

BALDWIN-WHITEHALL SCHOOL DISTRICT

PITTSBURGH, PENNSYLVANIA

JUNE 30, 2023

AUDIT REPORT

BALDWIN-WHITEHALL SCHOOL DISTRICT

PITTSBURGH, PENNSYLVANIA

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PITTSBURGH, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

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

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 Baldwin-Whitehall School District as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2023 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Baldwin-Whitehall School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Baldwin-Whitehall School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Baldwin-Whitehall School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Baldwin-Whitehall School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i – xi and 15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 fund financial statements and the schedule of expenditures of federal awards are 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 26, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Baldwin-Whitehall School District's 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 Baldwin-Whitehall School District's internal control over financial reporting and compliance.

J. Martin & Associates, LLC

J. Martin & Associates, LLC
Beaver, PA 15009
October 26, 2023

BALDWIN-WHITEHALL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2023

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, 2023. 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 \$26,646,771 (net deficit). Of this amount, \$66,929,454 (unrestricted net deficit) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The District's total net position increased from 2022 by \$13,890,383 or 34.27%.
- Unrestricted net position increased by \$31,829,659 in 2023.
- Net investment in capital assets was \$26,938,245 at June 30, 2023, an increase of \$8,260,822.
- The District's real property tax rate remained 22.63 mils.
- At June 30, 2023, the District had \$81,275,000 of bond debt outstanding. This represents a decrease of \$6,985,000 or 7.91% from the previous year.
- The total fund balance of the General Fund at June 30, 2023 was \$27,480,433 of which \$6,338,979 was unassigned.
- The District remained at an investment grade bond rating of A1 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, 2023

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:

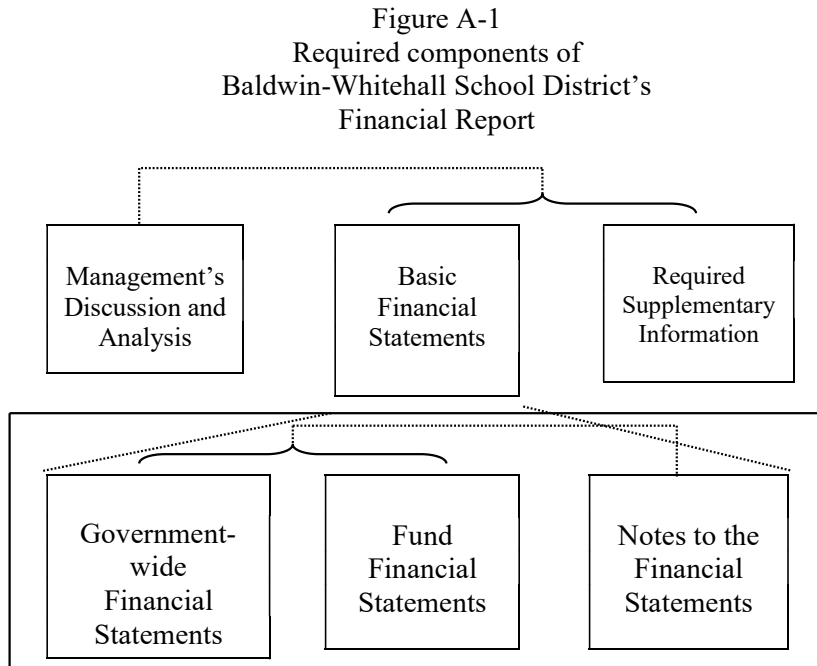


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview

BALDWIN-WHITEHALL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2023

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 the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All 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, 2023

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.

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,

BALDWIN-WHITEHALL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2023

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 the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on Pages 13 and 14. 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 (\$26,646,771) at June 30, 2023.

Table A-1
Fiscal Year ended June 30, 2023 and June 30, 2022
Net Position

	<u>2023</u>			<u>2022</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	\$ 59,945,919	\$ 3,387,730	\$ 63,333,649	\$ 82,162,636	\$ 2,851,115	\$ 85,013,751
Capital assets	95,127,882	394,339	95,522,221	71,025,750	262,387	71,288,137
Deferred Outflows of Resources	<u>19,754,676</u>	<u>338,594</u>	<u>20,093,270</u>	<u>19,149,690</u>	<u>313,733</u>	<u>19,463,423</u>
Total assets	<u>\$ 174,828,477</u>	<u>\$ 4,120,663</u>	<u>\$ 178,949,140</u>	<u>\$ 172,338,076</u>	<u>\$ 3,427,235</u>	<u>\$ 175,765,311</u>
Current & other liabilities	\$ 30,270,837	\$ 352,562	\$ 30,623,399	\$ 29,379,867	\$ 301,097	\$ 29,680,964
Long-term liabilities	167,585,198	1,757,560	169,342,758	167,211,213	1,559,359	168,770,572
Deferred Inflows of Resources	<u>5,542,479</u>	<u>87,275</u>	<u>5,629,754</u>	<u>17,492,207</u>	<u>358,722</u>	<u>17,850,929</u>
Total liabilities	<u>\$ 203,398,514</u>	<u>\$ 2,197,397</u>	<u>\$ 205,595,911</u>	<u>\$ 214,083,287</u>	<u>\$ 2,219,178</u>	<u>\$ 216,302,465</u>
Net Position						
Net Investment in Capital Assets	\$ 26,543,906	\$ 394,339	\$ 26,938,245	\$ 18,415,036	\$ 262,387	\$ 18,677,423
Restricted	13,344,438	0	13,344,438	39,544,536	0	39,544,536
Unrestricted	<u>(68,458,381)</u>	<u>1,528,927</u>	<u>(66,929,454)</u>	<u>(99,704,783)</u>	<u>945,670</u>	<u>(98,759,113)</u>
Total net position	<u>\$ (28,570,037)</u>	<u>\$ 1,923,266</u>	<u>\$ (26,646,771)</u>	<u>\$ (41,745,211)</u>	<u>\$ 1,208,057</u>	<u>\$ (40,537,154)</u>
Total Liabilities and Net Position	<u>\$ 174,828,477</u>	<u>\$ 4,120,663</u>	<u>\$ 178,949,140</u>	<u>\$ 172,338,076</u>	<u>\$ 3,427,235</u>	<u>\$ 175,765,311</u>

Due to the implementation of GASB Statement No. 68, beginning in 2014-15, the District is required to recognize its portion of pension liability. As a direct result of the net pension liability, the District’s total Deferred Inflows of Resources decreased by \$13.3 million. Current and other assets decreased by \$21.7 million while capital assets increased by \$24.2 million as the District spent bond proceeds on capital projects.

BALDWIN-WHITEHALL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2023

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 and rearranges it slightly so that you can see our total revenues for the year.

**Table A-2
Fiscal Year ended June 30, 2023 and 2022**

	<u>2023</u>			<u>2022</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	\$ 403,305	\$ 682,945	\$ 1,086,250	\$ 310,382	\$ 124,888	\$ 435,270
Operating grants & contributions	16,048,517	2,354,254	18,402,771	14,739,758	3,464,968	18,204,726
Capital grants & contrib.	1,324,340	0	1,324,340	1,161,546	0	1,161,546
General revenues:						
Property taxes	43,115,148	0	43,115,148	44,212,296	0	44,212,296
Other taxes	6,513,428	0	6,513,428	6,439,958	0	6,439,958
Grants, subsidies and contributions, unrestricted	12,992,246	0	12,992,246	12,139,032	0	12,139,032
Other	4,242,984	30,437	4,273,421	75,697	113	75,810
Total Revenues	<u>\$ 84,639,968</u>	<u>\$ 3,067,636</u>	<u>\$ 87,707,604</u>	<u>\$ 79,078,669</u>	<u>\$ 3,589,969</u>	<u>\$ 82,668,638</u>

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

JUNE 30, 2023

Table A-2 - Continued

	<u>2023</u>			<u>2022</u>		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
EXPENSES						
Instruction	\$ 44,678,765	\$ 0	\$ 44,678,765	\$ 41,904,331	\$ 0	\$ 41,904,331
Instructional student support	4,792,969	0	4,792,969	3,752,486	0	3,752,486
Administrative and financial support	6,183,396	0	6,183,396	6,423,928	0	6,423,928
Operation and maintenance of plant	7,394,410	0	7,394,410	7,460,069	0	7,460,069
Pupil transportation	4,544,286	0	4,544,286	4,352,515	0	4,352,515
Student activities	1,571,830	0	1,571,830	1,277,201	0	1,277,201
Community services	4,525	0	4,525	4,646	0	4,646
Interest on long-term debt	2,095,861	0	2,095,861	1,372,326	0	1,372,326
Capital expenditures not subject to depreciation	198,752	0	198,752	469,056	0	469,056
Food services	<u>0</u>	<u>2,352,427</u>	<u>2,352,427</u>	<u>0</u>	<u>2,437,586</u>	<u>2,437,586</u>
Total expenses	<u>\$ 71,464,794</u>	<u>\$ 2,352,427</u>	<u>\$ 73,817,221</u>	<u>\$ 67,016,558</u>	<u>\$ 2,437,586</u>	<u>\$ 69,454,144</u>
Increase (decrease) in net position before transfers	\$ 13,175,174	\$ 715,209	\$ 13,890,383	\$ 12,062,111	\$ 1,152,383	\$ 13,214,494
Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net position	\$ 13,175,174	\$ 715,209	\$ 13,890,383	\$ 12,062,111	\$ 1,152,383	\$ 13,214,494
Net position - Beginning	<u>(41,745,211)</u>	<u>1,208,057</u>	<u>(40,537,154)</u>	<u>(53,807,322)</u>	<u>55,674</u>	<u>(53,751,648)</u>
Net Position - Ending	<u>\$ (28,570,037)</u>	<u>\$ 1,923,266</u>	<u>\$ (26,646,771)</u>	<u>\$ (41,745,211)</u>	<u>\$ 1,208,057</u>	<u>\$ (40,537,154)</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, 2023

