

**REPORT ON
BETHLEHEM AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

BETHLEHEM AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2012

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BETHLEHEM AREA SCHOOL DISTRICT

Single Audit Report

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INTRODUCTORY SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Members of the Board
Bethlehem Area School District
1516 Sycamore Street
Bethlehem, PA 18017

We have performed the Single Audit of the Bethlehem Area School District for the fiscal year ended June 30, 2012, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of OMB Circular A-133, which entailed:

1. An audit of the basic financial statements, and our opinion thereon;
2. A review of compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with Governmental Auditing Standards, and our report thereon;
3. An examination of the Schedule of Expenditures of Federal Awards, and our report thereon; and,
4. An opinion on compliance with requirements that could have a direct and material effect on each major program and a review of internal control over compliance in accordance with OMB Circular A-133, and our report thereon.

As part of our report, we have enclosed our governance/management letter.

Respectfully submitted,

Gorman & Associates, P.C.

December 21, 2012



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Board of School Directors
Dr. Joseph J. Roy, Superintendent
Bethlehem Area School District
1516 Sycamore Street
Bethlehem, PA 18017-6099

We have audited the financial statements of the governmental activities; business-type activities, each major fund, and the aggregate remaining fund information of the Bethlehem Area School District for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012.

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether your financial statements are fairly presented, in all material respects, in conformity with the U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities, including having compensating controls in place to ensure our preparation of your financial statements and note disclosures are not materially misstated.

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matter on June 21, 2012.

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Bethlehem Area School District are described in the notes to the financial statements. No new accounting policies were adopted during this past year and the existing policies were properly applied. We did not discover any transactions entered into by the District that lacked authoritative guidance or consensus. In addition, there are no significant transactions affecting the financial statements that have been recognized incorrectly in the wrong year, except for the items discussed in this letter.

Accounting estimates, which are part of the significant accounting policies, are an integral part of the financial statements 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 may differ significantly from those expected. The most sensitive estimates affecting the financial statements were depreciation taken on capital assets based upon the estimated useful life of each asset and calculated on the straight-line basis of depreciation, and the actuarial assumptions associated with Other Post Employment Benefits. We have evaluated the factors and assumptions used to develop these estimates and have determined the estimates to be reasonable in relation to the financial statements taken as a whole.

We wish to inform you that the disclosures in your financial statements are neutral, consistent, and clear. From time to time, certain disclosures are more sensitive than others due to their significance to financial statement users. The most sensitive disclosures involve capital assets, long-term debt, and other post employment benefits.

We have requested certain representations from management that are included in the management representation letter provided to us on December 21, 2012. We advise the governing body to request this letter from management for their review. In conjunction with their representations, we wish to inform you we did not encounter any significant difficulties in dealing with management and had no disagreements with your management. To our knowledge, management did not find a need to converse with any other independent accountant on any related accounting or auditing issue.

In addition, the representation letter provided to us, by management, confirmed there were no uncorrected misstatements that materially affect the financial statements. Management has recorded all of our adjusting journal entries, and has agreed to the conversion entries necessary to convert governmental funds and proprietary funds to governmental activities and business-type activities, respectively.

In accordance with auditing standards, generally accepted in the United States of America, we have acquired a sufficient understanding of the District and its environment, including its internal control, to assess the risk of material misstatements of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures that were necessary to express an opinion on the 2011-12 basic financial statements.

Our consideration of the District's internal control components was not designed for the purpose of making detailed recommendations and would not necessarily disclose all significant deficiencies within the components. Our audit procedures have been appropriately adjusted to compensate for any observed significant deficiencies. The following three paragraphs define the three different types of deficiencies that can occur:

A control 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 significant deficiency is a deficiency, or 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.

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.

As the primary purpose of our audit is to form an opinion on the basic financial statements, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against errors and fraud which audit procedures may not disclose. The objective of internal control over financial reporting is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use and that financial records are reliable for preparing financial statements in accordance with generally accepted accounting principles and for maintaining the accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the related benefits; to operationalize this concept, management is required to formulate estimates and judgments of the cost/benefit ratios of alternative controls.

There are inherent limitations that should be recognized in considering the potential effectiveness of internal control over financial reporting. Errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, fatigue, and other personnel factors. Control procedures whose effectiveness depends upon the segregation of duties can be circumvented by collusion or by management. What's more, any projection of internal control evaluations to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or due to the deterioration of the degree of compliance with control procedures.

As an adjunct to our audit, we remained alert throughout for opportunities to enhance internal controls and operating efficiency. The remainder of this letter will explain any internal control deficiencies discovered during the audit, other auditor recommendations, and other information pertinent to the District.

A control deficiency is determined to be considered a material weakness or significant deficiency based upon the magnitude of the problem as it pertains to a particular opinion unit. In other words, what is considered a significant deficiency in one fund may only be a control deficiency in another fund of greater size.

The following section in this governance/management letter is separated by categories based on importance, with any material weaknesses or significant deficiencies listed in the beginning:

SIGNIFICANT DEFICIENCIES

General Fund - Collection of Taxes

During our testing of current real estate and per capita taxes, we discovered the business office is not reconciling the taxes collected to the general ledger on a monthly basis. When deposits are made for current real estate taxes, the business office records the receipts to an unallocated account. Upon receiving the monthly Act 169 report, the clerk is supposed to allocate the monies under the various municipalities. Unfortunately, these allocations only occurred from July 2011 to September 2011. In addition, a duplicate entry was made for the July 2011 receipts.

As a result of these errors, there was over \$5.7 million of real estate taxes unallocated to the specific municipalities; and, as such, the duplicates for all the municipalities were not reconciled to the general ledger. We also discovered this problem with the interim real estate tax collections, per capita tax collections, and earned income tax collections.

While we understand the changeover of tax collections and personnel attributed to this problem, the lack of oversight by management on an ongoing basis left this problem unresolved during the course of the year.

In the future, we suggest the clerks in the business office reconcile the District's taxes received on a monthly basis by properly allocating the respective tax collections to the correct municipality/collector (EIT) on a deposit by deposit basis. Since the District is now collecting its own real estate tax duplicates, there should be no problem being able to allocate the deposits directly to each municipality's tax revenue account, thus avoiding the unallocated account.

In addition, by completing the required monthly Act 169 report, the business office should be able to reconcile each revenue account in the general ledger on a monthly basis. To ensure the clerks are performing their jobs, we suggest management review all Act 169 reports to the general ledger on a monthly basis.

CONTROL DEFICIENCIES

Information and Communication Component of Internal Controls

The Information and Communication component of internal controls pertains specifically to the accounting system and the proper flow of transactions into the system, including the year-end closing process, as well as having proper channels of communication upstream and downstream between management personnel and staff. As a third party consultant explained in their report to the School Board in a prior year, this component of controls will take time to correct.

However, as a result of changing computer software and current management's ability to compensate for these deficiencies by proper oversight, except for the tax receipt collection problem, we are pleased that the severity and magnitude of these issues have been reduced to a level that has become manageable at the present time.

We wish to recommend, when future availability renders itself, that management includes testing procedures for any future employees to determine the applicants have good analytical skills necessary to perform recordkeeping functions.

General Fund – Cash

During our review of the cash balance at year end, and the recorded interest earned in the general ledger, we discovered the cash account was arbitrarily adjusted for \$3,898, and interest revenue was not correct. Part of the problem was discovered by us as a result of erroneous adjustments made that should not have been made.

In the future, we suggest cash be reconciled on a monthly basis from the bank statement to the balance in the general ledger with investigation, as needed, to find any recorded or unrecorded deficiencies on a current basis

General Fund – Receipts from Other LEAs

During our review of this revenue account, we discovered a number of errors in postings pertaining to incorrectly using the new accounts receivable system. The errors pertained to entering transactions opposite than what was required and mixing invoices and payments going to the same account. The business office attempted to correct some of these errors made by staff, but did not find all the mistakes.

As a result, we spent considerable time tracing the transactions made in the receivable system and tying those entries to the money received during the year to correlate the correct balance in the receivable system to the revenue posted. In the future, we suggest management pay close attention to the postings in the receivable system and train the support staff to properly record the invoices and payments.

Activity Fund – Student Clubs

During our review of student clubs reported by the individual schools, we discovered the following clubs that do not meet the criteria to be a student club:

Board of School Directors - Dr. Joseph Roy, Superintendent

- Cafeteria Improvement
- Building Maintenance
- Campus Coffee
- Graduation Frames
- Exchange

According to information provided to us in our investigation, the cafeteria and building maintenance clubs represent leftover money from graduated class funds that was supposed to be used for certain improvement projects. Unfortunately, the Student Activity Funds Guide, established by PASBO and others, does not allow for these items to be considered student clubs.

We suggest the monies for the cafeteria improvement and building maintenance be transferred to the General Fund, which can then be restricted fund balance for the intent of the student class donations. The other alternative is to transfer this money to the Student Council Club for the entire benefit of all students and expended with the permission of the student council officers.

The campus coffee club is an account that is used by faculty and staff to purchase coffee, as such there are no student officers associated with this account.

The graduation frames club is an extension of the Cauldron Club, and was established to keep track of the cash flows separately from other expenses of the Cauldron Club. Unfortunately, this is not a student club and should be put back into the Cauldron Club, keeping track of the separate cash flow needs using a different recordkeeping system.

Finally, the exchange club appears to be a clearing account used for miscellaneous projects, and actually overspent the deposits made into the account during this past year. For example, students gave money for the school to purchase cameras for them to be used in an art class. Unfortunately, this activity can circumvent Sales Tax Law, if the students keep the cameras.

According to state regulations and the student activity fund guide, student activity clubs should be used to finance a program of activities that is not part of the regular curriculum. In addition, all student clubs or organizations must maintain bylaws, student officers, and monthly board minutes.

General Fund – Contributions and Donations

During our review of funds donated to the School District, we discovered the District has been recording reimbursements for services performed at both the St. Luke's Hospital and the Fowler Family Center into this revenue account in error. These reimbursements are to compensate the school district employee for nursing services provided to both facilities. As such, the money received for these services are not donations, but charges for services revenue.

We would like to suggest management record these payments for services incurred by a district employee via the payroll system, and the money received for these services as fees rendered for community services.

Federal Grants

During our review of federal grant expenditures, we discovered a number of instances that disbursements are being recorded to federal source codes, when the actual grant has been fully expended. As such, the general ledger is reporting federal expenditures in excess of the actual grant award. We made the appropriate adjustments, with management's agreement, to classify these costs as non-federal expenditures.

In the future, we suggest that the federal liaison office change the source codes on any costs expended that exceed the federal award amount.

Food Service Fund and Day Care Fund

During our review of journal entries made in the food service and day care funds by district personnel, we had difficulty finding the entries or any supporting documentation. On numerous occasions, we had to request the assistant business manager to print out the journal entries, which, of course, does not provide us with supporting documentation or a thorough explanation as to why the entries were made.

