853,559
Benefit payments	<u>(60,233)</u>
Net changes	<u>\$ 1,522,447</u>
Balance at 6/30/2017	<u><u>\$ 1,848,569</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following is the total OPEB liability to the District, as well as the total OPEB liability using a discount rate that 1-percentage-point lower and 1-percentage-point higher than the current discount rate:

	1% Decrease (1.85%)	Discount Rate (2.85%)	1% Increase (3.85%)
Total OPEB Liability	\$ 1,896,709	\$ 1,848,569	\$ 1,779,526

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following is the total OPEB liability to the District, as well as the total OPEB liability using healthcare cost trend rates that are 1-percentage-point lower (6.00% decreasing to 3.50%) or 1-percentage-point higher (8.00% decreasing to 5.50%) than the current healthcare cost trend rates:

	1% Decrease (6.00% to 3.50%)	Discount Rate (7.00% to 4.50%)	1% Increase (8.00% to 5.50%)
Total OPEB Liability	\$ 1,759,780	\$ 1,848,569	\$ 1,950,245

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Actuarial assumptions used were as follows:

Cost Method:	Entry age normal as a level percentage of pay
Mortality:	RPH-2014 Total Dataset Mortality Table projected using Scale MP-2016
Discount Rate:	2.85%-Based on the Bond Buyers 20-Bond Index
Inflation Rate:	3.00%
Investment Return:	Investment return was not utilized in this valuation since there are no assets.
Salary Increases:	2.50%

Health Care Trend:	<u>Time Period</u>	<u>Trend</u>
	7/1/18-6/30/19	7.00%
	7/1/19-6/30/20	6.75%
	7/1/20-6/30/21	6.50%
	7/1/21-6/30/22	6.25%
	7/1/22-6/30/23	6.00%
	7/1/23-6/30/24	5.50%
	7/1/24-6/30-25	5.00%
	7/1/25-6/30/26 & later	4.50%

The changes of assumptions and other inputs includes:

1. Changed the discount rate from 4.50% to 2.85%.
2. Changed the aging factor to utilize the morbidity factors developed by Dale H. Yamamoto in "Health Care Costs-From Birth to Death" (June 2013).
3. Changed the mortality table to RPH-2014 Total Dataset using Improvement Projection Scale MP-2016.

The OPEB expense for the fiscal year ended June 30, 2017 was:

	<u>Amount</u>
Service cost	\$ 59,926
Interest	52,684
Differences between expected and actual experience	47,630
Changes of assumptions or other inputs	56,904
Benefit payments	<u>(362,922)</u>
OPEB expense	<u><u>\$ (145,778)</u></u>

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

At June 30, 2017, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 666,816
Changes of assumptions	<u>796,655</u>
Total	<u>\$ 1,463,471</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	
2018	\$ 104,534
2019	104,534
2020	104,534
2021	104,534
2022	104,534
2023 and beyond	940,801

NOTE 12 – RECENT/FUTURE GASB PRONOUNCEMENTS

GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. The primary objective of this Statement is to address the reporting requirements for OPEB liabilities and the related disclosure requirements. This Statement will be effective for fiscal year 2017-2018, however, the District chose to implement early in 2016-2017.

GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for fiscal year 2017-2018.

GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2017

NOTE 12 – RECENT/FUTURE GASB PRONOUNCEMENTS - CONTINUED

employee (plan member) contribution requirements. This Statement will be effective for fiscal year 2017-2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, which is effective fiscal 2019. GASB 83 determines the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO).

GASB Statement No. 84, *Fiduciary Activities*, which is effective fiscal 2020. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments whether a government is controlling the assets of the fiduciary activity and who are the beneficiaries with whom a fiduciary relationship exists.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which is effective fiscal 2018. GASB 86 provides guidance for transactions in which cash and other monetary assets acquired with existing resources, other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt.

The effects of implementing GASB Statements No. 81-84, and 86 on the District’s financial statements have not yet been determined.