Table A-3
Fiscal Year ended June 30, 2023 and 2022
Governmental Activities

<u>Functions/Programs</u>	<u>June 30, 2023</u>		<u>June 30, 2022</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	\$ 44,678,765	\$ 32,029,358	\$ 41,904,331	\$ 30,133,280
Instructional student support	4,792,969	4,275,418	3,752,486	3,213,165
Administrative & financial support	6,183,396	5,336,798	6,423,928	5,908,464
Operation & Maintenance	6,201,934	5,505,009	7,460,069	6,814,362
Pupil transportation	4,544,286	3,025,703	4,352,515	2,984,682
Student activities	1,571,830	1,349,072	1,277,201	1,066,437
Community services	4,525	4,525	4,646	4,646
Interest on long-term debt	2,095,861	771,521	1,372,326	210,780
Capital expenditures not subject to depreciation	<u>1,391,228</u>	<u>1,391,228</u>	<u>469,056</u>	<u>469,056</u>
Total governmental activities	<u>\$ 71,464,794</u>	<u>\$ 53,688,632</u>	<u>\$ 67,016,558</u>	<u>\$ 50,804,872</u>
Less:				
Unrestricted grants, subsidies		\$ 12,992,246		\$ 12,139,032
Total need from local taxes & other revenues		<u>\$ 40,696,386</u>		<u>\$ 38,665,840</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, 2023 and 2022
Business-type Activities

<u>Functions/Programs</u>	<u>June 30, 2023</u>		<u>June 30, 2022</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	\$ 2,352,427	\$ 684,772	\$ 2,437,586	\$ 1,152,270
Less:				
Transfers In		0		0
Investment Earnings		<u>(35,013)</u>		<u>(113)</u>
Total business-type activities		<u>\$ 649,759</u>		<u>\$ 1,152,157</u>

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

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

JUNE 30, 2023

THE DISTRICT FUNDS

At June 30, 2023, the District governmental funds reported a combined total fund balance of \$64,538,475, which is an increase of \$26,101,015. The main reason for the increase in fund balance is attributable to the District issuing approximately \$30 million in general obligation bonds.

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 15.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the Governmental Activities reported \$95,127,882 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>2023</u>	<u>2022</u>
Land	\$ 1,350,777	\$ 1,350,777
Site Improvements	15,478,599	14,995,697
Buildings	33,483,301	37,484,999
Furniture & Equipment	4,655,289	4,289,831
Construction in Progress	<u>40,159,916</u>	<u>12,904,446</u>
	<u>95,127,882</u>	<u>71,025,750</u>

DEBT ADMINISTRATION

During the 2022-2023 fiscal-year, the District made payments against bond principal of \$6,985,000 resulting in ending outstanding bond debt of \$81,275,000 as of June 30, 2023. 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, 2023

Table A-6
Outstanding Debt

General Obligation Bonds	<u>2022</u>	<u>2022</u>
Series 2012	\$ 0	\$ 255,000
Series 2013	0	3,020,000
Series 2014A	110,000	220,000
Series 2015	3,815,000	3,960,000
Series 2016	0	3,434,000
Series 2018	8,750,000	8,755,000
Series 2019	9,760,000	9,765,000
Series 2020	9,675,000	9,680,000
Series 2021	9,000,000	9,005,000
Series 2021A	9,850,000	9,851,000
Series 2022	<u>30,315,000</u>	<u>30,315,000</u>
	<u>\$ 81,275,000</u>	<u>\$ 88,260,000</u>

Other obligations include the following:

	<u>2023</u>	<u>2022</u>
Other Post-Employment Benefits	\$ 5,911,365	\$ 7,636,593
Compensated Absences	1,271,564	1,132,589
Net Pension Liability	94,608,000	85,111,000
Leases	<u>533,298</u>	<u>533,298</u>
Total	<u>\$ 102,324,227</u>	<u>\$ 94,413,480</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 2023-2024 year is \$5,593,545 more than the original budget for 2022-2023. This represents a 7.01% increase in budgeted revenues. The expenditure budget for the 2023-2024 year is \$5,958,481 more than the original budget for 2022-2023, which is a 7.46% increase.

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

JUNE 30, 2023

The comparison of revenue and expenditure categories is as follows:

Table A-7

BUDGETED REVENUES

	<u>2023-2024</u>	<u>2022-2023</u>
Local	60.86%	60.85%
State	32.14%	32.74%
Federal/Other	6.99%	6.41%

BUDGETED EXPENDITURES

	<u>2023-2024</u>	<u>2022-2023</u>
Instruction	53.77%	54.69%
Support Services	29.96%	30.22%
Non-Instruction/Community	1.47%	1.60%
Facilities Construction	3.49%	3.11%
Fund Transfers/Debt	11.31%	10.38%

FUTURE IMPLICATIONS

Budgeting in fiscal 2023-24 brought significant challenges as usual. None of the state funding was in place at the time of the budget, and the preliminary estimates were difficult to use given that there was a new Governor in place and his preliminary numbers were much higher than historical figures suggested. The District increased the millage rate for 2023-2024 by 1.22 mills, bringing the millage rate to 23.85. This millage increase was needed to offset the expected budget deficit. With the increase the deficit for 2023-24 is \$517,947. We have utilized federal ESSER funds to fill gaps related to facility improvements that are needed throughout the District. We have been very careful in utilizing these funds so that when they run out in September of 2024, there are not continuing expenses that require District funds even after the federal dollars are gone. In addition, funding requirements for school districts have been very challenging with the required increases to health care costs. For 2023-24, there was an increase of 14% for health care that negatively impacted the District's forecasts. An ever-increasing deterioration of the District's facilities is also a concern as the District attempts to manage the capital expenditures and debt service required to upgrade the buildings. The new R.A Lutz building is moving along and is currently scheduled to open in January of 2024.

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, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 47,429,066	\$ 2,653,085	\$ 50,082,151
Taxes Receivable, net			
Property Taxes	6,928,109	0	6,928,109
Earned Income Taxes	1,104,642	0	1,104,642
Internal Balances	(712,550)	712,550	0
Due From Other Governments	4,065,811	0	4,065,811
Other Receivables	460,530	0	460,530
Prepaid Expenses	670,311	0	670,311
Inventories	0	22,095	22,095
Total Current Assets	\$ 59,945,919	\$ 3,387,730	\$ 63,333,649
Noncurrent Assets			
Land	\$ 1,350,777	\$ 0	\$ 1,350,777
Site Improvements (net of depreciation)	15,478,599	0	15,478,599
Building & Building Improvements (net of depreciation)	33,483,301	0	33,483,301
Furniture & Equipment (net of depreciation)	4,655,289	394,339	5,049,628
Construction in Progress	40,159,916	0	40,159,916
Total Noncurrent Assets	\$ 95,127,882	\$ 394,339	\$ 95,522,221
TOTAL ASSETS	\$ 155,073,801	\$ 3,782,069	\$ 158,855,870
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	\$ 16,157,603	\$ 338,594	\$ 16,496,197
Deferred outflows of resources related to District OPEB	3,010,073	0	3,010,073
Deferred outflows of resources related to PSERS OPEB	587,000	0	587,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 19,754,676	\$ 338,594	\$ 20,093,270
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 4,640,084	\$ 51,366	\$ 4,691,450
Current Portion of LT Debt	6,243,039	0	6,243,039
Short-Term Payables	301,454	0	301,454
Accrued Salaries and Benefits	6,761,866	5,202	6,767,068
Current Portion of Net Pension Liability	11,403,234	238,963	11,642,197
Unearned Revenues	921,160	57,031	978,191
Total Current Liabilities	\$ 30,270,837	\$ 352,562	\$ 30,623,399
Noncurrent Liabilities			
Bonds Payable (net)	\$ 75,155,000	\$ 0	\$ 75,155,000
Unamortized bond discount/premium	3,628,767	0	3,628,767
LT Portion of District Other Post-Employment Benefits	1,998,365	0	1,998,365
LT Portion of PSERS Other Post-Employment Benefits	3,913,000	0	3,913,000
LT Portion of Leases Payable	410,259	0	410,259
LT Portion of Compensated Absences	1,216,925	54,639	1,271,564
LT Net Pension Liability	81,262,882	1,702,921	82,965,803
Total Noncurrent Liabilities	\$ 167,585,198	\$ 1,757,560	\$ 169,342,758
TOTAL LIABILITIES	\$ 197,856,035	\$ 2,110,122	\$ 199,966,157
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	\$ 4,164,725	\$ 87,275	\$ 4,252,000
Deferred inflows of resources related to District OPEB	293,754	0	293,754
Deferred inflows of resources related to PSERS OPEB	1,084,000	0	1,084,000
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 5,542,479	\$ 87,275	\$ 5,629,754
NET POSITION			
Net Investment in capital assets	\$ 26,543,906	\$ 394,339	\$ 26,938,245
Restricted for:			
Capital Projects	13,344,438	0	13,344,438
Unrestricted (deficit)	(68,458,381)	1,528,927	(66,929,454)
TOTAL NET POSITION	\$ (28,570,037)	\$ 1,923,266	\$ (26,646,771)