We would like to recommend management maintain a separate three ring binder manually making the entries using a numeric sequence, with a clear explanation why the entries are being made and attaching any supporting documentation in the binder. When these entries are posted into the computer system, we recommend the journal entry number be made part of the description. In this manner, management and any other interested parties can look at the details of any account and correlate any adjustments made to those respective accounts in three ring binders easily locating the specific journal entry.

Scholarships and Memorial Fund

During our review of the scholarship and memorial funds held by the District in a fiduciary capacity, we noticed the business office's attempts to improve the recording and handling of the awards given and contributions received from various outside organizations or persons.

Unfortunately, their attempt was not completed at the time of the audit, which required us to spend an exorbitant amount of time tracing each award to each donation by recipient and donor. We made suggestions to the business office on setting up either a separate excel worksheet to segregate each award and donation or expanding the current general ledger to show each scholarship or memorial account individually by segregating a net asset for each award, a separate revenue account for each award, and a separate expenditure account for each award.

RECOMMENDATIONS

Self-Insurance Employee Benefit Trust

During this past fiscal year, the District created a separate tax exempt legal entity for the previous known Self-Insurance Trust Fund. As a result, the Trust is now considered a Component Unit of the School District, rather than an individual accounting fund of the School District. This has caused us to reclassify the Trust from an "Internal Service" (Proprietary) Fund to a blended component unit of the School District, reflected as a "Fiduciary Other Employee Benefit Trust Fund".

Board of School Directors - Dr. Joseph Roy, Superintendent

During our review of the accounts shown in the computer system pertaining to this Trust, we discovered accounts combined that makes it difficult to verify each type of benefit and each District Fund contributing for these benefits.

As such, we would like to recommend the business office maintain separate revenue accounts by fund (General Fund, Day Care Fund, Food Service Fund), and segregating the contributions by the type of benefit it is designed to pay the claims on (health insurance claims, dental claims, vision claims, etc.). In addition, the expenditure categories should also be segregated by the claims paid for each benefit. In this manner, management will have a clearer picture on the costs of each benefit moving forward.

Food Service and Day Care Funds

As a result of management getting better in determining the true costs associated with each employee pertaining to the self-insurance plan, considerable time was spent this past year by the Assistant to the Superintendent for Business and Fiscal Affairs to re-allocate, among the District's funds, the cost of employee benefits to the employees within each fund, instead of using a generic allocation system that has been in place for many years.

As a result, the food service fund is now reporting approximately \$550,000 of additional costs of operation that was previously reported in the general fund, leaving a net loss for this past year of \$570,446, in the food service fund. The Day Care Fund's previous allocation and the current method of allocation were substantially closer than the food service fund.

We recommend management and the School Board re-evaluate the food service operations, including the current staffing in light of this more exact method of allocating the true employee costs.

OTHER INFORMATION

We would be remiss if we didn't keep the management and the Board of School Directors informed of changes in accounting principles that will affect the School District next year and future years. The Government Accounting Standards Board (GASB) has issued Statement Nos. 62, 63, 64, 65, 66, 67 and 68 that will come into effect in years to come. The statements that could affect the School District next year and future years are as follows:

GASB Statement No. 62

This statement incorporates other accounting principles established by the American Institute of Certified Public Accountants, known as APBs and ARBs, along with FASB accounting standards that apply to governments. This statement goes into effect next year; however there should be no current effect for the school district pertaining to this statement, except disclosure note changes.

GASB Statement No. 63

This statement goes into effect next year and institutes new classifications to be shown on the Statement of Net Assets, which has also changed to – Statement of Net Position. The new classifications are called: Deferred Inflow of Resources and Deferred Outflow of Resources. Deferred Outflow of Resources is a consumption of net assets by the government that is applicable to a future reporting period. An example would be Prepaid Expenses that was previously classified as an asset. Deferred Inflow of Resources is an acquisition of net assets by the government that is applicable to a future reporting period. An example would be deferred revenue, whose title will no longer be used.

Board of School Directors - Dr. Joseph Roy, Superintendent

As a result of these new elements to the statement of financial position, the net position of the entire government at year end will equal total assets, plus total deferred outflows of resources, minus total liabilities and total deferred inflows of resources.

GASB Statement No. 65

This is a companion standard associated with Statement 63. It provides information on what items previously shown as assets, will be reclassified as deferred outflow of resources. And it reflects certain items previously classified as liabilities to deferred inflow of resources.

GASB Statement No. 68

This statement and its component statement no. 67 will have a massive impact on all governments' entity-wide financial statements. It will affect every government in the Commonwealth of PA and every other government located in all 50 states, including state governments.

It will require all governments to report the entire amount of the unfunded actuarial liability for any pension plans associated with each respective government onto their government-wide financial statements that are used by bond rating agencies to establish your debt ratings. Presently, governments only report approximately one-thirtieth of this liability on their financial statements assuming they have a stand-alone pension plan.

Those governments, like this School District, that don't report any pension obligation because they and you belong to a pension trust (PSERS), will soon have to report your proportionate share of the pension trust's unfunded actuarial pension liability. Your proportionate share of this significant liability will be based upon the percentage of your contributions into the plan compared to the total contributions submitted by all participating governments in the pension trust.

This standard will have a devastating effect for larger governments, whom are already in dire straits as a result of the poor economy. This standard becomes effective for your 2014-2015 fiscal year.

This letter is required by our standards and has been combined with, what we previously referred to as the management letter. The intent of this letter is to communicate with those charged with governance on matters pertaining to the audit and includes information that we believe can help you correct or improve operating efficiency, under the limitations of staff availability, within the School District.

Respectively submitted,



December 21, 2012

REPORT DISTRIBUTION LIST

The Bethlehem Area School District has distributed copies of the Single Audit Act Package to the following:

ONE COPY TO: (Electronically Submitted)	BUREAU OF THE CENSUS DATA PREPARATION DIVISION
ONE COPY TO: (Electronically Submitted)	COMMONWEALTH OF PENNSYLVANIA OFFICE OF THE BUDGET/BUREAU OF AUDITS
ONE COPY TO:	U.S. DEPARTMENT OF EDUCATION 400 MARYLAND AVENUE, SW WASHINGTON, D.C. 20202
ONE COPY TO:	COLONIAL INTERMEDIATE UNIT 6 DANFORTH DRIVE EASTON, PA 18045
ONE COPY TO:	PENN STATE UNIVERSITY PENN STATE CHILDREN'S HOSPITAL DEPT. OF PUBLIC HEALTH SCIENCES 600 CENTERVIEW DRIVE, SUITE 2200 HERSHEY, PA 17033
ONE COPY TO:	NORTHAMPTON COMMUNITY COLLEGE 3835 GREEN POND ROAD BETHLEHEM, PA 18020
ONE COPY TO:	NORTHAMPTON COUNTY DEPARTMENT OF HUMAN SERVICES 669 WASHINGTON STREET EASTON, PA 18042
ONE COPY TO:	UNITED WAY OF BERKS COUNTY 501 WASHINGTON STREET EASTON, PA 18042

FINANCIAL SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Board of School Directors
Bethlehem Area School District
1516 Sycamore Street
Bethlehem, PA 18017

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bethlehem Area School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Bethlehem Area School District, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison statement of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards we have also issued our report dated December 21, 2012, on our consideration of the Bethlehem Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Board of School Directors

Management's Discussion and Analysis, on pages 13 to 24, and the Schedule of Funding Progress, on page 83, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bethlehem Area School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the combining and individual fund financial statements and schedules, listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements of the Bethlehem Area School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

Norman Associates, P.C.

December 21, 2012

**Bethlehem Area School District
Management's Discussion and Analysis**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Year Ended June 30, 2012**

The discussion and analysis of the Bethlehem Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School 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 School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new 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 in June 1999.

SCHOOL DISTRICT HIGHLIGHTS

Bethlehem Area School District is a School District of the Second Class, organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"). The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors.

The Bethlehem Area School District is located in portions of Northampton and Lehigh Counties, Pennsylvania in an area known as the Lehigh Valley. It is comprised of five municipal subdivisions including the City of Bethlehem, Fountain Hill and Freemansburg Boroughs, and Bethlehem and Hanover Townships covering an area of approximately 43.1 square miles. The School District had an enrollment of 14,371 students in 2011-12.

The Bethlehem Area School District consists of 16 elementary schools for students in kindergarten through 5th grade, four middle schools for grades 6-8, and two 9th through 12th grade high schools.

FINANCIAL HIGHLIGHTS

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District uses site-based budgeting, and the budgeting system is designed to tightly control total site budgets but provide flexibility for site management.

Analysis of our revenues and expenditures reveals that actual revenues were higher than budgeted revenues due to unanticipated revenue from the sale of surplus property by the Bethlehem Area Vocational Technical School that will be transferred to the Capital Reserve Fund for use in repairs to the BASD Athletic Stadium in summer 2012. Additionally, increased assessment related to the newly constructed Sands Hotel and Retail Shops increased the amount of tax revenue retained by the school district, retroactive reconciliation of variable bonds refunded resulted in excess State subsidy along with increased state reimbursement of social security and retirement subsidies for accrued wages and a prior year state audit adjustment.

Overall expenditures for the 2011-2012 school year were \$199,038,345 and were under budget by \$4,770,919. Overall revenues for the 2011-12 school year were \$205,247,308 and were over budget by \$1,438,044. These differences between budgeted and actual amounts were the result of overall effective

**Bethlehem Area School District
Management's Discussion and Analysis**

management of the budget, staffing vacancies throughout the year, planned fund balance growth and one time revenues that offset the shortfall.

These events combined with unexpended reserves yielded a General Fund surplus of \$6,208,963 for the year ended June 30, 2012. When netted against the beginning fund balance of \$15,675,450, the BASD ended the fiscal year with a positive general fund, fund balance of \$21,884,323. This fund balance will be reduced by a \$3,000,000 commitment to the capital reserve fund for future capital improvements, a \$2,000,000 assignment to the BASD Self Insurance Fund for recommended reserves to fund future employee benefit claims and \$1,000,000 assigned to mitigate upcoming increases in the state pension rates for school employees. The resulting net undesignated fund balance on June 30, 2012 will be \$15,884,323 or 7.9% of expenditures.