NOTE 13 – SUBSEQUENT EVENTS

The School District evaluated its June 30, 2017 financial statements for subsequent events through the date of the Independent Auditor’s Report, the date the statements were available to be issued. The School District is not aware of additional subsequent events that would require recognition or disclosure in the financial statements.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2017, the District implemented GASB No. 75 *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. Reporting under the above GASB standard, which requires new reporting requirement for state and local governments that provide their employees with post-employment benefits other than pensions, was not reflected in the Governmental Activities for the year ended June 30, 2016. The net position at July 1, 2016 has been restated to include implementation of GASB No. 75 as follows:

	Governmental Activities
Net Position at June 30, 2016	\$ (68,297,438)
Less GASB No. 75 Implementation	(595,081)
Restated Net Position at July 1, 2016	<u>\$ (68,892,519)</u>

REQUIRED SUPPLEMENTARY INFORMATION

BALDWIN-WHITEHALL SCHOOL DISTRICT

**SCHEDULE OF CHANGE IN THE DISTRICT'S NET OPEB LIABILITY AND
RELATED RATIOS**

YEAR ENDING JUNE 30, 2017

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

	<u>2017</u>
Total OPEB liability - beginning	\$ 326,122
Interest	\$ 14,675
Changes of benefit terms	853,559
Differences between expected and actual experience	714,446
Benefit payments	<u>(60,233)</u>
Net change in total OPEB liability	<u>1,522,447</u>
Total OPEB liability - end of year	<u>\$ 1,848,569</u>
Covered payroll	\$ 28,663,912
Net OPEB liability as a percentage of covered payroll	6.45%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

BALDWIN-WHITEHALL SCHOOL DISTRICT

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs)
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

YEAR ENDING JUNE 30, 2017

Year Ended	Employer Contributions	
	Annual Required	Percentage
<u>June 30</u>	<u>Contribution</u>	<u>Contributed</u>
2017	\$ 398,752	100%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

BALDWIN-WHITEHALL SCHOOL DISTRICT

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

YEAR ENDING JUNE 30, 2017

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

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

	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.2194%	0.2351%	0.2310%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 108,728,000	\$ 101,834,000	\$ 91,432,001
District's Covered-Employee Payroll	\$ 28,417,493	\$ 30,246,071	\$ 29,478,387
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	382.61%	336.69%	310.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.14%	54.36%	57.24%

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

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TO THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
YEAR ENDING JUNE 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 8,414,393	\$ 8,680,528	\$ 6,548,431
Contributions in Relation to Contractually Required Contribution	(8,414,393)	(8,680,528)	(6,548,431)
Contribution Deficiency (Excess)	<u>\$ 16,828,786</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered Employee Payroll	\$ 28,417,493	\$ 30,246,071	\$ 31,636,370
Contribution as a Percentage of Covered Employee Payroll	29.61%	28.70%	20.70%

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDING JUNE 30, 2017

NOTE 1 – CHANGES OF BENEFIT TERMS/ASSUMPTIONS

Changes of benefit terms. There were no changes of benefit terms for the year ended June 30, 2017.

Changes of assumptions. There were no changes of benefit assumptions for the year ended June 30, 2017.

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	Federal Audit Clearinghouse Bureau of Census Online Submission Included Data Collection Form
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