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

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	\$ 34,419,432	\$ 16,252	\$ 7,524,012	\$ 0	\$ (26,879,168)	\$ 0	\$ (26,879,168)
Special Instruction	8,227,652	0	4,950,789	0	(3,276,863)	0	(3,276,863)
Vocational Instruction	2,027,231	0	148,119	0	(1,879,112)	0	(1,879,112)
Other Instructional Programs	2,312	0	10,235	0	7,923	0	7,923
Non-Public School Programs	2,138	0	0	0	(2,138)	0	(2,138)
Total Instructional Services	\$ 44,678,765	\$ 16,252	\$ 12,633,155	\$ 0	\$ (32,029,358)	\$ 0	\$ (32,029,358)
Support Services:							
Pupil Personnel	\$ 2,016,448	\$ 0	\$ 250,905	\$ 0	\$ (1,765,543)	\$ 0	\$ (1,765,543)
Instructional Staff	2,247,618	0	120,541	0	(2,127,077)	0	(2,127,077)
Administration	4,299,380	0	709,318	0	(3,590,062)	0	(3,590,062)
Pupil Health	528,903	0	146,105	0	(382,798)	0	(382,798)
Business Services	1,061,215	0	59,403	0	(1,001,812)	0	(1,001,812)
Operation of Plant and Maintenance Services	6,201,934	303,122	393,803	0	(5,505,009)	0	(5,505,009)
Student Transportation Services	4,544,286	0	1,518,583	0	(3,025,703)	0	(3,025,703)
Central	717,117	0	77,877	0	(639,240)	0	(639,240)
Other Support Services	105,684	0	0	0	(105,684)	0	(105,684)
Total Support Services	\$ 21,722,585	\$ 303,122	\$ 3,276,535	\$ 0	\$ (18,142,928)	\$ 0	\$ (18,142,928)
Non-Instructional Services:							
Student Activities	\$ 1,571,830	\$ 83,931	\$ 138,827	\$ 0	\$ (1,349,072)	\$ 0	\$ (1,349,072)
Community Services	4,525	0	0	0	(4,525)	0	(4,525)
Interest on Long-Term Debt	2,095,861	0	0	1,324,340	(771,521)	0	(771,521)
Capital Expenditures not subject to capitalization	1,391,228	0	0	0	(1,391,228)	0	(1,391,228)
Total Non-Instructional Services	\$ 5,063,444	\$ 83,931	\$ 138,827	\$ 1,324,340	\$ (3,516,346)	\$ 0	\$ (3,516,346)
Total Governmental Activities	\$ 71,464,794	\$ 403,305	\$ 16,048,517	\$ 1,324,340	\$ (53,688,632)	\$ 0	\$ (53,688,632)
Business-Type Activities:							
Food Services	2,352,427	682,945	2,354,254	0	0	684,772	684,772
Total Primary Government	\$ 73,817,221	\$ 1,086,250	\$ 18,402,771	\$ 1,324,340	\$ (53,688,632)	\$ 684,772	\$ (53,003,860)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net					\$ 43,115,148	\$ 0	\$ 43,115,148
Other taxes levied for general purposes, net					6,513,428	0	6,513,428
Property Tax Relief					2,095,502	0	2,095,502
Grants, subsidies & contributions not restricted					12,992,246	0	12,992,246
Investment earnings					2,201,762	35,013	2,236,775
Gain (Loss) from Disposal of Fixed Assets					(33,894)	(4,576)	(38,470)
Refunds of prior year expenditures					204,862	0	204,862
Refunds of prior year revenues					(225,248)	0	(225,248)
Total general revenues and transfers					\$ 66,863,806	\$ 30,437	\$ 66,894,243
Change in Net Position					\$ 13,175,174	\$ 715,209	\$ 13,890,383
Net Position - June 30, 2022					(41,745,211)	1,208,057	(40,537,154)
Net Position - June 30, 2023					\$ (28,570,037)	\$ 1,923,266	\$ (26,646,771)

BALDWIN-WHITEHALL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2023

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 30,575,979	\$ 16,853,088	\$ 47,429,067
Taxes Receivable:			
Property Taxes	6,928,109	0	6,928,109
Earned Income Taxes	1,104,642	0	1,104,642
Intergovernmental Receivables	4,065,811	0	4,065,811
Other Receivables	460,530	0	460,530
Prepaid Expenditures	670,311	0	670,311
TOTAL ASSETS	\$ 43,805,382	\$ 16,853,088	\$ 60,658,470
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 1,131,434	\$ 3,508,650	\$ 4,640,084
Accrued Salaries & Benefits	6,761,866	0	6,761,866
Interfund Payables	712,550	0	712,550
Unearned Revenue	921,161	0	921,161
TOTAL LIABILITIES	\$ 9,527,011	\$ 3,508,650	\$ 13,035,661
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 6,797,938	\$ 0	\$ 6,797,938
FUND BALANCES			
Nonspendable Fund Balance			
Prepaid Expenses	\$ 670,311	\$ 0	\$ 670,311
Restricted Fund Balance			
Capital Projects	0	13,344,438	13,344,438
Committed Fund Balance			
Whitehall Recreation Equipment	0	0	0
Facility Improvements	2,468,797	0	2,468,797
Assigned Fund Balance			
Next Year's Budget	517,947	0	517,947
Access	700,000	0	700,000
Construction Projects	12,784,399	0	12,784,399
Future PSERS Increases	4,000,000	0	4,000,000
Unassigned Fund Balance	6,338,979	0	6,338,979
TOTAL FUND BALANCES	\$ 27,480,433	\$ 13,344,438	\$ 40,824,871
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 43,805,382	\$ 16,853,088	\$ 60,658,470

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, 2023

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 40,824,871

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	185,943,732
Deduct: Accumulated Depreciation	(90,815,850)

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	6,797,938
---------------------	-----------

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	(92,666,116)
-----------------------	--------------

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	\$ 19,754,676	
Deferred inflows of resources related to pensions and OPEB	<u>(5,542,479)</u>	
		14,212,197

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	\$ (81,275,000)	
Deduct: Leases Payable	(533,298)	
Deduct: Unamortized Discount/Premium	(3,628,767)	
Deduct: Accrued Interest on Debt	(301,454)	
Deduct: Compensated Absences and Other Post-Employment Benefit	<u>(7,128,290)</u>	
		<u>(92,866,809)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (28,570,037)**

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2023

REVENUES	General	Capital Projects	Total Governmental Funds
Local Sources	\$ 51,882,058	\$ 1,055,373	\$ 52,937,431
State Sources	28,830,638	0	28,830,638
Federal Sources	<u>2,575,843</u>	<u>0</u>	<u>2,575,843</u>
TOTAL REVENUES	<u>\$ 83,288,539</u>	<u>\$ 1,055,373</u>	<u>\$ 84,343,912</u>
EXPENDITURES			
Instruction	\$ 44,394,884	\$ 0	\$ 44,394,884
Support Services	22,391,764	0	22,391,764
Non-Instructional Services	1,531,687	0	1,531,687
Capital Outlay	2,904,386	27,255,471	30,159,857
Debt Services	<u>9,558,938</u>	<u>0</u>	<u>9,558,938</u>
TOTAL EXPENDITURES	<u>\$ 80,781,659</u>	<u>\$ 27,255,471</u>	<u>\$ 108,037,130</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,506,880</u>	<u>\$ (26,200,098)</u>	<u>\$ (23,693,218)</u>
OTHER FINANCING SOURCES (USES)			
Refund of Prior Year Receipts	\$ (225,246)	\$ 0	\$ (225,246)
Refund of Prior Year Expenditures	<u>204,860</u>	<u>0</u>	<u>204,860</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (20,386)</u>	<u>\$ 0</u>	<u>\$ (20,386)</u>
NET CHANGE IN FUND BALANCES	\$ 2,486,494	\$ (26,200,098)	\$ (23,713,604)
FUND BALANCE - JUNE 30, 2022	<u>24,993,939</u>	<u>39,544,536</u>	<u>64,538,475</u>
FUND BALANCE - JUNE 30, 2023	<u>\$ 27,480,433</u>	<u>\$ 13,344,438</u>	<u>\$ 40,824,871</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, 2023

NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (23,713,604)

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	\$ 29,961,105	
	Less: Depreciation Expense	<u>(5,825,079)</u>	24,136,026

The statement of activities reports gains arising from the disposal of fixed assets. Conversely, the governmental funds report the proceeds from fixed assets as disposals.

	Proceeds from Disposal	\$ 676,292	
	Loss on Disposal	<u>(710,186)</u>	(33,894)

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.

350,336

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

	District pension contributions	\$ (6,551,584)	
	Cost of benefits earned net of employee contributions	<u>11,403,234</u>	4,851,650

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	\$ 6,985,000	
	Payment of Lease Payable	116,702	
	Interest Expense	43,388	
	Amortization and Acquisition of Bond Premium/Discount	<u>434,689</u>	7,579,779

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.

4,881

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 13,175,174**

BALDWIN-WHITEHALL SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND TYPES

JUNE 30, 2023

	<u>Food Service</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,653,085
Due From Other Funds	712,550
Inventories	<u>22,095</u>
Total Current Assets	<u>\$ 3,387,730</u>
Noncurrent Assets:	
Machinery & Equipment (net)	<u>\$ 394,339</u>
Total Noncurrent Assets	<u>\$ 394,339</u>
TOTAL ASSETS	<u>\$ 3,782,069</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pension	<u>\$ 338,594</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 51,366
Accrued Salaries and Benefits	5,202
Current Portion of Net Pension Liability	238,963
Unearned Revenue	<u>57,031</u>
Total Current Liabilities	<u>\$ 352,562</u>
Noncurrent Liabilities:	
Compensated Absences Payable	\$ 54,639
Net Pension Liability	<u>1,702,921</u>
Total Noncurrent Liabilities	<u>\$ 1,757,560</u>
TOTAL LIABILITIES	<u>\$ 2,110,122</u>
DEFERRED INFLOWS OF RESOURCES	
Related to Pensions	<u>\$ 87,275</u>
NET POSITION	
Net Investment in capital assets	\$ 394,339
Unrestricted	<u>1,528,927</u>
TOTAL NET POSITION	<u>\$ 1,923,266</u>

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, 2023

	<u>Food Service</u>
OPERATING REVENUES:	
Food Service Revenue	\$ <u>682,945</u>
TOTAL OPERATING REVENUES	<u>\$ 682,945</u>
OPERATING EXPENSES:	
Salaries	\$ 727,919
Employee Benefits	279,987
Food Purchases	1,241,139
Supplies	3,167
Repairs and Maintenance	15,120
Depreciation	59,991
Other Operating Expenses	<u>25,104</u>
TOTAL OPERATING EXPENSES	<u>\$ 2,352,427</u>
OPERATING INCOME (LOSS)	<u>\$ (1,669,482)</u>
NON-OPERATING REVENUES (EXPENSES):	
Earnings on Investments	\$ 35,013
Gain (Loss) on Disposal of Fixed Assets	(4,576)
State Sources	414,518
Federal Sources	<u>1,939,736</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>\$ 2,384,691</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ 715,209
Operating Transfers In (Out)	<u>0</u>
CHANGE IN NET POSITION	\$ 715,209
TOTAL NET POSITION - JUNE 30, 2022	<u>1,208,057</u>
TOTAL NET POSITION - JUNE 30, 2023	<u>\$ 1,923,266</u>