USING THE ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Bethlehem Area School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

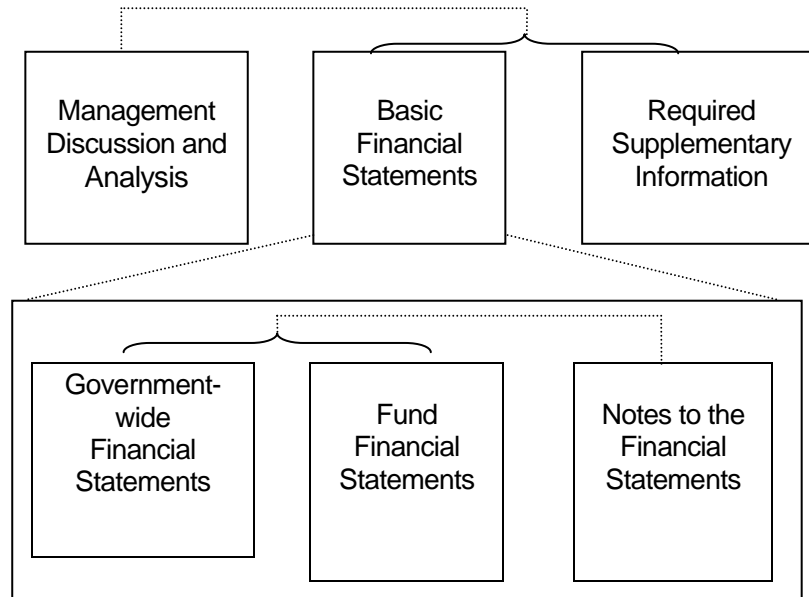
The first two statements are government-wide financial statements - the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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 like a business. For this District this is our Food Service Fund. Fiduciary 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.

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

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

**Figure A-1
Required components of Bethlehem Area School District's Financial Report**



**Bethlehem Area School District
Management's Discussion and Analysis**

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

**Figure A-2
Major Features of Bethlehem Area 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 - Scholarship Funds
Required financial statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

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

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

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

To assess the overall health of the District, you need to consider additional factors, such as the increasing property tax base, outlook for future growth, strength of financial policies and planning, and student performance and achievement.

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. In addition, child care services are provided to staff and students.

Fund Financial Statements

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

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

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

**Bethlehem Area School District
Management's Discussion and Analysis**

Fiduciary funds - The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net assets were (\$24,502,332) at June 30, 2012. This is a decrease in net assets of (\$4,203,443) from the net assets for the previous fiscal year, including a prior period adjustment to reclassify an internal service fund to a fiduciary component unit.

**Table A-1
Fiscal Year ended June 30, 2011
Net Assets (In Millions)**

	<u>2012</u>			<u>2011</u>		
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>
Current assets	\$ 51.8	\$ 1.5	\$ 53.3	\$ 42.6	\$ 1.7	\$ 44.3
Non-Current assets	268.3	0.1	268.4	267.2	0.2	267.4
Total Assets	\$ 320.1	\$ 1.6	\$ 321.7	\$ 309.8	\$ 1.9	\$ 311.7
Current and other liabilities	34.2	0.4	34.6	31.3	0.2	31.5
Long-term liabilities	311.2	0.4	311.6	300.2	0.2	300.4
Total Liabilities	345.4	0.8	346.2	331.5	0.4	331.9
Net Assets						
Invested in capital assets, net of related debt	-	0.1	0.1	(19.1)	0.2	(18.9)
Retirement of Long-Term Debt	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Other Restrictions	-	-	-	-	-	-
Unrestricted	(25.3)	0.7	(24.6)	(2.6)	1.3	(1.3)
Total Net Assets	\$ (25.3)	\$ 0.8	\$ (24.5)	\$ (21.7)	\$ 1.5	\$ (20.2)
Total Liabilities and Net Assets	\$ 320.1	\$ 1.6	\$ 321.7	\$ 309.8	\$ 1.9	\$ 311.7

Most of the District's net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are designated or set-aside to fund future capital projects as planned by the district. The overall negative net asset valuation is due to the level of outstanding debt and derivative liabilities as well as the Other Post Employment Benefit (OPEB) obligation reflected in the statements which are funded on an annual cash basis.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the 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.

**Bethlehem Area School District
Management's Discussion and Analysis**

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, 2012
Changes in Net Assets (In Thousands)**

	<u>2012</u>			<u>2011</u>		
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>
<u>REVENUES</u>						
<i>Program revenues</i>						
Charges for services	\$ 732	\$ 4,931	\$ 5,663	\$ 754	\$ 5,081	\$ 5,835
Operating grants and contributions	25,968	4,449	30,417	35,709	4,270	39,979
Capital grants and contributions	2,254	-	2,254	2,071	-	2,071
<i>General revenues</i>						
Property taxes	122,247	-	122,247	120,044	-	120,044
Other taxes	18,274	-	18,274	15,398	-	15,398
Grants, subsidies and contributions, unrestricted	31,760	-	31,760	28,946	-	28,946
Other	1,719	3	1,722	4,922	44	4,966
TOTAL REVENUES	\$ 202,954	\$ 9,383	\$ 212,337	\$ 207,844	\$ 9,395	\$ 217,239
<u>EXPENSES</u>						
Instruction	\$ 123,257	\$ -	\$ 123,257	\$ 125,524	\$ -	\$ 125,524
Instructional student support	14,442	-	14,442	14,738	-	14,738
Administrative and financial support	13,597	-	13,597	15,676	-	15,676
Operation and maintenance of plant	15,357	-	15,357	14,319	-	14,319
Pupil transportation	6,423	-	6,423	5,564	-	5,564
Student activities	2,082	-	2,082	1,980	-	1,980
Community services	245	2,655	2,900	156	2,506	2,662
Scholarships and Awards	1	-	1	1	-	1
Interest on long-term debt	22,047	-	22,047	18,651	-	18,651
Unallocated depreciation expense	6,648	-	6,648	4,890	-	4,890
Food Services	-	7,238	7,238	-	6,411	6,411
TOTAL EXPENSES	204,099	9,893	213,992	201,499	8,917	210,416
Increase (decrease) in net assets	\$ (1,145)	\$ (510)	\$ (1,655)	\$ 6,345	\$ 478	\$ 6,823

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

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

**Bethlehem Area School District
Management's Discussion and Analysis**

**Table A-3
Fiscal Year ended June 30, 2012
Governmental Activities (In Thousands)**

Functions/Programs	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 123,257	\$ 102,820	\$ 125,524	\$ 96,351
Instructional student support	14,442	11,918	14,738	11,157
Administrative	13,597	12,870	15,676	14,821
Operation and maintenance	15,357	15,230	14,319	14,141
Pupil transportation	6,423	3,872	5,564	3,209
Student activities	2,082	1,773	1,980	1,676
Community services	245	221	156	138
	1	1	1	1
Interest on long-term debt	22,047	19,793	18,651	16,580
Unallocated depreciation expense	6,648	6,648	4,890	4,890
Total governmental activities	\$ 204,099	\$ 175,146	\$ 201,499	\$ 162,964
Less:				
Unrestricted grants, subsidies		31,760		28,946
Total needs from local taxes and other revenues		\$ (143,386)		\$ (134,018)

Table A-4 reflects the activities of the Food Service and Child Care programs, the Business-type activities of the District.

**Table A-4
Fiscal Year ended June 30, 2012
Business –Type Activities**

Functions/Programs	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	\$ 7,238,446	\$ (565,072)	\$ 6,410,907	\$ 173,003
Child Care	2,654,953	51,531	2,506,168	260,822
Less:				
Investment earnings & other misc.		3,491		43,731
Total business-type activities		\$ (510,050)		\$ 477,556

DISTRICT FUNDS

At June 30, 2012, the District governmental funds reported a combined fund balance of \$25,600,644, an increase of \$8,680,865 from the previous year

General fund revenues exceeded expenditures by \$8,995,432, less than the transfer of (\$2,953,288) to the capital reserve fund as final resolution of a 2003 state audit finding of together with the sale of a

**Bethlehem Area School District
Management's Discussion and Analysis**

surplus vocational school building and (\$882,000) transferred to the self-insurance fund for unemployment benefits resulting in the General Fund showing a final \$6,208,963 increase in fund balance for a net ending fund balance of \$21,884,383.

The Capital Projects Fund had a positive change in its fund balance of (\$2,457,394) due to the 2003 state audit adjustment noted above and the surplus building sale, resulting in a Capital Project fund balance of \$3,694,803 on June 30, 2012.

General Fund Budget

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is permitted by state law. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the Annual Financial Report.

Local revenues were greater than budgetary figures due to delinquent real estate tax revenue collected, and mercantile taxes also grew due to the success of the new Sands Casino. State revenue was greater than budgetary figures by \$421,770. This is primarily due to the receipt of State subsidy for bond debt recently refunded and the State share of social security and retirement expense.

Salaries and benefits, which make up the largest portion of expenditures, were significantly lower than originally budgeted, driving the total expenditures (excluding fund transfers and budgetary reserve) to be \$7,006,207 lower than originally budgeted. Utility costs were also lower than originally budgeted due to increased facility efficiencies and a mild winter generating utility savings \$2,281,694 along with ongoing conservative spending contributed to the operational surplus. Further, there were no significant unexpected expenditures during the year so the budgeted reserve amount was able to be fully utilized to contribute toward improving the fund balance to a positive level. The Board is committed to protecting the integrity of the fund balance in all funds for a strong financial foundation.

Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur due to use of grant funds, whose amounts are not known at the time that the budget must be approved.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the District had \$242,217,836 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$7,471,319, or 2.99% from last year.

**Bethlehem Area School District
Management's Discussion and Analysis**

**Table A-5
Governmental Activities
Fiscal Year Ended June 30, 2012
Capital assets - net of depreciation**

	2012	2011
Land	\$ 75,410	\$ 75,410
Site Improvements	9,086,934	8,935,286
Buildings	319,904,889	319,247,953
Furniture & Equipment	61,271,527	61,480,849
Construction in Progress	2,631,205	2,696,666
Total Capital Assets	\$ 392,969,965	\$ 392,436,164
Less Accumulated Depreciation	(150,752,129)	(142,747,009)
Total Capital Assets Net of Accumulated Depreciation	<u>\$ 242,217,836</u>	<u>\$ 249,689,155</u>

The District did not have any significant additions in capital assets other than construction in progress.

DEBT ADMINISTRATION

As of July 1, 2011, the District had total outstanding debt of \$289,355,000. During the year, the District issued \$68,320,000 in additional debt, but retired and repaid \$68,600,000 resulting in ending outstanding debt as of June 30, 2012, of \$289,075,000:

**Table A-6
Outstanding Debt**

	2012	2011
General Obligation Notes/Bonds:		
- Bonds, Series of 2012	\$ 4,995,000	\$ -
- Bonds, Revenue Series A of 2011	29,995,000	-
- Bonds, Series of 2011	33,330,000	-
- Bonds, Revenue Series of 2011	40,465,000	40,470,000
- Bonds, Revenue Series of 2010	29,990,000	29,995,000
- Bonds, Series of 2010	28,840,000	28,845,000
- Bonds, Series B of 2009	9,805,000	10,240,000
- Bonds, Series AA of 2009	14,410,000	14,410,000
- Bonds, Series A of 2009	64,980,000	66,765,000
- Bonds, Series A of 2007	32,265,000	38,735,000
- Bonds, Series of 2007	-	54,980,000
- Bonds, Series of 2001	-	4,915,000
TOTAL	<u>\$ 289,075,000</u>	<u>\$ 289,355,000</u>

Other obligations include accrued vacation pay and sick leave for specific employees of the District as well as the OPEB obligation under GASB 45. More detailed information about our long-term liabilities is included in the notes to the financial statements.