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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 @ 7/1/16	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue @ 6/30/17	Passed Through to Subrecipients
U.S. Department of Education:											
Passed through the PA Dept. of Education:											
Title I Grants to Local Education Agencies	I	84.010	013-160020	07/01/15-09/30/16	\$ 789,421	\$ 118,695	\$ 20,855	\$ 97,840	\$ 97,840	\$ 0	\$ 0
Title I Grants to Local Education Agencies	I	84.010	013-170020	07/01/16-09/30/17	<u>777,740</u>	<u>505,154</u>	<u>0</u>	<u>523,934</u>	<u>523,934</u>	<u>18,780</u>	<u>0</u>
Total CFDA 84.010					\$ 1,567,161	\$ 623,849	\$ 20,855	\$ 621,774	\$ 621,774	\$ 18,780	\$ 0
Improving Teacher Quality State Grants	I	84.367	020-160020	07/01/15-09/30/16	122,486	24,386	24,386	0	0	0	0
Improving Teacher Quality State Grants	I	84.367	020-170020	07/01/16-09/30/17	<u>120,251</u>	<u>103,172</u>	<u>0</u>	<u>120,251</u>	<u>120,251</u>	<u>17,079</u>	<u>0</u>
Total CFDA 84.367					\$ 242,737	\$ 127,558	\$ 24,386	\$ 120,251	\$ 120,251	\$ 17,079	\$ 0
English Language Acquisition Grants	I	84.365	010-160020	07/01/15-09/30/16	58,717	3,914	3,914	0	0	0	0
English Language Acquisition Grants	I	84.365	010-170020	07/01/16-09/30/17	<u>70,967</u>	<u>70,967</u>	<u>0</u>	<u>70,967</u>	<u>70,967</u>	<u>0</u>	<u>0</u>
Total CFDA 84.365					\$ 129,684	\$ 74,881	\$ 3,914	\$ 70,967	\$ 70,967	\$ 0	\$ 0
Total PA Department of Education:					\$ 1,939,582	\$ 826,288	\$ 49,155	\$ 812,992	\$ 812,992	\$ 35,859	\$ 0
Passed through the Allegheny Intermediate Unit:											
IDEA - Special Education - Grants to States	I	84.027	N/A	07/01/15-06/30/16	\$ 372,219	\$ 93,055	\$ 93,055	\$ 0	\$ 0	\$ 0	\$ 0
IDEA - Special Education - Grants to States	I	84.027	N/A	07/01/16-06/30/17	<u>494,483</u>	<u>370,863</u>	<u>0</u>	<u>494,483</u>	<u>494,483</u>	<u>123,620</u>	<u>0</u>
Total CFDA 84.027					\$ 866,702	\$ 463,918	\$ 93,055	\$ 494,483	\$ 494,483	\$ 123,620	\$ 0
IDEA 619B - Special Education - Grants to States	I	84.173	N/A	07/01/16-06/30/17	<u>1,905</u>	<u>1,905</u>	<u>0</u>	<u>1,905</u>	<u>1,905</u>	<u>0</u>	<u>0</u>
Total Special Education Cluster (IDEA)					\$ 868,607	\$ 465,823	\$ 93,055	\$ 496,388	\$ 496,388	\$ 123,620	\$ 0
Total Department of Education:					\$ 2,808,189	\$ 1,292,111	\$ 142,210	\$ 1,309,380	\$ 1,309,380	\$ 159,479	\$ 0
U.S. Department of Agriculture:											
Passed through the PA Dept. of Education:											
National School Lunch Program	I	10.555	N/A	07/01/15-06/30/16	N/A	F \$ 12,310	\$ 12,310	\$ 0	\$ 0	* \$ 0	\$ 0
National School Lunch Program	I	10.555	N/A	07/01/16-06/30/17	N/A	F 655,975	0	797,871	797,871	* 141,896	0
Passed through the PA Dept. of Agriculture:											
National School Lunch Program: Value of Donated Commodities	I	10.555	N/A	07/01/16-06/30/17	<u>N/A</u>	F <u>130,729</u>	a <u>0</u>	b <u>130,729</u>	<u>130,729</u>	*c <u>0</u>	d <u>0</u>
Total CFDA 10.555						\$ 799,014	\$ 12,310	\$ 928,600	\$ 928,600	\$ 141,896	\$ 0
Passed through the PA Dept. of Education:											
National School Breakfast Program	I	10.553	N/A	07/01/16-06/30/17	N/A	F \$ <u>143,506</u>	<u>0</u>	\$ <u>143,506</u>	\$ <u>143,506</u>	* <u>0</u>	<u>0</u>
Total Child Nutrition Cluster						\$ <u>942,520</u>	\$ <u>12,310</u>	\$ <u>1,072,106</u>	\$ <u>1,072,106</u>	\$ <u>141,896</u>	\$ <u>0</u>
Total Department of Agriculture					\$ 0	\$ 942,520	\$ 12,310	\$ 1,072,106	\$ 1,072,106	\$ 141,896	\$ 0
Total Federal Assistance					\$ 2,808,189	\$ 2,234,631	\$ 154,520	\$ 2,381,486	\$ 2,381,486	\$ 301,375	\$ 0

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Source Codes:

I=Indirect Funding
 F=Federal Share

Footnotes:

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

Test of 40% rule:

Total Federal Expenditures \$ 2,381,486

*Child Nutrition Cluster \$ 1,072,106 = 45.02% (High risk auditee 40% required)

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF

EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Baldwin-Whitehall School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - BUDGETARY DATA

The School District passed and had approved by the appropriate agency, budgets for the fiscal year ending June 30, 2017 for all federal programs.

NOTE 3 – DE MINIMUS RATE FOR INDIRECT COSTS

Baldwin-Whitehall School District has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin-Whitehall School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Baldwin-Whitehall School District's basic financial statements and have issued our report thereon dated October 11, 2017.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2017-1 and 2017-2 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no significant deficiencies in the accompany schedule of findings and questioned.

Compliance and Other Matters

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

Baldwin-Whitehall School District's Response to Findings

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

Purpose of this Report

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

Cottrill, Arbutina and Assoc.

Beaver, PA 15009
October 11, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Baldwin-Whitehall School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Baldwin-Whitehall School District's major federal programs for the year ended June 30, 2017. Baldwin-Whitehall School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Baldwin-Whitehall School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Baldwin-Whitehall School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Baldwin-Whitehall School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Baldwin-Whitehall School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

Management of the Baldwin-Whitehall School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Baldwin-Whitehall School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Baldwin-Whitehall School District's internal control over compliance.