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 683,431
Cash Payments to Employees for Services	(906,596)
Cash Payments to Suppliers for Goods and Services	(1,217,211)
Cash Payments for Other Operating Expenses	(25,104)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,465,480)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	\$ 426,285
Federal Sources	2,316,190
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 2,742,475</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	\$ (179,677)
Disposal of Fixed Assets	(12,267)
Loss on Disposal of Fixed Assets	(4,576)
NET CASH PROVIDED (USED) FROM CAPITAL AND RELATED ACTIVITIES	<u>\$ (196,520)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	\$ 35,013
NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES	<u>\$ 35,013</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,115,488
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,537,597</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,653,085</u>
 <u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	<u>\$ (1,669,482)</u>
Depreciation and Net Amortization	\$ 59,991
Change in Assets and Liabilities	
(Increase) Decrease in Inventories	7,435
(Increase) Decrease in Accounts Receivable	486
(Increase) Decrease in Deferred Outflows of Resources	(24,861)
Increase (Decrease) in Accounts Payable	19,936
Increase (Decrease) in Due to/from Other Funds	182,732
Increase (Decrease) in Accrued Salaries and Other Payroll Liabilities	2,322
Increase (Decrease) in Compensated Absences	11,439
Increase (Decrease) in Deferred Inflows of Resources	(271,447)
Increase (Decrease) in Net Pension Liability	201,125
Increase (Decrease) in Deferred Revenue	14,844
Total Adjustments	<u>\$ 204,002</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,465,480)</u>

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Student Activities Fund
ASSETS	
Cash and Cash Equivalents	<u>\$ 202,089</u>
TOTAL ASSETS	<u>\$ 202,089</u>
TOTAL NET POSITION	<u>\$ 202,089</u>

See Accompanying Notes to Financial Statements

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Student Activities Fund
ADDITIONS	
Student Activity Club Revenues	\$ <u>347,667</u>
DEDUCTIONS	
Student Activity Club Expenses	\$ <u>283,121</u>
Net increase (decrease) in fiduciary net position	\$ 64,546
NET POSITION - BEGINNING	<u>137,543</u>
NET POSITION - ENDING	<u>\$ 202,089</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Budget to GAAP Difference</u>	<u>Actual Amounts GAAP Basis</u>
	<u>Original</u>	<u>Final</u>				
REVENUES						
Local revenues	\$ 48,534,430	\$ 48,534,430	\$ 51,882,058	\$ 3,347,628	\$ 0	\$ 51,882,058
State program revenues	26,112,547	26,112,547	28,830,638	2,718,091	0	28,830,638
Federal program revenues	5,109,490	5,109,490	2,575,843	(2,533,647)	0	2,575,843
TOTAL REVENUES	\$ 79,756,467	\$ 79,756,467	\$ 83,288,539	\$ 3,532,072	\$ 0	\$ 83,288,539
EXPENDITURES						
Regular Programs	\$ 32,561,710	\$ 32,561,710	\$ 33,511,553	\$ (949,843)	\$ 0	\$ 33,511,553
Special Programs	8,813,786	8,813,786	8,722,122	91,664	0	8,722,122
Vocational Programs	2,327,231	2,327,231	2,156,466	170,765	0	2,156,466
Other Instructional Programs	0	0	2,604	(2,604)	0	2,604
Non-Public School Programs	0	0	2,138	(2,138)	0	2,138
Pupil Personnel Services	2,486,797	2,486,797	2,235,407	251,390	0	2,235,407
Instructional Staff Services	1,225,663	1,225,663	2,123,635	(897,972)	0	2,123,635
Administrative Services	7,842,843	7,842,843	4,184,720	3,658,123	0	4,184,720
Pupil Health	19,002	19,002	519,801	(500,799)	0	519,801
Business Services	481,500	481,500	1,113,059	(631,559)	0	1,113,059
Operation & Maintenance of Plant Services	8,193,470	8,193,470	6,984,364	1,209,106	0	6,984,364
Student Transportation Services	3,846,405	3,846,405	4,416,484	(570,079)	0	4,416,484
Central	0	0	708,611	(708,611)	0	708,611
Other Support Services	52,000	52,000	105,684	(53,684)	0	105,684
Student Activities	1,266,086	1,266,086	1,527,159	(261,073)	0	1,527,159
Community Services	10,000	10,000	4,528	5,472	0	4,528
Facilities Acquisition and Construction	2,484,874	2,484,874	2,904,386	(419,512)	0	2,904,386
Debt Services	8,298,111	8,298,111	9,558,938	(1,260,827)	0	9,558,938
TOTAL EXPENDITURES	\$ 79,909,478	\$ 79,909,478	\$ 80,781,659	\$ (872,181)	\$ 0	\$ 80,781,659
Excess (deficiency) of revenues over expenditures	\$ (153,011)	\$ (153,011)	\$ 2,506,880	\$ 2,659,891	\$ 0	\$ 2,506,880
OTHER FINANCING SOURCES (USES)						
Refund of Prior Year Expenditures	\$ 0	\$ 0	\$ 204,860	\$ 204,860	\$ 0	\$ 204,860
Refund of Prior Year Receipts	0	0	(225,246)	(225,246)	0	(225,246)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 0	\$ 0	\$ (20,386)	\$ (20,386)	\$ 0	\$ (20,386)
Net change in fund balances	\$ (153,011)	\$ (153,011)	\$ 2,486,494	\$ 2,639,505	\$ 0	\$ 2,486,494
FUND BALANCE - JUNE 30, 2022	(3,664,161)	(3,664,161)	24,993,939	28,658,100	0	24,993,939
FUND BALANCE - JUNE 30, 2023	\$ (3,817,172)	\$ (3,817,172)	\$ 27,480,433	\$ 31,297,605	\$ 0	\$ 27,480,433

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

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 ensure 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, a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide financial statements: The statement of net 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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

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 that 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 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.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

The School District reports the following major governmental funds:

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

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

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

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

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

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. Major Fund reporting does not apply to Fiduciary Funds. Accordingly, the School District presents a statement of fiduciary net position and a statement of changes in fiduciary net position for the agency fund.

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

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

C. Budgetary Process

The School District passed an appropriated original budget for the fiscal year ending June 30, 2023 with revenues totaling \$79,756,467 and expenditures totaling \$79,909,478.

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).

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

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 that 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 asset by offsetting the appropriate expense account. Inventories for governmental activities are not reported as of June 30, 2023 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, 2023 is \$22,095. 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.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

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 \$11,300. 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.

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 6/30/22	\$ 1,089,389
Increase in liability	<u>127,536</u>
Compensated absences liability at 6/30/23	<u>\$ 1,216,925</u>

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

Compensated absences liability at 6/30/22	\$	43,200
Increase in liability		<u>11,439</u>
Compensated absences liability at 6/30/23	\$	<u>54,639</u>

Retirement Incentives

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Position

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

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: non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash, or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories.

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

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

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

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

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

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

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

M. Use of Estimates

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

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 \$19,754,676 in the Governmental Activities and \$338,594 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 \$6,797,938 in the Governmental Funds, \$5,542,479 in the Governmental Activities and \$87,275 in the Business-type Activities as deferred inflows of resources.

O. Pensions

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

P. 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.

Q. Nonmonetary Transactions

The School District received donated commodities during the fiscal year ended June 30, 2023. These donations exclusively consist of food supplies. The fair value of the donated commodities received is estimated to be \$255,249.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

NOTE 3 – CASH / INVESTMENTS

A. 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, 2023, \$8,181,318 of the School District’s bank balance of \$8,431,318 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	\$	8,181,318

B. Other Deposits

As of June 30, 2023, the School District had the following other deposits in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School Liquid Asset Fund (PSDLAF), which were established as common law trusts 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.

C. Credit Risk

The value of the funds as of June 30, 2023 is as follows:

<u>Type</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
PA Local Government Investment Trust	\$ 25,359,945	AAAm
PA School District Liquid Asset Fund	<u>17,939,972</u>	AAAm
Total	<u>\$ 43,299,917</u>	

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

D. Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 8,181,318
Collateralized Amount Above	250,000
Other Deposits Above	<u>43,299,917</u>
Carrying Amount - Bank Balances	\$ 51,731,235
Less: Outstanding Items	(1,446,995)
Less: Fiduciary Funds	<u>(202,089)</u>
Total	<u>\$ 50,082,151</u>

E. 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.

F. Custodial Credit Risk

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

G. 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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

of Pennsylvania or any of its agencies or instrumentalities. *Full faith and credit* means the obligation is backed by the government's ability to levy taxes to repay debt. These investments include any bonds issued by the Commonwealth of Pennsylvania or any municipality or school district carrying the backing of the taxation of the governmental unit issuing the debt. Some investments of the Federal government do not have full faith and credit backing. Fannie-Mae (FNMA) and Freddy-Mach (FNMC) bonds do not. Ginnie-Mae (GNMA) bonds do have full faith and credit backing.

5. Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 provided that the following are met:
 - a. Only investments of that company are in the authorized investments for school district funds listed in the categories above and repurchase agreements fully collateralized by such investments
 - b. The investment company is managed so as to maintain its shares as a constant net asset value in accordance with 17 CFR 270 2a-7 (money market funds)
 - c. The investment company is rated in the highest category by a nationally recognized rating agency.

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

NOTE 4 – TAXES

A. 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 2022-2023 is as follows:

July 1, 2022	- tax levy date
Through August 31, 2022	- 2% discount period
Through October 31, 2022	- face payment period
Beginning November 1, 2022	- 5% penalty period
April 15, 2023	- lien date

The School District tax rate for all purposes in 2022-2023 was 22.63 mills (\$23.63 per \$1,000 assessed valuation). Collections for the 2022-2023 year were \$41,417,162.