FUTURE ECONOMIC FACTORS

Capital Improvement Plan

Since 1991, the school district has renovated or replaced the majority of its 23 schools and other properties. Nitschmann Middle School has been identified for major renovation costing approximately \$60-65 million, however, funding has not been obtained and the timeline for commencement of that project has not been finalized. In summer 2012, the boiler systems were replaced at Nitschmann Middle School as well as paving and catch basin repairs were completed at the High School stadium. The school district continues to annually fund and complete capital improvement projects that are designed to maintain all existing structures. However, it is anticipated that the lack of additional capital funds may delay advancement of future capital improvement projects.

Variable Rate Debt and SWAP Concerns

The amount of variable rate debt within the school district's debt portfolio continues to be a focus of the school board and administration with the percentage of variable rate to total debt 36%. The school directors continue to restructure its debt and swap portfolio by reducing the swap interests and improving the quality of outstanding debt. The school district also continues to monitor opportunities to refinance any existing debt as economic conditions warrant. The most recent transaction was a traditional refinancing of the fixed rate GOB Series 2001A Bonds at a net present value savings of 8.63%. The financial position of the district on June 30, 2012 makes these refunding opportunities much more positive with this more promising and stable outlook for our financial future.

Future Budgets

The annual operating budget for the 2012-2013 year of \$212,508,640 is supported by a 2.17 mil or 4.84% real estate tax rate increase. With the passing of Act 1, the District was required to pass a preliminary budget in January and get approval for increasing taxes above an allowed index or pass a resolution stating that we would not exceed the index. For the 2012-2013 budget, this index was 1.7%, and the District was approved for exceptions to exceed that amount for state mandated retirement contributions, grandfathered debt, special education expenditures and maintenance of the school improvement plan but no exceptions were utilized. The focus continues to be balancing the educational needs with the financial and economic realities. While we monitor the impact of recent programmatic reductions, we are working toward addressing long-term needs in areas such as transportation, facilities and technology while understanding the need to balance a sustainable budget.

The comparison of original budgeted revenue and expenditure categories is as follow:

Table A-7
BUDGETED REVENUES

	2012-2013	2011-2012
Local	71.7%	71.2%
State	25.8%	25.7%
Federal/Other	2.5%	3.1%

BUDGETED EXPENDITURES

	2012-2013	2011-2012
Instruction	60.5%	60.5%
Support Services	24.6%	26.1%
Non-Instruction/Community	1.1%	0.9%
Facility Improvements	0.1%	0.0%
Fund Transfers/Debt	13.6%	12.5%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide citizens, taxpayers, students, investors and creditors, and other interested parties with a general overview of the School Board's finances and to illustrate the School Board's accountability for the funds it receives. Questions concerning this report or a request for additional information should be addressed to the Assistant to the Superintendent for Finance and Administration, Bethlehem Area School District, 1516 Sycamore Street, Bethlehem, PA 18017, telephone number (610) 861-0500 ext. 60201.

BASIC FINANCIAL STATEMENTS

Bethlehem Area School District
Statement of Net Assets
As of June 30, 2012

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 24,386,944	\$ 832,300	\$ 25,219,244
Investments	14,000,000	-	14,000,000
Receivables, net	5,668,014	-	5,668,014
Internal Balances	-	239,668	- (1)
Due From Other Governments	7,079,816	155,942	7,235,758
Other Receivables, net	380,459	190,149	570,608
Inventories	267,550	155,740	423,290
Prepaid Expenses	37,905	68	37,973
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	51,820,688	1,573,867	53,154,887
NON-CURRENT ASSETS:			
Restricted Cash and Cash Equivalents	-	-	-
Land	75,410	-	75,410
Site Improvements (net of depreciation)	2,570,396	-	2,570,396
Building and Bldg. Improvements (net of depreciation)	233,158,746	-	233,158,746
Furniture and Equipment (net of depreciation)	3,782,079	66,969	3,849,048
Construction in Progress	2,631,205	-	2,631,205
Deferred Outflows of Resources	12,579,009	-	12,579,009
Deferred Cost on Refundings	10,551,434	-	10,551,434
Bond Issue Costs (net of amortization)	2,906,387	-	2,906,387
TOTAL NON-CURRENT ASSETS	268,254,666	66,969	268,321,635
TOTAL ASSETS	\$ 320,075,354	\$ 1,640,836	\$ 321,476,522
LIABILITIES			
CURRENT LIABILITIES:			
Internal Balances	\$ 239,668	\$ -	\$ - (1)
Due to other governments	82,942	-	82,942
Accounts Payable	6,596,379	268,389	6,864,768
Current Portion of Long-Term Obligations	10,630,843	-	10,630,843
Accrued Salaries and Benefits	7,792,700	14,770	7,807,470
Payroll Deductions and Withholdings	5,683,094	26,013	5,709,107
Deferred Revenue	5,072	113,171	118,243
Other Current Liabilities	3,393,986	2,774	3,396,760
TOTAL CURRENT LIABILITIES	34,424,684	425,117	34,610,133
NON-CURRENT LIABILITIES:			
Bonds and Notes Payable	261,953,488	-	261,953,488
Derivative Financial Instrument Liability	33,674,322	-	33,674,322
Deferred Gain on Refundings	1,644,071	-	1,644,071
Lease Purchase Obligations	1,072,485	-	1,072,485
Long-Term Portion of Compensated Absences	5,990,387	328,754	6,319,141
Net OPEB and Pension Obligation	6,634,728	70,486	6,705,214
TOTAL LIABILITIES	345,394,165	824,357	345,978,854
NET ASSETS			
Invested in capital assets, net of related debt	-	66,969	66,969
RESTRICTED FOR:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	-	-	-
Other Restrictions	-	-	-
Unrestricted (deficit)	(25,318,811)	749,510	(24,569,301)
TOTAL NET ASSETS	(25,318,811)	816,479	(24,502,332)
TOTAL LIABILITIES AND NET ASSETS	\$ 320,075,354	\$ 1,640,836	\$ 321,476,522

The Accompanying Notes are an integral part of these financial statements.

(1) Internal balances represent the amount owed to or from the two types of activities within the Primary Government. Since internal balances do not represent assets or liabilities of the total Primary Government, their balances are eliminated in the "total" column (GASB Statement No. 34, para. 58).

Bethlehem Area School District
Statement of Activities
For the Year Ended June 30, 2012

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 123,257,299	\$ 493,994	\$ 19,942,790	\$ -	\$ (102,820,515)	\$ -	\$ (102,820,515)
Instructional Student Support	14,442,317	-	2,524,307	-	(11,918,010)	-	(11,918,010)
Admin. & Fin'l Support Services	13,597,199	-	727,174	-	(12,870,025)	-	(12,870,025)
Oper. & Maint. of Plant Svcs.	15,357,432	-	127,650	-	(15,229,782)	-	(15,229,782)
Pupil Transportation	6,422,798	-	2,550,881	-	(3,871,917)	-	(3,871,917)
Student activities	2,082,451	225,016	84,331	-	(1,773,104)	-	(1,773,104)
Community Services	244,666	13,160	10,961	-	(220,545)	-	(220,545)
Scholarships and Awards	335	-	-	-	(335)	-	(335)
Interest on Long-Term Debt	22,046,900	-	-	2,253,561	(19,793,339)	-	(19,793,339)
Unallocated Depreciation Expense	6,647,959	-	-	-	(6,647,959)	-	(6,647,959)
TOTAL GOVERNMENTAL ACTIVITIES	204,099,356	732,170	25,968,094	2,253,561	(175,145,531)	-	(175,145,531)
BUSINESS-TYPE ACTIVITIES:							
Food Services	7,238,446	2,446,607	4,226,767	-	-	(565,072)	(565,072)
Day Care	2,654,953	2,484,738	221,746	-	-	51,531	51,531
TOTAL PRIMARY GOVERNMENT	\$ 213,992,755	\$ 5,663,515	\$ 30,416,607	\$ 2,253,561	\$ (175,145,531)	\$ (513,541)	\$ (175,659,072)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 122,247,256	\$ -	\$ 122,247,256
Taxes levied for specific purposes					18,273,865	-	18,273,865
Grants, subsidies, & contributions not restricted					31,759,616	-	31,759,616
Investment Earnings					183,444	246	183,690
Miscellaneous Income					1,527,675	3,245	1,530,920
Special item - Gain (Loss) on sale of capital assets					3,475	-	3,475
Extraordinary Items					4,852	-	4,852
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					174,000,183	3,491	174,003,674
CHANGE IN NET ASSETS					(1,145,348)	(510,050)	(1,655,398)
NET ASSETS - BEGINNING					(21,695,895)	1,397,006	(20,298,889)
Prior Period Adjustment					(2,477,568)	(70,477)	(2,548,045)
NET ASSETS - ENDING					\$ (25,318,811)	\$ 816,479	\$ (24,502,332)

The Accompanying Notes are an integral part of these financial statements.

Bethlehem Area School District
Balance Sheet
Governmental Funds
As of June 30, 2012

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 23,117,459	\$ 1,248,007	\$ 21,478	\$ 24,386,944
Investments	14,000,000	-	-	14,000,000
Taxes Receivable, net	5,548,711	-	-	5,548,711
Due from other funds	488,428	2,890,515	1,010,522	4,389,465
Due from Primary Government	-	-	-	-
Due from Other Governments	6,845,930	-	-	6,845,930
Due from Component Unit	-	-	-	-
Other Receivables	328,136	-	-	328,136
Inventories	267,550	-	-	267,550
Prepaid Expenditures	37,905	-	-	37,905
Other Current Assets	-	-	-	-
TOTAL ASSETS	\$ 50,634,119	\$ 4,138,522	\$ 1,032,000	\$ 55,804,641
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Due to Other Funds	\$ 7,667,770	\$ 443,719	\$ -	\$ 8,111,489
Due to Other Governments	-	-	-	-
Due to Primary Government	-	-	-	-
Due to Component Unit	-	-	-	-
Accounts Payable	3,107,920	-	-	3,107,920
Current Portion of Long-Term Debt	468,356	-	5,000	473,356
Accrued Salaries and Benefits	7,792,700	-	-	7,792,700
Payroll Deductions and Withholdings	5,683,097	-	-	5,683,097
Deferred Revenues	3,791,443	-	-	3,791,443
Other Current Liabilities	238,450	-	1,005,522	1,243,972
TOTAL LIABILITIES	28,749,736	443,719	1,010,522	30,203,977
FUND BALANCES:				
Nonspendable Fund Balance	305,455	-	-	305,455
Restricted Fund Balance	107,582	3,694,803	-	3,802,385
Committed Fund Balance	3,000,000	-	-	3,000,000
Assigned Fund Balance	3,000,000	-	21,478	3,021,478
Unassigned Fund Balance	15,471,346	-	-	15,471,346
TOTAL FUND BALANCES	21,884,383	3,694,803	21,478	25,600,664
TOTAL LIABILITIES AND FUND BALANCES	\$ 50,634,119	\$ 4,138,522	\$ 1,032,000	\$ 55,804,641

The Accompanying Notes are an integral part of these financial statements.