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

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

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

Cottrill, Arbutina and Assoc.

Beaver, PA 15009
October 11, 2017

BALDWIN-WHITEHALL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:

Internal control over financial reporting:

Material weakness identified: Yes No

Significant deficiencies identified that are not considered to be material weakness(es): Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness identified: Yes No

Significant deficiencies identified that are not considered to be material weakness(es): Yes No

Type of auditor's report issued on compliance for the major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516? Yes No

Identification of the major programs:

CFDA Number(s)
10.553, 10.555

Name of Federal Program
Child Nutrition Cluster

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2017-1 Preparation of Financial Statements

Criteria: The District's annual financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The District relies on Cottrill, Arbutina & Associates, P.C., as its auditors, to prepare its annual financial statements in order to conform to accounting principles generally accepted in the United States of America. We realize that additional staffing costs would be needed to acquire the internal expertise to perform this function which could significantly outweigh the benefits derived. We, as your auditors, can propose adjustments and assist the District in assembling or drafting of the financial statements; however, we cannot establish or maintain the District's controls over preventing or detecting material misstatements in the preparation of financial statements. We proposed and you approved 34 various

BALDWIN-WHITEHALL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

B. FINDINGS - FINANCIAL STATEMENTS AUDIT – CONTINUED

adjusting journal entries to properly report on the modified accrual basis of accounting, and journal entries to convert District books from modified accrual to full accrual in order to properly report in accordance with GASB 34. All of these journal entries were presented to the District along with the letter of representation, in which you took responsibility and approved each of these entries.

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

Cause: The District relies on Cottrill, Arbutina & Associates, P.C. to prepare the financial statements and financial statement notes.

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

Recommendation: We realize that additional staffing costs would be needed to acquire the internal expertise to perform this function which could significantly outweigh the benefits derived. We, as your auditors, can propose adjustments and assist the District in assembling or drafting of the financial statements; however, we cannot establish or maintain the District's controls over preventing or detecting material misstatements in the preparation of financial statements. Therefore, we recommend the District carefully review the financial statements, ensuring they agree to the District's internal records and the District fully understands and accepts responsibility for the financial statements and notes.

Views of Responsible Official and Planned Corrective Action: See corrective action plan included in this report package.

2017-2 Best Practices

SEGREGATION OF DUTIES

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

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

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

Condition: The School District has a limited number of staff responsible for or access to various stages of the accounting processes.

Cause: The District does not have the number of employees necessary in the business office to properly segregate all duties.

BALDWIN-WHITEHALL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

B. FINDINGS - FINANCIAL STATEMENTS AUDIT – CONTINUED

Recommendation: Ideally, the District would hire the number of staff necessary to segregate all duties. However, we realize segregation of duties is not practical, if not impossible. Because of this internal control situation, the responsibility of the Business Manager is greatly increased because the Board must rely on his knowledge of the everyday operations to discover any material changes in the School District's financial position.

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

Views of Responsible Official and Planned Corrective Action: See corrective action plan included in this report package.

SERVICE ORGANIZATION REPORT

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

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

Cause: The tax collectors referenced above do not have the necessary procedures performed to produce a SOC report.

Recommendation: We recommend that the District strongly encourage the tax collectors to obtain a SOC report in order to ensure proper controls are in place.

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

Views of Responsible Official and Planned Corrective Action: See corrective action plan included in this report package.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

None noted.

BALDWIN-WHITEHALL SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2017

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT

2016-1 Preparation of Financial Statements

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

Current Status: The District continues to work at reducing the number of adjustments required of the auditor's each year.

2016-2 Best Practices

SEGREGATION OF DUTIES

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

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

SERVICE ORGANIZATION REPORT

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

Current Status: The School District understands the importance of obtaining SOC reports from service organizations and will continue to inquire of the appropriate entities to ensure they obtain the proper reports.

2016-3 Real Estate Tax Collector Reports

Condition: Upon receiving monthly DCED reports from local real estate tax collectors, the District does not reconcile the information on the report to the tax duplicate. Also, specific to Baldwin Borough, the tax collector did not provide the District with a reconciled duplicate in a timely fashion.

Current Status: The District reconciled the 2016 duplicate in a timely manner.

B. PRIOR YEAR FINDINGS - MAJOR FEDERAL AWARD AUDIT

None noted.