As of June 30, 2023, property taxes receivable by the School District include uncollected taxes assessed as of July 1, 2022 or earlier. It is estimated that 90% of all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected; therefore, property taxes receivable reflect this estimate. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

B. 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.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 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>12,904,446</u>	<u>27,255,470</u>	<u>0</u>	<u>40,159,916</u>
Total Capital assets, not being depreciated	<u>\$ 14,255,223</u>	<u>\$ 27,255,470</u>	<u>\$ 0</u>	<u>\$ 41,510,693</u>
Capital assets, being depreciated:				
Site Improvements	\$ 21,541,678	\$ 1,513,159	\$ 0	\$ 23,054,837
Building and building improvements	101,868,690	0	0	101,868,690
Furniture and equipment	<u>19,027,222</u>	<u>1,192,476</u>	<u>(710,186)</u>	<u>19,509,512</u>
Total capital assets, being depreciated	<u>\$ 142,437,590</u>	<u>\$ 2,705,635</u>	<u>\$ (710,186)</u>	<u>\$ 144,433,039</u>
Accumulated depreciation for:				
Site Improvements	\$ (6,545,981)	\$ (1,030,257)	\$ 0	\$ (7,576,238)
Building and building improvements	(64,383,691)	(4,001,698)	0	(68,385,389)
Furniture and equipment	<u>(14,737,391)</u>	<u>(793,124)</u>	<u>676,292</u>	<u>(14,854,223)</u>
Total accumulated depreciation	<u>\$ (85,667,063)</u>	<u>\$ (5,825,079)</u>	<u>\$ 676,292</u>	<u>\$ (90,815,850)</u>
Total capital assets, being depreciated, net	<u>\$ 56,770,527</u>	<u>\$ (3,119,444)</u>	<u>\$ (33,894)</u>	<u>\$ 53,617,189</u>
Governmental activities capital assets, net:	<u>\$ 71,025,750</u>	<u>\$ 24,136,026</u>	<u>\$ (33,894)</u>	<u>\$ 95,127,882</u>
Business-type activities:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 1,276,711	\$ 196,519	\$ (16,843)	\$ 1,456,387
Total capital assets, being depreciated	<u>\$ 1,276,711</u>	<u>\$ 196,519</u>	<u>\$ (16,843)</u>	<u>\$ 1,456,387</u>
Accumulated depreciation for:				
Furniture and equipment	\$ (1,014,324)	\$ (59,991)	\$ 12,267	\$ (1,062,048)
Total accumulated depreciation	<u>\$ (1,014,324)</u>	<u>\$ (59,991)</u>	<u>\$ 12,267</u>	<u>\$ (1,062,048)</u>
Total capital assets, being depreciated, net	<u>\$ 262,387</u>	<u>\$ 136,528</u>	<u>\$ (4,576)</u>	<u>\$ 394,339</u>
Business-type activities capital assets, net:	<u>\$ 262,387</u>	<u>\$ 136,528</u>	<u>\$ (4,576)</u>	<u>\$ 394,339</u>
Total Governmental & Business-type activities, net	<u>\$ 71,288,137</u>	<u>\$ 24,272,554</u>	<u>\$ (38,470)</u>	<u>\$ 95,522,221</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

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

Governmental Activities:

Instruction:

Regular Instruction \$ 3,616,539

Support Services:

Instructional Staff 229,181

Administration 451,611

Pupil Health 56,096

Operation of Plant and Maintenance Services 753,747

Student Transportation Services 476,623

Central 76,473

Non-Instructional Services:

Student Activities 164,809

Total Depreciation expense, Governmental Activities: \$ 5,825,079

Business-Type Activities:

Food Services \$ 59,991

Total Depreciation expense, Business-Type Activities: \$ 59,991

Total Depreciation expense, Governmental and Business-Type Activities: \$ 5,885,070

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 year 2005, the Consortium designated a portion of the net assets for rate stabilization and catastrophic claims. The Net Assets Designated for rate stabilization were \$18,531,000 as of June 30, 2023, while the Net Assets Designated for Catastrophic Claims were \$14,413,000.

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 \$869,382 as of June 30, 2023 (audited), and at this time Baldwin-Whitehall has no plans to withdraw from

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

the Consortium. The financial statements of the Consortium for the year ended June 30, 2023 are on file with the Baldwin-Whitehall School District.

NOTE 7 – PENSION PLAN

A. 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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally equal to 1% 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 five 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 ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

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

B. Contributions

Member Contributions

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/-0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	12.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023 was 34.31% 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 \$11,642,197 for the year ended June 30, 2023.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

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

At June 30, 2023, the District reported a liability of \$94,608,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2022, the District's proportion was 0.2128%, which was an increase of 0.0055% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$6,350,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 43,000	\$ 818,000
Changes in assumptions	2,825,000	0
Net difference between projected and actual investment earnings	0	1,605,000
Changes in proportions	1,986,000	1,829,000
District contributions subsequent to the measurement date	<u>11,642,197</u>	<u>0</u>
Total	<u>\$ 16,496,197</u>	<u>\$ 4,252,000</u>

The District reported 11,642,197 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, 2023. 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:

2023	\$ 135,000
2024	57,000
2025	(1,831,000)
2026	2,241,000

Actuarial Assumptions: The total pension liability at June 30, 2022 was determined by rolling forward the System's total pension liability at June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

- Valuation Date – June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.75%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PbuT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00% to 4.50%
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% and 2.00%, respectively.
 - Mortality rates – Previously based on 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2022.

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.

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Absolute return	6.0%	3.5%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Cash	3.0%	0.5%
Leverage	-11.0%	0.5%
	<u>100.0%</u>	

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, 2022.

Discount Rate: The discount rate used to measure the total pension liability was 7.00%. 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 7.00% 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 (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
School District's proportionate share of net pension liability	\$ 122,369,000	\$ 94,608,000	\$ 71,202,000

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, 2023

NOTE 8 – LONG-TERM DEBT

Long-term liability for the year ended June 30, 2023 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	\$ 88,260,000	\$ 0	\$ (6,985,000)	\$ 81,275,000	\$ 6,120,000
Deferred amounts for issuance premium/(discount)	<u>4,063,456</u>	<u>0</u>	<u>(434,689)</u>	<u>3,628,767</u>	<u>0</u>
Total bonds/notes payable, net	\$ 92,323,456	\$ 0	\$ (7,419,689)	\$ 84,903,767	\$ 6,120,000
Net Pension Liability	\$ 83,370,241	\$ 9,295,875	\$ 0	\$ 92,666,116	\$ 11,403,234
Lease obligations	650,000	0	(116,702)	533,298	123,039
Other post- Emp. benefit obligation/ comp abs payable	<u>8,725,982</u>	<u>127,536</u>	<u>(1,725,228)</u>	<u>7,128,290</u>	<u>0</u>
Total governmental activity long- term liabilities	<u>\$ 185,069,679</u>	<u>\$ 9,423,411</u>	<u>\$ (9,261,619)</u>	<u>\$ 185,231,471</u>	<u>\$ 17,646,273</u>
Business-type Activities:					
Net Pension Liability	\$ 1,740,759	\$ 201,125	\$ 0	\$ 1,941,884	\$ 238,963
Other post- Emp. benefit obligation/ comp abs payable	<u>43,200</u>	<u>11,339</u>	<u>0</u>	<u>54,539</u>	<u>0</u>
Total business-type activity long- term liabilities	<u>\$ 1,783,959</u>	<u>\$ 212,464</u>	<u>\$ 0</u>	<u>\$ 1,996,423</u>	<u>\$ 238,963</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, 2023, 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>
2024	\$ 7,120,000	\$ 2,216,783	\$ 9,336,783
2025	7,030,000	2,127,518	9,157,518
2026	5,185,000	2,007,350	7,192,350
2027	5,360,000	1,831,025	7,191,025
2028	5,525,000	1,652,375	7,177,375
2029-2033	28,635,000	5,400,450	34,035,450
2034-2037	<u>22,420,000</u>	<u>1,179,700</u>	<u>23,599,700</u>
Total	<u>\$ 81,275,000</u>	<u>\$ 16,415,201</u>	<u>\$ 97,690,201</u>

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

General obligation bonds and notes payable at June 30, 2023 with their outstanding balance are as follows:

\$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%	\$ 110,000
\$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%	3,815,000
\$8,800,000 2018 general obligations note series, due in annual installments of \$5,000 to \$1,820,000, beginning November 15, 2018, through November 15, 2029, interest from 2.50% to 3.00%	8,750,000
\$9,805,000 2019 general obligation note series, due in annual installments of \$5,000 to \$2,035,000, beginning November 15, 2019, through November 15, 2029, interest from 2.00% to 3.00%	9,760,000
\$9,685,000 2020 general obligation note series, due in annual installments of \$5,000 to \$1,170,000, beginning November 15, 2021, through November 15, 2036, interest of 2.00%	9,675,000
\$9,005,000 2021 general obligation note series, due in annual installments of \$5,000 to \$1,185,000, beginning November 15, 2022, through November 15, 2036, interest from 3.00% to 5.00%	9,000,000
\$9,999,000 2021 general obligation note series A, due in annual installments of \$1,000 to \$6,725,000, beginning November 15, 2021, through November 15, 2024, interest of 0.805%	9,850,000
\$30,315,000 2022 general obligation note series, due in annual installments of \$5,000 to \$3,995,000, beginning November 15, 2023, through November 15, 2036, interest from 3.00% to 5.00%	30,315,000
	\$ 81,275,000

For the year ended June 30, 2023, total interest and debt fees incurred of \$2,573,938 were charged to expense; no interest costs were capitalized during the period.

Capital Leases

During the year ending June 30, 2022, the District entered into a capital lease agreement for copiers for a total amount of \$650,000. Principal lease payments expensed to the District during the current year totaled \$116,702. At the conclusion of the lease, the District will own the copiers.

Future minimum lease payments are as follows:

Year	Principal	Interest	Total
June 30, 2024	\$ 123,039	\$ 25,305	\$ 148,344
June 30, 2025	129,721	18,623	148,344
June 30, 2026	136,766	11,578	148,344
June 30, 2027	143,772	4,150	147,922
	\$ 533,298	\$ 59,656	\$ 592,954

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2023 consisted of the following fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund: Enterprise Fund	\$ 0	\$ 712,550
Enterprise Fund: General Fund	712,550	0

The interfund balance resulted from subsidies collected by the General Fund that are due to the Enterprise Fund. The interfund balance between the General Fund and Enterprise 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 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, 2023.

NOTE 11 – SCHOOL DISTRICT OTHER POST-EMPLOYMENT BENEFITS

A. 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. An 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, 2021. 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 any 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:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

B. Classified

2020 Retirement Incentive

Classified employees were required to retire by August 1, 2020. The incentive provided for the option of either: an annual payment of \$5,000 into a 401(a), 403(b), or 457(b), Traditional IRA or other qualified plan or the option of continuing with their medical coverage. Either option was for a maximum of five (5) years. The retiree medical benefit pertains to the retiree only and does not include dental, vision, or life insurance benefits. Retirees are permitted to enroll their dependents in coverage, but they must contribute the difference between the Single premium and the premium for the tier selected. For retirees who chose to continue in the medical plan, the benefit ends at the earlier of five (5) years or the first full month of the retiree’s attainment of Medicare, whichever occurs first. To be eligible for this incentive, retiring Classified employees must have been a permanent employee, employed a minimum of seven and one-half (7.5) hours per day and ten (10) months per year, and had ten (10) years of service with the District.