**Bethlehem Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
As of June 30, 2012**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 25,600,664**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$392,969,965 and the accumulated depreciation is \$150,752,129. 242,217,836

Additional receivables established that do not meet the availability criteria reflected in the fund financial statements. This amount represents the difference between the prior year receivables and the current year receivables established under the accrual basis of accounting. 280,108

This amount represents the deferred outflows, net of deferred inflows, created from derivative hedging transactions, including long-term receivables and deferred costs on refundings. 23,130,443

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 3,905,674

The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net assets uses the consumption method of inventory. -

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

Bonds payable	\$ (268,687,101)	
Accrued interest on the bonds	(2,150,014)	
Intergovernmental Payable	(82,941)	
Compensated absences	(5,990,387)	
Derivative Instrument Liability	(33,674,322)	
Deferred Gain on Refunding - Derivative Instruments	(1,644,071)	
Net OPEB Obligation	(6,634,728)	
Lease Purchase Obligations	(1,589,972)	(320,453,536)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ (25,318,811)**

The Accompanying Notes are an integral part of these financial statements.

Bethlehem Area School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 146,103,293	\$ 433	\$ 4,204,828	\$ 150,308,554
State Sources	52,821,685	-	-	52,821,685
Federal Sources	5,273,511	-	-	5,273,511
TOTAL REVENUES	<u>204,198,489</u>	<u>433</u>	<u>4,204,828</u>	<u>208,403,750</u>
EXPENDITURES				
Instruction	120,484,242	-	-	120,484,242
Support Services	49,004,092	1,260	841,807	49,847,159
Operation of Non-Instructional Services	2,246,057	-	6,819	2,252,876
Capital Outlay	269,055	495,067	-	764,122
Debt Service	23,199,611	-	4,225,979	27,425,590
TOTAL EXPENDITURES	<u>195,203,057</u>	<u>496,327</u>	<u>5,074,605</u>	<u>200,773,989</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,995,432</u>	<u>(495,894)</u>	<u>(869,777)</u>	<u>7,629,761</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Bond Issues	-	-	-	-
Proceeds from Refunded Bond Issues	-	-	98,400,000	98,400,000
Proceeds from Extended Term Financing	982,602	-	-	982,602
Bond Premiums	57,890	-	100,084	157,974
Refund of Prior Year Expenditures	-	-	-	-
Interfund Transfers In	-	2,953,288	-	2,953,288
Sale/Compensation for Fixed Assets	3,475	-	-	3,475
Payment to bond refunding escrow agent	-	-	(90,009,175)	(90,009,175)
Swap Termination Fee	-	-	(7,470,000)	(7,470,000)
Bond Discounts	-	-	(136,624)	(136,624)
Operating Transfers Out	(3,835,288)	-	-	(3,835,288)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,791,321)</u>	<u>2,953,288</u>	<u>884,285</u>	<u>1,046,252</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	4,852	-	-	4,852
NET CHANGE IN FUND BALANCES	6,208,963	2,457,394	14,508	8,680,865
FUND BALANCES - BEGINNING	<u>15,675,420</u>	<u>1,237,409</u>	<u>6,970</u>	<u>16,919,799</u>
FUND BALANCES - ENDING	<u>\$ 21,884,383</u>	<u>\$ 3,694,803</u>	<u>\$ 21,478</u>	<u>\$ 25,600,664</u>

The Accompanying Notes are an integral part of these financial statements.

**Bethlehem Area School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes In Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2012**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 8,680,865**

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

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

Depreciation expense	\$ 8,271,093	
less - capital outlays	<u>799,773</u>	(7,471,320)

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of fixed assets sold.

-

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 revenues increased by this amount this year.

(1,309,569)

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

9,517,559

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

(1,417,696)

In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, the amount shown here represents the difference between earned revenues and revenues that are earned, but not available.

155,635

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **8,155,474**

**Bethlehem Area School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes In Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2012**

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING
(cont'd)**

\$ 8,155,474

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

(820,776)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Refunding bond issues becomes a use of current financial resources in governmental funds, but refundings represent payments of long-term debt in the statement of net assets. This figure represents the difference between bond proceeds and refunding payments made to paying agents.

(8,480,046)

The governmental funds use the purchase method of inventory, where all items purchased are charged to expenditures. However, the statement of activities is reflected on the consumption method of recording inventory type items; therefore, this adjustment reflects the inventory difference.

-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (1,145,348)

The Accompanying Notes are an integral part of these financial statements.

Bethlehem Area School District
Statement of Net Assets - Proprietary Funds
As of June 30, 2012

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 334,100	\$ 498,200	\$ 832,300
Investments	-	-	-
Due from other funds	163,886	120,453	284,339
Due From Other Governments	155,942	-	155,942
Other Receivables (net)	128,996	60,449	189,445
Inventories	155,740	-	155,740
Prepaid expenses	-	68	68
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	<u>938,664</u>	<u>679,170</u>	<u>1,617,834</u>
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	65,472	1,497	66,969
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	<u>65,472</u>	<u>1,497</u>	<u>66,969</u>
TOTAL ASSETS	<u>\$ 1,004,136</u>	<u>\$ 680,667</u>	<u>\$ 1,684,803</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 129,855	\$ 56,582	\$ 186,437
Due to Other Governments	-	-	-
Accounts Payable	123,375	2,544	125,919
Compensated Absences	-	-	-
Accrued Salaries and Benefits	14,770	-	14,770
Payroll Deductions and Withholdings	-	26,013	26,013
Other Current Liabilities	2,774	-	2,774
Deferred Revenue	<u>54,886</u>	<u>58,285</u>	<u>113,171</u>
TOTAL CURRENT LIABILITIES	<u>325,660</u>	<u>143,424</u>	<u>469,084</u>
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	163,938	164,816	328,754
Net OPEB Obligation	<u>42,587</u>	<u>27,899</u>	<u>70,486</u>
TOTAL NON-CURRENT LIABILITIES	<u>206,525</u>	<u>192,715</u>	<u>399,240</u>
TOTAL LIABILITIES	<u>532,185</u>	<u>336,139</u>	<u>868,324</u>
<u>NET ASSETS</u>			
Invested in capital assets, with no related debt	65,472	1,497	66,969
Restricted for Legal Purposes	-	-	-
Unrestricted	<u>406,479</u>	<u>343,031</u>	<u>749,510</u>
TOTAL NET ASSETS	<u>471,951</u>	<u>344,528</u>	<u>816,479</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,004,136</u>	<u>\$ 680,667</u>	<u>\$ 1,684,803</u>

The Accompanying Notes are an integral part of these financial statements.

Bethlehem Area School District
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds
For the Year Ended June 30, 2012

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING REVENUES:			
Food Service Revenue	\$ 2,445,231	\$ -	\$ 2,445,231
Charges for Services	-	1,859,659	1,859,659
Other Operating Revenues	580	628,324	628,904
TOTAL OPERATING REVENUES	<u>2,445,811</u>	<u>2,487,983</u>	<u>4,933,794</u>
	-----	-----	-----
OPERATING EXPENSES:			
Salaries	1,969,425	1,522,309	3,491,734
Employee Benefits	1,137,190	844,762	1,981,952
Purchased Professional and Technical Services	571	3,075	3,646
Purchased Property Service	114,666	-	114,666
Other Purchased Services	3,672,025	16,149	3,688,174
Supplies	305,626	205,963	511,589
Depreciation	10,516	5,697	16,213
Dues and Fees	25,308	9,282	34,590
Claims and Judgments	-	25,361	25,361
Other Operating Expenses	3,119	22,355	25,474
TOTAL OPERATING EXPENSES	<u>7,238,446</u>	<u>2,654,953</u>	<u>9,893,399</u>
OPERATING INCOME (LOSS)	<u>(4,792,635)</u>	<u>(166,970)</u>	<u>(4,959,605)</u>
	-----	-----	-----
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	136	110	246
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	796	-	796
State Sources	401,381	221,746	623,127
Federal Sources	3,825,386	-	3,825,386
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>4,227,699</u>	<u>221,856</u>	<u>4,449,555</u>
	-----	-----	-----
INCOME (LOSS) BEFORE CONTRIBUTIONS	(564,936)	54,886	(510,050)
Capital Contributions	-	-	-
Transfers in (out)	-	-	-
CHANGES IN NET ASSETS	<u>(564,936)</u>	<u>54,886</u>	<u>(510,050)</u>
	-----	-----	-----
NET ASSETS - BEGINNING	<u>1,036,887</u>	<u>289,642</u>	<u>1,326,529</u>
	-----	-----	-----
NET ASSETS - ENDING	<u>\$ 471,951</u>	<u>\$ 344,528</u>	<u>\$ 816,479</u>

The Accompanying Notes are an integral part of these financial statements.

Bethlehem Area School District
Statement of Cash Flows - Proprietary Funds
As of June 30, 2012

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 2,437,311	\$ 1,829,174	\$ 4,266,485
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	775	630,129	630,904
Cash Payments to Employees for Services	(3,065,084)	(2,210,681)	(5,275,765)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(3,737,937)	(358,746)	(4,096,683)
Cash Payments to Other Operating Expenses	(22,534)	(9,282)	(31,816)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(4,387,469)	(119,406)	(4,506,875)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	432,638	221,746	654,384
Federal Sources	3,894,761	-	3,894,761
Notes and Loans Received	-	-	-
Contributions and Donations	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	4,327,399	221,746	4,549,145
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	-	-	-
Gain/Loss on Sale of Fixed Assets (Proceeds)	796	-	796
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	796	-	796
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	136	110	246
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Withdrawals from Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	136	110	246
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(59,138)	102,450	43,312
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	393,238	395,750	788,988
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 334,100</u>	<u>\$ 498,200</u>	<u>\$ 832,300</u>

Bethlehem Area School District
Statement of Cash Flows - Proprietary Funds
As of June 30, 2012

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING INCOME (LOSS)	\$ (4,792,635)	\$ (166,970)	(4,959,605)
	-----	-----	-----
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	10,516	5,697	16,213
Provision for Uncollectible Accounts	-	25,361	25,361
Donated Commodities Used	287,037	-	287,037
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	(8,799)	(30,485)	(39,284)
(Increase) Decrease in Advances from Other Funds	879	-	879
(Increase) Decrease in Inventories	(41,564)	-	(41,564)
(Increase) Decrease in Prepaid Expenses	-	1,805	1,805
(Increase) Decrease in Other Current Assets	195	-	195
Increase (Decrease) in Accounts Payable	14,764	(4,439)	10,325
Increase (Decrease) in Accrued Salaries and Benefits	41,531	156,390	197,921
Increase (Decrease) in Advances to Other Funds	96,108	(108,183)	(12,075)
Increase (Decrease) in Other Current Liabilities	4,499	1,418	5,917
TOTAL ADJUSTMENTS	<u>405,166</u>	<u>47,564</u>	<u>452,730</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (4,387,469)</u>	<u>\$ (119,406)</u>	<u>\$ (4,506,875)</u>

The Accompanying Notes are an integral part of these financial statements.