CORRECTIVE ACTION PLAN

Department of Education:

The Baldwin-Whitehall School District respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and address of the independent public accounting firm:

Cottrill, Arbutina and Associates, P.C.
525 Third Street
Beaver, PA 15009

Audit period: June 30, 2017

The findings for the year ended June 30, 2017 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Section B – Financial Statement Findings

2017-1 Financial Statements

Recommendation: We realize that additional staffing costs would be needed to acquire the internal expertise to perform this function which could significantly outweigh the benefits derived. We, as your auditors, can propose adjustments and assist the District in assembling or drafting of the financial statements; however, we cannot establish or maintain the District's controls over preventing or detecting material misstatements in the preparation of financial statements. Therefore, we recommend the District carefully review the financial statements, ensuring they agree to the District's internal records and the District fully understands and accepts responsibility for the financial statements and notes.

Management's Response: The School District understands and takes responsibility for the financial statement preparation and the internal controls within the District. Current and on-going evaluations are necessary to increase effective internal controls and to enhance the reporting standards and financial statement preparation in accordance with GAAP.

2017-2 Best Practices

Recommendation: Ideally, the District would hire the number of staff necessary to segregate all duties. However, we realize segregation of duties is not practical, if not impossible. Because of this internal control situation, the responsibility of the Business Manager is greatly increased because the Board must rely on his knowledge of the everyday operations to discover any material changes in the School District's financial position.

Management's Response: The School District recognizes that the limited number of staff adds to the risk associated with the daily operations. To mitigate this risk, the Business Manager has taken

an active role in the day to day operations of the Business Unit. He actively reviews all reconciliations and receipts to ensure they are posted to the accounting system properly. In addition, he approves all check disbursements through the Positive Pay process and physically signs every accounts payable check that is issued by the School District.

Recommendation: We recommend that the District strongly encourage the tax collectors to obtain a SOC report in order to ensure proper controls are in place.

Management's Response: The School District understands the importance of obtaining SOC reports from service organizations and will continue to inquire of the appropriate entities to ensure they obtain the proper reports. In discussion with the Delinquent Tax Collector, they notified the District that it is extremely cost prohibitive for them to go through a review that would end with the issuance of a SOC report.

If you have questions about this report or need additional financial information, please contact Mark Cherpak, Business Manager at:

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

October 11, 2017

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 for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), 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 May 11, 2015. 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. As described in Note 11 to the financial statements, Baldwin-Whitehall School District changed accounting policies related to the OPEB liability by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, in the year ended June 30, 2017. Accordingly, the cumulative effect of the accounting change as of the beginning of the year as reported in Note 14. We noted no transactions entered into by Baldwin-Whitehall School District 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 District's financial statements were:

The estimate for the earned income tax receivable and delinquent real estate tax 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.

Management's estimate of the liability for pension 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 capital assets in Note 5 to the financial statements;
- The disclosure of risk management in Note 6 to the financial statements;
- The disclosure of pension benefits in Note 7 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.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 October 11, 2017.

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 Baldwin-Whitehall School District'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 Baldwin-Whitehall School District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis (MD&A), post-employment benefit and pension information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of expenditures of federal awards, which accompany the financial statements and is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and 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.

Cattrill, Arbutina and Assoc.

Beaver, PA 15009
October 11, 2017

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

As a result of the audit of the financial statements and in accordance with *Government Auditing Standards*, we are required to report to you internal control matters that were identified during our audit that we felt did not rise to the level of a significant deficiency or material weakness as defined in our audit report dated October 11, 2017. You are not required to respond to any of these matters. We are simply communicating these items to you in an effort to assist you in strengthening your internal controls over financial reporting. For a list of material weaknesses and significant deficiencies, see the Schedule of Findings and Questioned Costs in the audit report dated October 11, 2017. Please contact us if you need assistance in implementing these items for future audits. They are as follows:

1. To our knowledge, the *Baldwin-Whitehall Payroll Manual* has not been updated since 2010. With a change in staff, accounting systems and procedures, we recommend the District update this manual with the current procedures.
2. We noted the District does not have an official, written disaster recovery plan. We recommend the District begin putting a plan together to ensure the proper steps have been discussed, thought through and planned for.
3. In our testing of P-Card transactions we noted one instance where the proper approval signatures were not present on the *Transaction & Reconciliation Log*. We recommend that the District be diligent in obtaining all proper approval signatures for all P-Card transactions.

Please note that these comments are not part of the audit report. If you have any questions, please feel free to contact Chad Agnew at cagnew@cottrillarbutina.com or 724.683.3428.

Cottrill, Arbutina and Assoc.

Beaver, PA 15009
October 11, 2017