2018 Retirement Incentive

Classified employees were required to retire by July 31, 2018. The incentive for the option of either a \$10,000 contribution into a 401(a), 403(b), or 457(b) plan or retiree medical benefits for a 5-year period. The retiree medical benefit pertains to the retiree only. Dental, vision, and life insurance benefits were not included. For retirees who chose to continue in the medical plan, the benefit ends at the earlier of 5 years or attainment of age 65. To be eligible for this incentive, retiring Classified employees must have had 10 years of service with the District and must have been employed a minimum of seven-and one-half hours per day.

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.

C. Professional/Teachers

2020 Retirement Incentive

The 2020 retirement incentive for Professional/Teachers required that the employee retire by July 31, 2020. The incentive provided for the option of either an annual contribution into a 401(a), 403(b), 457(b) Traditional IRA, or other qualified plan or the option of continuing with their medical coverage. The amount of the District contribution is as follows:

Step at Retirement	Yearly Contribution	Monthly Contribution
Step 19	\$ 20,000	\$ 1,666.67
Step 16-18	\$ 10,000	\$ 833.33
Step 10-15	\$ 5,000	\$ 416.67

Either option was for a maximum of five (5) years. The retiree medical benefit does not include dental, vision, or life insurance benefits. For retirees who chose to continue in the medical plan, the benefit ends at the earlier of five (5) years or the first full month of the retiree’s attainment of Medicare, whichever occurs first. Any premium amount over the District contribution is the

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

responsibility of the retiree. To be eligible for this incentive, retiring Teachers must have had ten (10) years of service with the District.

2018 Retirement Incentive

The 2018 retirement incentive for Professional/Teachers required that the employee retire by June 30, 2018. The incentive provided for the option of either an annual contribution (described below) into a 401(a), 403(b), or 457(b) plan or the option of continuing with their medical coverage.

If the retiree selected the contribution into their retirement account, then the yearly contribution was based on their Step at retirement:

Step at Retirement	Yearly Contribution
Step 18-19	\$ 10,000
Step 16-17	\$ 8,000
Step 10-15	\$ 5,000

If the retiree selected to continue with medical coverage, then the maximum amount contributed towards their medical insurance premium was based on their Step at retirement:

Step at Retirement	Yearly Contribution	Monthly Contribution
Step 18-19	\$ 14,000	\$ 1,166.67
Step 16-17	\$ 10,000	\$ 833.33
Step 10-15	\$ 5,000	\$ 416.67

The annual contribution into the retiree’s retirement account is for five (5) years. The retiree medical benefit does not include dental, vision, or life insurance benefits. For retirees who chose to continue in the medical plan, the benefit ends at the earlier of five (5) years or the first full month of the retiree’s attainment of Medicare, whichever occurs first. Any premium amount over the District contribution is the responsibility of the retiree. To be eligible for this incentive, retiring Teachers must have had ten (10) years of service with the District.

In the past, there were various other incentives for retiring Professional employees. For retirees who chose to continue in the medical plan, the benefit ends at the earlier of 5 years or attainment of age 65.

D. Retired Administrators

2020 Retirement Incentive

Administrators were required to retire by December 31, 2020. The incentive provided for the option of either an annual payment into 403(b) plan or the option of continuing with their medical coverage. The amount of the District contribution is as follows:

BALDWIN-WHITEHALL SCHOOL DISTRICT

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YEAR ENDING JUNE 30, 2023

Service with the District	Yearly Contribution	Monthly Contribution
More than 120 months	\$ 20,000.00	\$ 1,666.67
85 to 120 months	\$ 15,000.00	\$ 1,250.00
60 to 84 months	\$ 10,000.00	\$ 833.33

Either option was for a maximum of five (5) years. The retiree medical benefit does not include dental, vision, or life insurance benefits. For retirees who chose to continue in the medical plan, the benefit ends at the earlier of five (5) years or the first full month of the retiree's attainment of Medicare, whichever occurs first. Any premium amount over the District contribution is the responsibility of the retiree. To be eligible for this incentive, retiring Administrators must have had five (5) of service with the District.

2018 Retirement Incentive

Administrators were required to retire by June 30, 2018. The incentive provided for the continuation of medical coverage for a maximum of five (5) years. Dental, vision, and life insurance benefits were not included. For retirees who chose to continue in the medical plan, the benefit ends at the earlier of five (5) years or the first full month of the retiree's attainment of Medicare, whichever occurs first. The District would contribute up to \$14,000 per year towards the medical premium. Any amount over the \$14,000 is the responsibility of the retiree. To be eligible for this incentive, retiring Administrators must have had ten (10) years of service with the District.

In past years, there were various incentives for retiring Administrators. Generally, these incentives provided post-retirement medical benefits for a 10-year period.

E. Special Contracts

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

F. 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 are administered by Highmark.

G. 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.

H. Vision

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

I. Life Insurance

Post-retirement life insurance is not provided.

Membership in the plan consisted of the following at July 1, 2021, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	18
Active plan members	<u>361</u>
Total	<u><u>379</u></u>

The OPEB liability is calculated as follows:

	Total OPEB Liability
Balance at June 30, 2022	<u>\$ 2,718,593</u>
Changes for the year:	
Interest	\$ 58,722
Service Cost	77,737
Differences between expected and actual experience	(148,700)
Changes of assumptions or other inputs	(98,792)
Benefit payments	<u>(609,195)</u>
Net changes	<u>\$ (720,228)</u>
Balance at June 30, 2023	<u><u>\$ 1,998,365</u></u>

J. 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 <u>(2.54%)</u>	Discount Rate <u>(3.54%)</u>	1% Increase <u>(4.54%)</u>
Total OPEB Liability	\$ 2,128,908	\$ 1,998,365	\$ 1,879,951

K. 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 or 1-percentage-point higher than the current healthcare cost trend rates:

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,888,980	\$ 1,998,365	\$ 2,115,244

Actuarial assumptions used were as follows:

Cost Method:	Entry age normal as a level percentage of pay
Mortality:	Pri.H-2012 Total Dataset Mortality Table projected using Scale MP-2020
Discount Rate:	3.54%-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>
	7/1/23-6/30/24*	7.00%
	7/1/24-6/30/25	6.50%
	7/1/25-6/30/26	6.25%
	7/1/26-6/30/27	6.00%
	7/1/27-6/30/28	5.75%
	7/1/28-6/30/29	5.50%
	7/1/29-6/30/30	5.25%
	7/1/30-6/30/31	5.00%
	7/1/31-6/30/32	4.75%
	7/1/32-6/30/33 & later	4.50%

**Costs for the fiscal years 7/1/2022-6/30/2023, are shown in Section 4 of this report. The average medical costs for the 7/1/2023-6/30/2024 fiscal year are estimated to be 7.00% higher than the average medical costs for the 7/1/2022-6/30/2023 fiscal year.*

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

Percent Married: Actual spousal information was utilized for current retirees. For the active population, it was assumed that 30% of employees will have a covered spouse at retirement. Females are assumed to be three years younger than males.

Participation: It is assumed that 10% of all eligible employees will participate in the retiree medical program. It is assumed that 75% of retirees will elect the medical continuation when an incentive is offered

Retirement Incentive: It is assumed that a retirement incentive will be offered every 5 years with the offer being the same as the most recent incentive.

Disability: None assumed.

Aging Factors:	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
	55	3.61%	60	4.46%
	56	4.07%	61	4.74%
	57	3.91%	62	4.52%
	58	4.30%	63	4.76%
	59	4.12%	64	4.00%

The pre-65 participant costs were spread over the various ages using the pre-65 morbidity rates that were developed from the unisex factors found in Chart 5 of "Health Care Costs-From Birth to Death" sponsored by the Society of Actuaries and prepared by Dale H. Yamamoto (June 2013). Currently, the best estimate of Morbidity scale is based on this published table, written by Dale Yamamoto, a leading Health Care specialist, by the Society of Actuaries

Withdrawal Rates: Rates vary by attained age. Rates for sample ages are shown below:

<u>Age</u>	<u>Rate</u>
25	20.00%
30	15.00%
35	10.00%
40	7.50%
45	5.00%
50	2.50%
55	0.00%

Retirement Rates: Rates of retirement are shown below:

<u>Age</u>	<u>Rate</u>
55-59	5%
60-64	10%
65	100%

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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The changes of assumptions and other inputs includes:

1. Changed the discount rate from 2.16% to 3.54%
2. Updated the mortality improvement scale to MP-2021

The OPEB expense for the fiscal year ended June 30, 2023 was:

	<u>Amount</u>
Service Cost	\$ 77,737
Interest	58,722
Changes in benefit terms	0
Differences between expected and actual experience	171,165
Changes of assumptions or other inputs	<u>61,607</u>
Balance at June 30, 2023	<u>\$ 369,231</u>

At June 30, 2023, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,990,247	\$ (139,953)
Changes of assumptions	672,178	(153,801)
Benefit payments	<u>347,648</u>	<u>0</u>
Total	<u>\$ 3,010,073</u>	<u>\$ (293,754)</u>

The \$347,648 amount reported as deferred outflows of resources resulting from the District's benefit payments subsequent to the measurement date will be recognized as a reduction in next year's total OPEB liability. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	
2024	\$ 232,772
2025	232,772
2026	232,772
2027	232,772
2028	232,772
2029 and beyond	1,204,811

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2023

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS – PSERS

A. Summary of Significant Accounting Policies

Other Post-employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

B. General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance, which is a governmental cost sharing, multiple-employer other post-employment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium.

To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

Pension Plan description

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

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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

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

Employer Contributions: The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% 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 OPEB plan from the District were \$245,611 for the year ended June 30, 2023.

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the District reported a liability of \$3,913,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.2126%, which was an increase of 0.0051% from its proportion measured as of June 30, 2021.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 37,000	\$ (21,000)
Changes in assumptions	434,000	(924,000)
Net difference between projected and actual investment earnings	11,000	0
Changes in proportion	105,000	(139,000)
	\$ 587,000	\$ (1,084,000)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

BALDWIN-WHITEHALL SCHOOL DISTRICT

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Year ended June 30:		
2023	\$	(117,000)
2024	\$	(70,000)
2025	\$	(88,000)
2026	\$	(102,000)
2027	\$	(121,000)
Thereafter	\$	0

D. Actuarial Assumptions

The Total OPEB Liability as of June 30, 2022 was determined by rolling forward the System's Total OPEB Liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

BALDWIN-WHITEHALL SCHOOL DISTRICT

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The OPEB plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program and as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>OPEB-Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	0.5%

The above table 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, 2022.