Bethlehem Area School District
Statement of Net Assets - Fiduciary Funds
As of June 30, 2012

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 274,077	\$ 3,270,513	\$ 463,139
Restricted Cash	-	1,573,000	-
Investments	21,889	-	-
Due from Other Funds	454	3,630,475	6,875
Other Receivables	3,039	52,774	-
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	<u>\$ 299,459</u>	<u>\$ 8,526,762</u>	<u>\$ 470,014</u>
LIABILITIES			
Accounts Payable	\$ 24,620	\$ 2,708,965	\$ 28,007
Due to Other Funds	6,875	3,336	3,471
Due to Student Clubs	-	-	438,536
Other Current Liabilities	-	19,374	-
TOTAL LIABILITIES	<u>31,495</u>	<u>2,731,675</u>	<u>470,014</u>
NET ASSETS			
Restricted	-	-	-
Unrestricted	267,964	5,795,087	-
TOTAL NET ASSETS	<u>\$ 267,964</u>	<u>\$ 5,795,087</u>	<u>\$ -</u>

The Accompanying Notes are an integral part of these financial statements.

Bethlehem Area School District
Statement of Changes in Net Assets - Fiduciary Funds
For the Year Ended June 30, 2012

	PRIVATE-PURPOSE TRUST FUND	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
ADDITIONS		
Contributions	\$ 102,675	\$ 27,799,074
Transfers from other funds	-	882,000
INVESTMENT EARNINGS:		
Interest and Dividends	4,334	425
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	<u>107,009</u>	<u>28,681,499</u>
	-----	-----
DEDUCTIONS		
Transfers to other funds	-	-
Medical and Dental Claims		24,877,672
Unemployment Costs		550,885
Workers Compensation Costs		2,622
Administrative charges	-	3,278
Scholarships	<u>56,757</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>56,757</u>	<u>25,434,457</u>
	-----	-----
CHANGE IN NET ASSETS	50,252	3,247,042
NET ASSETS - BEGINNING OF YEAR	<u>217,712</u>	<u>2,548,045</u>
	-----	-----
NET ASSETS - END OF YEAR	<u>\$ 267,964</u>	<u>\$ 5,795,087</u>
	-----	-----

The Accompanying Notes are an integral part of these financial statements.

Bethlehem Area School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -
General Fund
For the Year Ended June 30, 2012

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH	BUDGET TO	ACTUAL
	ORIGINAL	FINAL	(BUDGETARY BASIS)	FINAL BUDGET POSITIVE (NEGATIVE)	GAAP DIFFERENCE	AMOUNTS GAAP BASIS
REVENUES						
Local Sources	\$ 146,040,361	\$ 146,040,361	\$ 146,103,293	\$ 62,932	\$ -	\$ 146,103,293
State Sources	52,399,915	52,399,915	52,821,685	421,770	-	52,821,685
Federal Sources	5,328,988	5,328,988	5,273,511	(55,477)	-	5,273,511
TOTAL REVENUES	203,769,264	203,769,264	204,198,489	429,225	-	204,198,489
EXPENDITURES						
Regular Instruction	87,819,672	85,092,577	84,912,425	180,152	-	84,912,425
Special Programs	22,218,622	23,187,508	23,172,441	15,067	-	23,172,441
Vocational Programs	7,924,777	8,344,207	8,293,728	50,479	-	8,293,728
Other Instructional Programs	2,438,912	1,710,913	1,335,505	375,408	-	1,335,505
Nonpublic School Programs	17,500	17,500	-	17,500	-	-
Adult Education Programs	7,241	7,439	6,295	1,144	-	6,295
Community/Junior College Ed. Programs	2,130,820	2,126,035	2,126,035	-	-	2,126,035
Pre-Kindergarten	626,206	638,741	637,813	928	-	637,813
Pupil Personnel Services	7,313,414	7,550,424	7,187,359	363,065	-	7,187,359
Instructional Staff Services	6,153,534	5,583,701	5,201,473	382,228	-	5,201,473
Administrative Services	9,719,155	9,797,574	9,533,507	264,067	-	9,533,507
Pupil Health	1,719,256	1,810,504	1,806,643	3,861	-	1,806,643
Business Services	1,854,347	1,601,254	1,582,872	18,382	-	1,582,872
Operation & Maintenance of Plant Services	17,161,902	14,925,830	14,880,208	45,622	-	14,880,208
Student Transportation Services	6,216,420	6,135,766	5,947,844	187,922	-	5,947,844
Central Support Services	3,021,295	3,089,252	2,764,508	324,744	-	2,764,508
Other Support Services	102,449	102,449	99,678	2,771	-	99,678
Student Activities	1,776,043	2,021,401	2,004,377	17,024	-	2,004,377
Community Services	33,310	247,803	241,345	6,458	-	241,345
Scholarships and Awards	-	943	335	608	-	335
Facilities, Acquisition and Construction	-	436,681	269,055	167,626	-	269,055
Debt Service	23,954,389	25,544,762	23,199,611	2,345,151	-	23,199,611
TOTAL EXPENDITURES	202,209,264	199,973,264	195,203,057	4,770,207	-	195,203,057
Excess (deficiency) of revenues over expenditures	1,560,000	3,796,000	8,995,432	5,199,432	-	8,995,432
OTHER FINANCING SOURCES (USES)						
Proceeds From Extended Term Financing	-	-	982,602	982,602	-	982,602
Interfund Transfers In	-	-	-	-	-	-
Bond Premium	-	-	57,890	57,890	-	57,890
Sale/Compensation for Fixed Assets	30,000	30,000	3,475	(26,525)	-	3,475
Fund Transfers Out	-	(3,836,000)	(3,835,288)	712	-	(3,835,288)
Budgetary Reserve	(1,600,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,570,000)	(3,806,000)	(2,791,321)	1,014,679	-	(2,791,321)
Special Items	-	-	-	-	-	-
Extraordinary Items	10,000	10,000	4,852	(5,148)	-	4,852
NET CHANGE IN FUND BALANCES	-	-	6,208,963	6,208,963	-	6,208,963
FUND BALANCE - JULY 1, 2011	12,210,142	\$ 12,210,142	\$ 15,675,420	\$ 3,465,278	\$ -	\$ 15,675,420
FUND BALANCE - JUNE 30, 2012	\$ 12,210,142	\$ 12,210,142	\$ 21,884,383	\$ 9,674,241	\$ -	\$ 21,884,383

The Accompanying Notes are an integral part of these financial statements.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

Note 1 - Description of the School District and Reporting Entity

School District

The Bethlehem Area School District (BASD), located 50 miles north of Philadelphia in eastern Pennsylvania, serves five communities in Bethlehem with demographics ranging from small suburban schools to severely distressed urban schools. It is the sixth largest school district in the state, with an approximate enrollment of 14,400 students. BASD facilities include two high schools, four middle schools, 16 elementary schools, and a school building which houses the District's preschool program.

The Bethlehem Area School District is a unit established, organized, and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out, on the local level, the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the same (Article II; Act 150, July 8, 1968).

As specified under the School Law Code of the Commonwealth of Pennsylvania, this and all other school districts of the state "shall be and hereby are vested as, bodies corporate, with all necessary powers to carry out the provisions of this act." (Article II, Section 211).

Board of School Directors

The public school system of the Commonwealth shall be administered by a board of school directors, to be elected or appointed, as hereinafter provided. At each election of school directors, each qualified voter shall be entitled to cast one vote for each school director to be elected.

The Bethlehem Area School District is governed by a board of nine School Directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any schools herein provided, or to pay any school indebtedness which the school district is required to pay, or to pay any indebtedness that may at any time hereafter be created by the school district, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

Administration

The Superintendent of Schools shall be the executive officer of the Board of School Directors and, in that capacity shall administer the School District in conformity with Board policies and the School Laws of Pennsylvania. The Superintendent shall be directly responsible to, and therefore appointed by, the Board of School Directors. The Superintendent shall be responsible for the overall administration, supervision, and operation of the School District.

The Assistant to the Superintendent for Fiscal Affairs, recommended by the Superintendent and appointed by the Board of School Directors, shall supervise and coordinate all business aspects of the School District. In this capacity, he or she shall be responsible to insure that all work accomplished by him/her, or by persons under his/her supervision, is in the best interests of the Bethlehem Area School District. The Assistant to the Superintendent for Fiscal Affairs is directly responsible to the Superintendent.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

Reporting Entity

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

Bethlehem Area School District is a municipal Corporation governed by an elected nine-member board. As required by generally accepted accounting principles, these financial statements are to present Bethlehem Area School District (the primary government) and organizations for which the primary government 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 financially dependent on the School District in that the School District approved the budget, the issuance of debt, or the levying of taxes. The Bethlehem Area School District has two component units that are blended into its financial statements.

Component Units

The Bethlehem Area School District Authority is created under the Pennsylvania Municipality Authorities Act of 1945, as amended, by the School Districts, and is empowered under the Act to acquire, hold, construct, improve, maintain, operate, and lease school buildings and other school projects acquired, constructed or improved for public school purposes. The Authority, at the request of the Bethlehem Area School District, has undertaken reconstruction, modifying, and improving the financing of school buildings and facilities. As such, this component unit's transactions during the 2011-12 fiscal year are blended into the School District's basic financial statements.

During this past fiscal year, the District took its Self-Insurance Internal Service Fund, and created an IRC 501 (c) (9) tax exempt trust for their employees self-funded health, prescription, dental, and related benefits. As such, the Bethlehem Area School District Employee Benefit Trust is now a separate legal entity, and is considered a component unit. The Bethlehem Area School District Employee Trust's transactions have been blended into the School District's basic financial statements as a Fiduciary Fund.

Joint Ventures

Bethlehem Area Vocational Technical School

The School District is a participating member of the Bethlehem Area Vocational Technical School (BAVTS). The BAVTS is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the BAVTS's annual operating budget. Each participating district pays a pro-rata share of the BAVTS's operating costs based on the number of students attending the BAVTS for each District. The District's share of the BAVTS's operating costs for 2011-12 was \$5,426,407.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

On dissolution of the Bethlehem Area Vocational Technical School, the net assets of BAVTS will be shared on a pro-rata basis of each participating district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have an equity interest in BAVTS as defined by GASB Statement No. 14, except a residual interest in the net assets upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the BAVTS obtained from the BAVTS's administrative office at 3300 Chester Avenue, Bethlehem, PA 18020.