E. Discount rate

The discount rate used to measure the Total OPEB Liability was 4.09%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.

The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a “pay-as-you-go” plan. A discount rate of 4.09%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2022 was applied to all projected benefit payments to measure the total OPEB liability.

F. Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees’ Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year, and 582 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2022 calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1- percentage point higher than the current rate:

BALDWIN-WHITEHALL SCHOOL DISTRICT

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Dollar Amounts in Thousands

	<u>1% Decrease</u>		<u>Current Trend Rate</u>		<u>1% Increase</u>
System net OPEB liability	\$ 3,913,000	\$	3,913,000	\$	3,914,000

G. Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability for June 30, 2022 calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>
	<u>3.09%</u>		<u>4.09%</u>		<u>5.09%</u>
System net OPEB liability	\$ 4,426,000	\$	3,913,000	\$	3,485,000

H. OPEB plan fiduciary net position

Detailed information about 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.

NOTE 13 – RECENT/FUTURE GASB PRONOUNCEMENTS

GASB Statement No. 100, *Accounting Changes and Error Corrections*, is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *Compensated Absences*, is effective for fiscal years beginning after December 15, 2023 and all reporting periods thereafter. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

The effects of implementing GASB Statements No. 100-101 on the District’s financial statements have not yet been determined.

NOTE 14 – SUBSEQUENT EVENTS

In September 2023, the School District issued General Obligation Bonds in the amount of \$9,995,000 to finance various capital projects. The bonds mature on November 15, 2040 and are paid out in annual installments ranging from \$5,000 to \$2,050,000 beginning in May 15, 2024.

The School District evaluated its June 30, 2023 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.

REQUIRED SUPPLEMENTARY INFORMATION

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF CHANGE IN THE DISTRICT'S NET OPEB LIABILITY AND
RELATED RATIOS

YEAR ENDING JUNE 30, 2023

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

	2017	2018	2019	2020	2021	2022	2023
Total OPEB liability-beginning	\$ 326,122	\$ 1,848,569	\$ 1,550,400	\$ 2,218,604	\$ 1,967,574	\$ 3,120,874	\$ 2,718,593
Interest	\$ 14,675	\$ 52,684	\$ 55,504	\$ 85,860	\$ 44,859	\$ 68,971	\$ 58,722
Service cost	0	59,926	59,451	42,416	68,865	73,551	77,737
Changes in benefit terms	853,559	0	0	0	25,106	0	0
Differences between expected and actual experience	714,446	0	883,701	0	1,232,818	0	(148,700)
Changes in assumptions or other inputs	0	(47,857)	(46,698)	26,940	198,498	40,529	(98,792)
Benefit payments	(60,233)	(362,922)	(283,754)	(406,246)	(416,846)	(585,332)	(609,195)
Net change in total OPEB liability	\$ 1,522,447	\$ (298,169)	\$ 668,204	\$ (251,030)	\$ 1,153,300	\$ (402,281)	\$ (720,228)
Total OPEB liability-end of year	<u>\$ 1,848,569</u>	<u>\$ 1,550,400</u>	<u>\$ 2,218,604</u>	<u>\$ 1,967,574</u>	<u>\$ 3,120,874</u>	<u>\$ 2,718,593</u>	<u>\$ 1,998,365</u>

Covered payroll

\$ 20,913,437 \$ 21,436,273 \$ 21,584,155 \$ 22,123,759 \$ 22,434,225 \$ 22,995,081 \$ 24,955,505

Net OPEB liability as a percentage of covered payroll

8.84% 7.23% 10.28% 8.89% 13.91% 11.82% 8.01%

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 THE
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
NET OPEB LIABILITY**

YEAR ENDING JUNE 30, 2023

	2018	2019	2020	2021	2022	2023
District's Proportion of the PSERS' Net OPEB Liability (Asset)	0.2142%	0.2153%	0.2194%	0.2152%	0.2075%	0.2126%
District's Proportionate Share of the PSERS' Net OPEB Liability (Asset)	\$ 4,556,000	\$ 4,489,000	\$ 4,378,000	\$ 4,650,000	\$ 4,918,000	\$ 3,913,000
District's Covered Employee Payroll	\$ 29,547,481	\$ 28,990,883	\$ 28,417,493	\$ 30,201,618	\$ 29,413,273	\$ 31,256,389
District's Proportionate Share of the PSERS' Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll	15.42%	15.48%	15.41%	15.40%	16.72%	12.52%
PSERS' Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.56%	5.56%	5.73%	5.69%	5.30%	6.86%

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

BALDWIN-WHITEHALL SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
PREMIUM ASSISTANCE**

YEAR ENDING JUNE 30, 2023

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually Required Contribution	\$ 242,699	\$ 245,764	\$ 252,216	\$ 246,730	\$ 253,216	\$ 245,611
Contributions in Relation to						
Contractually Required Contribution	<u>(242,699)</u>	<u>(245,764)</u>	<u>(252,216)</u>	<u>(246,730)</u>	<u>(253,216)</u>	<u>(245,611)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered Employee Payroll	\$ 28,417,493	\$ 28,990,883	\$ 29,547,481	\$ 30,201,618	\$ 29,413,273	\$ 31,256,389
Contribution as a Percentage	0.85%	0.85%	0.85%	0.82%	0.86%	0.79%
of Covered Employee Payroll						

The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which 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, 2023

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the									
Net Pension Liability (Asset)	0.2128%	0.2730%	0.2149%	0.2142%	0.2153%	0.2149%	0.2194%	0.2551%	0.2310%
District's Proportionate Share of the									
Net Pension Liability (Asset)	\$94,608,000	\$ 85,111,000	\$ 105,815,000	\$ 100,208,000	\$ 103,355,000	\$ 106,136,000	\$ 108,728,000	\$ 101,834,000	\$ 91,432,001
District's Covered-Employee Payroll	\$31,256,389	\$ 29,413,273	\$ 30,201,618	\$ 29,547,481	\$ 28,990,883	\$ 28,606,467	\$ 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	302.68%	289.36%	350.36%	339.14%	356.51%	371.02%	382.61%	336.69%	310.17%
Plan Fiduciary Net Position as a									
Percentage of the Total Pension Liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	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, 2023

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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 11,547,014	\$ 11,059,230	\$ 10,136,507	\$ 10,419,880	\$ 9,898,676	\$ 9,523,760	\$ 8,414,393	\$ 8,680,528	\$ 6,548,431
Contributions in Relation to									
Contractually Required Contribution	<u>(11,547,014)</u>	<u>(11,059,230)</u>	<u>(10,136,507)</u>	<u>(10,419,880)</u>	<u>(9,898,676)</u>	<u>(9,523,760)</u>	<u>(8,414,393)</u>	<u>(8,680,528)</u>	<u>(6,548,431)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered Employee Payroll	\$ 31,256,389	\$ 29,413,273	\$ 30,201,618	\$ 29,547,481	\$ 28,990,883	\$ 28,606,467	\$ 28,417,493	\$ 30,246,071	\$ 31,636,370
Contribution as a Percentage	36.94%	37.60%	33.56%	35.26%	34.14%	33.29%	29.61%	28.70%	20.70%
of Covered Employee Payroll									

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, 2022

NOTE 1 – FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATIONS

A. District’s Other Postemployment Benefits Other Than Pension Benefits (OPEBs)

Changes of benefit terms

- There were no changes of benefit terms for the year ended June 30, 2023.

Changes of assumptions

- Discount rate used for fiscal year ending June 30, 2023 was changed from 2.16% to 3.54%.
- Updated the mortality improvement scale to MP-2021

B. PSERS Pension Benefits

Changes of benefit terms

- There were no changes of benefit terms for the year ended June 30, 2023.

Changes of assumptions

- The valuation date was changed to June 30, 2021.

C. PSERS Postemployment Benefits Other Than Pension Benefits (OPEBs)

Changes of benefit terms

- There were no changes of benefit terms for the year ended June 30, 2023.

Changes of assumptions

- The discount rate used to measure the Total OPEB liability increased from 2.18% as of June 30, 2021 to 4.09% as of June 30, 2022.

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
15 copies	Baldwin-Whitehall School District 4900 Curry Road Pittsburgh, PA 15236
1 copy	J. Martin and Associates, LLC PO Box 498 Beaver, PA 15009

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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 @ 7/1/22	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue @ 6/30/23	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	013-210020	07/01/20-09/30/21	\$ 689,759	\$ 184,441	\$ 184,441	\$ 0	\$ 0	\$ 0	\$ 0
Title I Grants to Local Education Agencies	I	84.010	013-220020	07/01/21-09/30/22	715,668	142,302	141,530	772	772	0	0
Title I Grants to Local Education Agencies	I	84.010	013-230020	07/01/22-09/30/23	714,535	517,714	0	713,763	713,763	196,049	0
Total CFDA 84.010					\$ 2,119,962	\$ 844,457	\$ 325,971	\$ 714,535	\$ 714,535	\$ 196,049	\$ 0
Improving Teacher Quality State Grants	I	84.367	020-220020	07/01/21-09/30/22	\$ 120,224	\$ 40,197	\$ 40,197	\$ 0	\$ 0	\$ 0	\$ 0
Improving Teacher Quality State Grants	I	84.367	020-230020	07/01/22-09/30/23	118,665	78,629	0	118,665	118,665	40,036	0
Total CFDA 84.367					\$ 238,889	\$ 118,826	\$ 40,197	\$ 118,665	\$ 118,665	\$ 40,036	\$ 0
English Language Acquisition Grants	I	84.365	010-220020	07/01/21-09/30/22	\$ 73,346	\$ 29,886	\$ 7,353	\$ 22,533	\$ 22,533	\$ 0	\$ 0
English Language Acquisition Grants	I	84.365	010-230020	07/01/22-09/30/23	69,035	65,107	0	69,035	69,035	3,928	0
Total CFDA 84.365					\$ 142,381	\$ 94,993	\$ 7,353	\$ 91,568	\$ 91,568	\$ 3,928	\$ 0
Student Support and Academic Enrichment	I	84.424	144-220020	07/01/21-09/30/22	\$ 51,870	\$ 30	\$ 30	\$ 0	\$ 0	\$ 0	\$ 0
	I	84.424	144-230020	07/01/22-09/30/23	56,155	53,493	0	56,155	56,155	2,662	0
Total CFDA 84.424					\$ 108,025	\$ 53,523	\$ 30	\$ 56,155	\$ 56,155	\$ 2,662	\$ 0
Elementary and Secondary School Emergency Relief Fund - II	I	84.425D	200-210020	03/13/20-09/30/23	\$ 2,547,065	\$ 1,599,320	\$ 961,799	\$ 613,184	\$ 613,184	\$ (24,337)	\$ 0
ARP - ESSER III	I	84.425U	223-210020	03/13/20-09/30/24	5,151,976	1,124,067	(104,027)	331,751	331,751	(896,343)	0
ARP - ESSER 7% - Learning Loss Set Aside	I	84.425U	225-210020	03/13/20-09/30/24	286,017	31,202	(31,202)	92,952	92,952	30,548	0
ARP - ESSER 7% - Summer School Set Aside	I	84.425U	225-210020	03/13/20-09/30/24	57,203	6,240	(6,240)	13,616	13,616	1,136	0
ARP - ESSER 7% - After School Set Aside	I	84.425U	225-210020	03/13/20-09/30/24	57,203	6,240	(6,240)	12,000	12,000	(480)	0
ARP - ESSER Homeless Children and Youth	I	84.425W	225-210020	07/01/21-09/30/24	23,025	4,133	(1,771)	13,438	13,438	7,534	0
Passed through the PA Commission on Crime and Delinquency:											
PCCD Getting Back to Better	I	84.425D	2020-ES-01-34933	03/13/20-09/30/22	133,092	5,483	0	5,483	5,483	0	0
Total CFDA 84.425					\$ 8,255,581	\$ 2,776,685	\$ 812,319	\$ 1,082,424	\$ 1,082,424	\$ (881,942)	\$ 0
Total PA Department of Education:					\$ 10,731,746	\$ 3,883,001	\$ 1,185,870	\$ 2,057,864	\$ 2,057,864	\$ (639,267)	\$ 0
Total PA Commission on Crime and Delinquency:					\$ 133,092	\$ 5,483	\$ 0	\$ 5,483	\$ 5,483	\$ 0	\$ 0
Passed through the Allegheny Intermediate Unit:											
IDEA - Special Education - Grants to States	I	84.027	N/A	07/01/21-09/30/22	\$ 555,675	\$ 305,720	\$ 305,720	\$ 0	\$ 0	\$ 0	\$ 0
IDEA - Special Education - Grants to States	I	84.027	N/A	07/01/22-09/30/23	514,506	241,810	0	514,506	514,506	272,696	0
Total CFDA 84.027					\$ 1,070,181	\$ 547,530	\$ 305,720	\$ 514,506	\$ 514,506	\$ 272,696	\$ 0
IDEA - ARP	I	84.027X	N/A	07/01/21-09/30/22	\$ 140,391	\$ 140,391	\$ 140,391	\$ 0	\$ 0	\$ 0	\$ 0
IDEA 619B - Special Education - Grants to States	I	84.173	N/A	07/01/22-09/30/23	\$ 2,072	\$ 2,072	\$ 0	\$ 2,072	\$ 2,072	\$ 0	\$ 0
Total Special Education Cluster (IDEA)					\$ 1,212,644	\$ 689,993	\$ 446,111	\$ 516,578	\$ 516,578	\$ 272,696	\$ 0
Total Department of Education:					\$ 12,077,482	\$ 4,578,477	\$ 1,631,981	\$ 2,579,925	\$ 2,579,925	\$ (366,571)	\$ 0
U.S. Department of Health and Human Services											
Passed through the PA Dept. of Public Welfare											
Medical Assistance Program	I	93.778	N/A	07/01/22-06/30/23	N/A	\$ 23,837	\$ 0	\$ 23,837	\$ 23,837	\$ 0	\$ 0
Total Medicaid Cluster						\$ 23,837	\$ 0	\$ 23,837	\$ 23,837	\$ 0	\$ 0
Total U.S. Department of Health and Human Services						\$ 23,837	\$ 0	\$ 23,837	\$ 23,837	\$ 0	\$ 0
U.S. Department of Agriculture:											
Passed through the PA Dept. of Education:											
State Pandemic Electronic Benefit Transfer	I	10.649	N/A	07/01/22-06/30/23	N/A	\$ 628	\$ 0	\$ 628	\$ 628	\$ 0	\$ 0
Total CFDA 10.649						\$ 628	\$ 0	\$ 628	\$ 628	\$ 0	\$ 0
National School Lunch Program	I	10.555	N/A	07/01/21-06/30/22	N/A	\$ 376,454	\$ 376,454	\$ 0	\$ 0	\$ 0	\$ 0
National School Lunch Program	I	10.555	N/A	07/01/22-06/30/23	N/A	1,053,651	0	1,053,651	1,053,651	0	0
Supply Chain Assistance	I	10.555	N/A	07/01/22-06/30/23	N/A	118,359	0	118,359	118,359	0	0
Passed through the PA Dept. of Agriculture:											
National School Lunch Program: Value of Donated Commodities	I	10.555	N/A	07/01/22-06/30/23	N/A	255,249	0	255,249	255,249	0	0
Total CFDA 10.555						\$ 1,803,713	\$ 376,454	\$ 1,427,259	\$ 1,427,259	\$ 0	\$ 0
Passed through the PA Dept. of Education:											
National School Breakfast Program	I	10.553	N/A	07/01/22-06/30/23	N/A	\$ 511,849	\$ 0	\$ 511,849	\$ 511,849	\$ 0	\$ 0
Total Child Nutrition Cluster						\$ 2,315,562	\$ 376,454	\$ 1,939,108	\$ 1,939,108	\$ 0	\$ 0
Total Department of Agriculture					\$ 0	\$ 376,454	\$ 376,454	\$ 1,939,736	\$ 1,939,736	\$ 0	\$ 0
Total Federal Assistance					\$ 12,077,482	\$ 6,918,504	\$ 2,008,435	\$ 4,543,498	\$ 4,543,498	\$ (366,571)	\$ 0

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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	<u>\$ 4,543,498</u>		
*Child Nutrition Cluster	<u>\$ 1,939,108</u>	=	<u>42.68%</u>
Total Federal Expenditures Tested	<u>\$ 1,939,108</u>		(High risk auditee 40% required)

BALDWIN-WHITEHALL SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF

EXPENDITURES OF FEDERAL AWARDS

YEAR ENDING JUNE 30, 2023

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, 2023 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 Baldwin-Whitehall School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Baldwin-Whitehall School District’s basic financial statements and have issued our report thereon dated October 26, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Baldwin-Whitehall School District’s internal control over financial reporting (internal control) as a basis for designing 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 Baldwin-Whitehall School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Baldwin-Whitehall School District’s internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and

corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-1 and 2023-2 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Baldwin-Whitehall School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Baldwin-Whitehall School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Baldwin-Whitehall School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, 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.

J. Martin & Associates, LLC

J. Martin & Associates, LLC
Beaver, PA 15009
October 26, 2023



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

Opinion on 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Baldwin-Whitehall School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Baldwin-Whitehall School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Baldwin-Whitehall School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Baldwin-Whitehall School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Baldwin-Whitehall School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Baldwin-Whitehall School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Baldwin-Whitehall School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Baldwin-Whitehall School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-3 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

J. Martin & Associates, LLC

J. Martin & Associates, LLC

Beaver, PA 15009

October 26, 2023

BALDWIN-WHITEHALL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:

Internal control over financial reporting:

Material weakness identified: Yes No

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

Noncompliance material to financial statement noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified Yes No

Significant deficiency(ies) identified that are not considered to be a 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(a)? Yes No

Identification of the major programs

CFDA Number(s)	Name of Federal Program
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Auditee qualified as a low-risk auditee? Yes No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2023-1 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 J. Martin and Associates, 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 41 various adjusting journal entries to properly report on the modified accrual basis of accounting and 16 journal entries to

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

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 J. Martin and Associates 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.

2023-2 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.

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

BALDWIN-WHITEHALL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

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

MATERIAL WEAKNESSES

2023-3 Child Nutrition Verifications

Criteria: The District is required to verify data as reported on the free/reduced food application submitted by students. The number of verifications that the District is required to perform is based on a percentage of total applications. For the 2022-2023 fiscal year, the District was required to perform four verifications.

Condition: For three of the verifications, the District was not able to provide supporting documentation showing evidence that the verification was performed and/or that it was performed

BALDWIN-WHITEHALL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

correctly. For the fourth verification, the District incorrectly reclassified the student from being reduced to being paid.

Cause: For the student who was incorrectly moved from reduced to paid, the District mis-calculated the paycheck stubs provided by the student's guardian and, thus, did not use the correct category on the Income Eligibility Guidelines report.

Effect: The District could have foregone subsidy revenue from free and reduced claims to the State and Federal governments.

Recommendation: We recommend that the District establish and implement procedures to ensure all verifications are calculated accurately and that all supporting documentation is properly maintained.

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

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2023

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2022-1 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 J. Martin and Associates, 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 44 various adjusting journal entries to properly report on the modified accrual basis of accounting and 16 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 J. Martin and Associates 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.

2022-2 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

BALDWIN-WHITEHALL SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2023

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.

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.

BALDWIN-WHITEHALL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

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.



CORRECTIVE ACTION PLAN

Department of Education:

The Baldwin-Whitehall School District respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of the independent public accounting firm:

J. Martin and Associates, LLC
P.O. Box 498
Beaver, PA 15009

Audit period: June 30, 2023

The findings for the year ended June 30, 2023 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Section B – Financial Statement Findings

2023-1 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.

2023-2 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 to take

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.

2023-3 Child Nutrition Verifications

Recommendation: We recommend that the District establish and implement procedures to ensure all verifications are calculated accurately and that all supporting documentation is properly maintained.

Management's Response: School District management has performed the necessary analysis of existing procedures and made adjustments to ensure future verifications are properly calculated, reviewed and all supporting documentation is maintained.

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 26, 2023

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Baldwin-Whitehall School District for the year ended June 30, 2023. 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 August 17, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Baldwin-Whitehall School District are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2023. 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 School 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 Notes 11 and 12 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 26, 2023.

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'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'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 accompanies 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*, which accompany the financial statements but are 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.

J. Martin & Associates, LLC

J. Martin & Associates, LLC
Beaver, PA 15009
October 26, 2023