Northampton Community College

The District is a participating member of the Northampton Community College (NCC). The NCC is run by a Board of Trustees elected by the participating member districts' boards of directors. No participating district appoints a majority of the Board of Trustees. A vote of two-thirds of all member districts shall be required for approval of the NCC's annual operating budget. The amount of the annual operating costs of the NCC shall be apportioned among the member districts on the basis of the number of full-time equivalent students enrolled in NCC and residing in the respective geographical areas of each of the member districts. The District's share of NCC's operating costs for 2011-12 was \$2,126,035.

On dissolution of the Northampton Community College, the net assets of NCC will be shared on a pro-rata basis of each member district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have an equity interest in NCC as defined by GASB Statement No. 14, except a residual interest in the net assets upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for NCC can be obtained from the NCC's Administrative office at 3835 Green Pond Road, Bethlehem, PA 18020.

Jointly Governed Organizations

Colonial Intermediate Unit

The School District is a participating member of the Colonial Intermediate Unit (CIU). The CIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the CIU's annual operating budget. The CIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no on-going financial interest or financial responsibility in the CIU. The CIU contracts with participating districts to supply special education services, computer services, and acts as a conduit for certain federal programs.

Note 2 - Summary of significant accounting policies

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

Basis of Presentation

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

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

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

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

B. 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 Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's **major** governmental funds:

General Fund

The General Fund should be used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special Revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establish that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The restricted or committed proceeds of specific revenue sources should be expected to continue to compromise a substantial portion of the inflows reported in the fund. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Under this definition, the District does not have any special revenue funds.

Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. Management has decided to reflect the capital project funds as a major fund, even though they don't meet the major fund criteria established by GASB Statement No. 34.

The District has the following Capital Project Funds:

a) Capital Project Fund

During the 2008-09 fiscal year this fund received the proceeds from the \$11,100,000 General Obligation Bonds – Series B of 2009. The purpose of this issue is to finance the capital costs of designing, constructing, renovating, improving, and furnishing & equipping school facilities, including the Broughal Middle School and Northeast Middle School projects.

b) Capital Reserve Fund

This fund was created in accordance with Section 1432 of the Municipal Code. The Municipal Code restricts how the resources are spent within this fund.

Proprietary Funds Proprietary funds focus on the determination of changes in net assets, financial position, and cash flows and are classified as enterprise funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is:

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

Fiduciary Funds Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has private purpose trust funds, and a Self-Insured Employee Benefit Trust (Component Unit). Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its enterprise activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

E. Budgetary Process

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

In accordance with Act 1 of 2006, the Board shall annually, but not later than the first business meeting of January, decide the budget option to be used for the following fiscal year. The Board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

Accelerated Budget Process Option

Under this option, a preliminary budget must be prepared 150 days prior to the primary election. Under this Option, the preliminary budget must be available for public inspection at least 110 days prior to the primary election. The Board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption. The adoption must occur at least 90 days prior to the primary election.

If the preliminary budget exceeds the increase authorized by the Index, an application for an exception may be filed with either a Court of Common Pleas with jurisdiction or PDE and made available for public inspection. The Board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The Board shall annually adopt the final budget by a majority vote of all members of the Board prior to June 30.

Board Resolution Option

Under the Board Resolution Option, the Board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the Board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The Board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The Board shall annually adopt the final budget by a majority vote of all members of the Board by June 30.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the School Board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2011-12 budget transfers.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G Assets, Liabilities, and Net Assets

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Proprietary Fund type considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

Investments

In accordance with GASB Statement 31, investments are stated at fair value, except:

- a) Non-participating interest earning investment contracts are recorded at amortized cost;
- b) Money market investments and participating interest earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and,
- c) Investments held in 2a7-like pools (Pennsylvania Local Government Investment Trust, Money Market Funds, Pennsylvania Treasurer's Invest Program, and PA School District Liquid Asset Fund) are recorded at the pool's share price.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Property Tax Levy

Property taxes, which were levied during the fiscal year ended June 30, 2012, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

Property taxes that were levied during the current fiscal year, which are not estimated to be received within sixty (60) days after the fiscal year-end, are recorded as receivable and deferred revenue in the fund financial statements.

In the government-wide financial statements, all property taxes levied during the fiscal year are recognized as revenue, net of estimated uncollectible amount.

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. As of June 30, 2012, the inventory shown in the governmental activities column of the government-wide statement of net assets is \$267,550 and \$155,740, is shown as inventory in the business-type activities column of the government-wide statement of net assets.

Inventory type items in governmental funds utilize the consumption method, that is, they are charged to expenditures when purchased. There was a physical inventory of \$267,550, taken as of June 30, 2012; therefore, there is a nonspendable fund balance in the General Fund.

Inventory type items in Proprietary Funds use the consumption method, in which items are purchased for inventory and charged to expenses when used. The only Proprietary Fund of the District is the Food Service Fund. Inventory within this fund consists of donated commodities, which are valued at U.S.D.A.'s approximate costs. Inventories on hand at June 30, 2012, consist of:

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

Purchased Food	\$ 33,104
Donated Commodities	17,319
Purchased Supplies	<u>105,317</u>
Total	<u>\$ 155,740</u>

Prepaid Expenses

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand dollars (\$2,000) dollars. The School District does not possess any infrastructure. 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. Interest incurred during the construction of capital assets utilized by the enterprise funds is also capitalized.

All reported capital assets except land, certain land improvements, 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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	15 - 40 years	15 - 40 years
Furniture and Equipment	5 - 20 years	5 - 12 years
Vehicles	8 years	8 years

Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, bond issuance costs, and deferred amounts on refundings are deferred and amortized over the life of the bonds using modification of the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and any deferred amount on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2012, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements reported on the modified accrual basis of accounting. During this past fiscal year, the Self-Insurance Fund has been reclassified from an internal service fund to a blended Fiduciary Component Unit (See Notes on the Reporting Entity).

Net Assets

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

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

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

Fund Balance Categories

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Below are the potential categories of fund balance the government may use with their definitions, the actual categories used is explained in Note 7 to the financial statements:

Nonspendable Fund Balance

This category includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance

Fund balance should be reported as restricted when constraints placed on the use of resources are externally imposed by creditors, grantors, contributors, or other government laws or regulations, or the constraint is imposed by enabling legislation or constitutional provisions.

Committed Fund Balance

This category pertains to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action.

This government's governing body is the School Board and the formal action taken to commit resources is done by resolution.

Assigned Fund Balance

This category includes all remaining amounts that are reported in governmental funds, except the general fund, that are not classified in one of the above-mentioned categories. In the general fund, this category represents the District's intent to use resources for a specific purpose, which does not require formal action by the governing body. The District's policy dictates the Superintendent or his/her designee is responsible to make these assignments.

Unassigned Fund Balance

This category of fund balance represents the residual classification for the general fund after segregating resources used in the other categories listed above. Unassigned fund balance will only be shown in other governmental funds if those governmental funds have a negative net fund balance.

The District's policy on fund balance does not dictate which category of unrestricted fund balance is spent first, when resources are available to be spent in various categories. As such, committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts. The District's policy also does not dictate whether restricted (nonspendable or restricted) or unrestricted (committed, assigned, and unassigned) is spent first when resources are available in both categories. As such, in these circumstances, restricted will be assumed to have been spent first followed by the unrestricted categories.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during this fiscal year.

Note 3 - Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between "fund balance - total governmental funds" and "net assets - governmental activities" as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$320,453,536 differences are:

Bonds payable	\$ 289,070,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(19,339,882)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(2,906,387)
Less: Issuance discount (to be amortized as interest expense)	(876,893)
Add: Issuance premium (to be amortized as a contra to interest expense)	2,740,263
Derivative Instrument Liability	33,674,322
Lease Purchase Obligations	1,589,972
Accrued interest payable	2,150,014
Net OPEB Obligation	6,634,728
Compensated absences	5,990,387
Deferred Gain on Refunding - Derivatives	1,644,071
Intergovernmental Payable	<u>82,941</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	<u>\$ 320,453,536</u>

B. Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. Differences between the governmental funds statement of revenues, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown in the columns on the following page represent:

- a) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities. The long-term expenses reported below recognize the change in vested employee benefits.
- b) Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

capitalization and recording of depreciation expense on those items as recorded in the statement of activities.

- c) Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability; principal payments are recorded as a reduction of liabilities.

	TOTAL GOVERN- MENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANS- ACTIONS	TOTAL FOR STATEMENT OF ACTIVITIES
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 123,617,430	\$ (1,370,174)	\$ -	\$ -	\$ 122,247,256
Taxes levied for specific purposes	18,213,260	60,605	-	-	18,273,865
Interest and investment earnings	93,479	89,965	-	-	183,444
Miscellaneous	1,386,914	(82,941)	-	-	1,303,973
Contributions and Donations	223,702	-	-	-	223,702
Charges for Services	685,949	46,221	-	-	732,170
Grants, subsidies & contributions not restricted	31,759,616	-	-	-	31,759,616
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating & Capital grants and contributions	21,075,722	-	(214,437)	-	20,861,285
FEDERAL SOURCES:					
Operating & Capital grants and contributions	7,126,485	233,885	-	-	7,360,370
SPECIAL AND EXTRAORDINARY SOURCES:					
Proceeds from Bond Issues	98,400,000	-	-	(98,400,000)	-
Bond Premiums	157,974	-	-	(157,974)	-
Proceeds from Extended Term Financing	982,602	-	-	(982,602)	-
Special Item - Insurance Recoveries	4,852	-	-	-	4,852
Gain or (Loss) on disposal of assets	3,475	-	-	-	3,475
TOTAL REVENUES	303,731,460	(1,022,439)	(214,437)	(99,540,576)	202,954,008
EXPENDITURES/EXPENSES					
Instruction	121,084,572	1,443,105	729,622	-	123,257,299
Instructional Student Support	14,279,770	155,703	6,844	-	14,442,317
Admin. & Fin'l Support Services	14,907,156	(375,714)	49,771	(984,014)	13,597,199
Oper. & Maint. Of Plant Svcs.	14,992,768	63,271	301,393	-	15,357,432
Pupil Transportation	5,981,948	45,202	395,648	-	6,422,798
Student activities	2,012,379	3,182	66,890	-	2,082,451
Community Services	241,345	-	3,321	-	244,666
Scholarships & Awards	335	-	-	-	335
Capital Outlay	730,126	-	(730,126)	-	-
Debt Service	120,820,197	-	-	(98,773,297)	22,046,900
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	6,647,959	-	6,647,959
Special Item - Derivative Termination Fee	-	-	-	-	-
TOTAL EXPENDITURES/EXPENSES	295,050,596	1,334,749	7,471,322	(99,757,311)	204,099,356
NET CHANGE FOR THE YEAR	\$ 8,680,864	\$ (2,357,188)	\$ (7,685,759)	\$ 216,735	\$ (1,145,348)

Note 4 - Stewardship, Compliance, and Accountability

A. Compliance with finance related legal and contractual provisions

The District has no material violations of finance related legal and contractual provisions.

B. Deficit fund balance or net assets of individual funds

No individual fund contains a deficit fund balance or net assets at June 30, 2012, except the governmental activities has a \$25,318,811 in deficit net assets.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

C. Excess of expenditures over appropriations in individual funds

No individual fund which had a legally adopted budget had an excess of expenditures over appropriations.

D. Budgetary compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2012.

Note 5 - Detailed notes on all funds and account groups

Assets

Cash

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. The District does not have a policy for custodial credit risk. As of June 30, 2012, \$20,190,146 of the District's bank balance of \$22,426,214 and restricted cash of \$1,573,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,573,000
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the District's name	20,190,146
TOTAL	<u>\$ 21,763,146</u>

Reconciliation to Financial Statements

Uncollateralized Amount above	\$ 21,763,146
Plus: Insured Amount	663,068
Less: Outstanding Checks	<u>(5,752)</u>
Carrying Amount - Cash Balances	22,420,462
Plus: Petty Cash	
Deposit in Pooled Investments Considered Cash Equivalents	225
Deposit in Money Market Mutual Funds Considered Cash Equivalents	22,401,175
Less: Certificates of Deposit considered Investments by School Code	<u>(14,021,889)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	<u>\$ 30,799,973</u>

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

Investments

As of June 30, 2012, the District had the following investments:

<i>Investment</i>	<i>Maturities</i>	<i>Fair Value</i>
PSDLAF/PSDMAX		\$ 19,153,416
PA Treasurer's Invest Program		2,175,046
PLGIT Class		1,072,713
Bank of America -CD		20,000
Lafayette Ambassador Bank -CD		600
KNBT -CD's		1,289
PSDLAF -CD's		14,000,000
TOTAL		\$ 36,423,064

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2012, the District's investment in PLGIT and PSDLAF were rated AAA by Standard & Poor's. The District's investment in the PA Treasurer's Invest Program was rated AAA by Standard & Poor's and Moodys.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. The General Fund has 50.66% of investments in Certificates of Deposits with PSDLAF. As for the Governmental Activities, the District has 47.53% of investments with PSDLAF in Certificates of Deposits. More than 5% of the Fiduciary's funds are in Certificate of Deposits with KNBT Bank and Bank of America. These investments are 23.91% and 63.17%, respectively. For the entire entity 45.23% of investments are in Certificates of Deposit with PSDLAF.

Reconciliation to Financial Statements

Total Investments Above	\$ 36,423,064
Less: Deposits in Investment Pool Considered Cash Equivalents	(22,401,175)
Total Investments Per Financial Statements	\$ 14,021,889

Property Taxes

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$2,905,156,900. In accordance with Act I of 2006, the District receives \$4,715,051 in property tax reduction funds for the 2011-12 fiscal year. The tax rate for the Northampton and Lehigh Counties was \$4.492 per \$100 of assessed valuation or 44.92 mills.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

The property tax calendar is:

- July 1 - Full year tax assessed for current year.
- July 1 - August 31 - Discount period during which a 2% discount is allowed.
- September 1 - October 31 - Face amount of tax is due
- November 1 - January 15 - A 10% penalty is added to all payments.
- January 15 - All unpaid taxes become delinquent and are turned over to the County Tax Claim Bureau for Collection.

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes was determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the financial statements.

Receivables

Receivables, as of year end for the government's individual major funds and non-major and fiduciary funds, in the aggregate, including the applicable allowances for uncollectible accounts, are:

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ 3,039	\$ 3,039
Taxes	5,548,711	-	-	-	-	5,548,711
Accounts	328,136	-	128,996	85,810	52,774	595,716
Intergovernmental	6,845,930	-	155,942	-	-	7,001,872
GROSS RECEIVABLES	12,722,777	-	284,938	85,810	55,813	13,149,338
Less: Allowance for Uncollectibles	-	-	-	(25,361)	-	(25,361)
NET RECEIVABLES	\$ 12,722,777	\$ -	\$ 284,938	\$ 60,449	\$ 55,813	\$ 13,123,977

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were:

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 3,786,371	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	5,072
TOTAL	\$ 3,786,371	\$ 5,072

Capital Assets

Capital asset balances and activity for the year ending June 30, 2012, were:

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 75,410	\$ -	\$ -	\$ 75,410
Construction in Progress	2,696,666	-	(65,461)	2,631,205
Total Capital Assets not being depreciated	<u>2,772,076</u>	<u>-</u>	<u>(65,461)</u>	<u>2,706,615</u>
Capital Assets being depreciated:				
Site Improvements	8,935,286	151,648	-	9,086,934
Buildings and Improvements	319,247,953	656,936	-	319,904,889
Furniture and Equipment	61,480,849	56,651	(265,973)	61,271,527
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>389,664,088</u>	<u>865,235</u>	<u>(265,973)</u>	<u>390,263,350</u>
Less accumulated depreciation for:				
Site Improvements	(6,123,483)	(393,055)	-	(6,516,538)
Buildings and Improvements	(80,514,415)	(6,231,728)	-	(86,746,143)
Furniture and Equipment	(56,109,111)	(1,646,310)	265,973	(57,489,448)
TOTAL ACCUMULATED DEPRECIATION	<u>(142,747,009)</u>	<u>(8,271,093)</u>	<u>265,973</u>	<u>(150,752,129)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	<u>246,917,079</u>	<u>(7,405,858)</u>	<u>-</u>	<u>239,511,221</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 249,689,155</u>	<u>\$ (7,405,858)</u>	<u>\$ (65,461)</u>	<u>\$ 242,217,836</u>
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 1,866,045	\$ -	\$ -	\$ 1,866,045
Less accumulated depreciation	<u>(1,782,863)</u>	<u>(16,213)</u>	<u>-</u>	<u>(1,799,076)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 83,182</u>	<u>\$ (16,213)</u>	<u>\$ -</u>	<u>\$ 66,969</u>

*** DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:**

Regular Instruction	\$ 695,013
Special Instruction	6,405
Vocational Instruction	4,043
Other Instruction	48,509
Adult Instruction	-
Community College Instruction	-
Pre-Kindergarten	1,166
Pupil Services	103
Instructional Staff Svcs.	24,938
Administrative Services	2,002
Health Services	857
Business Services	36,847
Operation & Maintenance of Plant Svcs.	326,471
Pupil Transportation	395,648
Central Services	10,922
Other Support Services	-
Student Activities	66,890
Community Services	3,320
Depreciation - unallocated	6,647,959
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 8,271,093</u>

The District disposed of \$265,973 in fully depreciated capital assets during the year and received sale proceeds of \$3,475 resulting in a gain on sale of capital assets of \$3,475.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

Commitments

Encumbrances

Any encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The General Fund Budget is maintained on the modified accrual basis of accounting, except that budgetary basis expenditures include any encumbrances issued for goods or services not received at year-end and not terminated.

The actual results of operations are presented in accordance with GAAP and the District's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. If budgetary encumbrances exist at year-end, they are included in the fund financial statements to reflect actual revenues and expenditures on a budgetary basis consistent with the District's legally adopted budget.

Long-term construction commitments

The District has the following construction commitments in the Capital Project Funds:

	CONTRACT AMOUNT	EXPENDED TO 6/30/12	OUTSTANDING COMMITMENTS
Stadium			
Blanski, Inc.	\$ 545,930	\$ -	\$ 545,930
D'Huy Engineering, Inc	48,833	48,833	-
TOTAL	594,763	48,833	545,930

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2012:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 488,428	\$ 7,667,770
Special Revenue (Authority General) Fund	1,010,522	-
Capital Projects (Capital Reserve) Fund	2,885,703	443,719
Capital Projects (Construction) Fund	4,812	-
Enterprise (Food Service) Fund	163,886	129,855
Enterprise (Day Care) Fund	120,453	56,582
Concession Fund	-	-
Self - Insurance Fund	3,630,475	3,336
Private Purpose (Trust) Fund	454	6,875
Agency (Activity) Fund	6,875	3,471
TOTAL	\$ 8,311,608	\$ 8,311,608

The District also made the following interfund transfers during the fiscal year ended June 30, 2012:

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 3,835,288
Capital Projects (Capital Reserve) Fund	2,953,288	-
Self-Insurance Trust Fund (Blended Component Unit)	882,000	-
Agency (Activity) Fund	-	-
TOTAL	\$ 3,835,288	\$ 3,835,288

Long-Term Liabilities

Long-term liability balances and activity for the year ended June 30, 2012, were:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 271,983,496	\$ 69,608,544	\$ 69,993,552	\$ 271,598,488	\$ 9,645,000
Capital Leases	1,354,928	982,603	747,559	1,589,972	517,487
Total general obligation debt	273,338,424	70,591,147	70,741,111	273,188,460	10,162,487
<i>Other liabilities:</i>					
Vested employee benefits:					
Vacation pay	1,910,732	-	416,861	1,493,871	277,973
Sick pay	4,723,937	240,935	-	4,964,872	190,383
Net Pension Obligation	220,654	27,006	-	247,660	-
Net OPEB Obligation	4,948,801	1,438,267	-	6,387,068	-
Deferred Gain on Refundings - Derivatives	1,993,093	-	349,022	1,644,071	-
Derivative Financial Instruments	23,400,356	10,273,966	-	33,674,322	-
Total other liabilities	37,197,573	11,980,174	765,883	48,411,864	468,356
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 310,535,997	\$ 82,571,321	\$ 71,506,994	\$ 321,600,324	\$ 10,630,843
 BUSINESS TYPE ACTIVITIES					
<i>Other liabilities:</i>					
Vested employee benefits:					
Vacation pay	18,044	62,803	-	80,847	-
Sick pay	132,063	115,844	-	247,907	-
Net OPEB Obligation	53,673	16,813	-	70,486	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	\$ 203,780	\$ 195,460	\$ -	\$ 399,240	\$ -

Payments on bonds and notes are made by the general fund. Vested employee benefits will be liquidated by governmental and proprietary funds. The School District currently does not have any bonds or notes payable in business-type activities.

Total Interest paid and accrued during the year:

GOVERNMENTAL ACTIVITIES:	EXPENSE	PAID
General obligation debt	\$ 21,961,543	\$ 21,056,448
Lease debt	8,357	8,357
Short-term borrowings	77,000	77,000
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	\$ 22,046,900	\$ 21,141,805

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Primary Government Debt

General Obligation Bonds - Series A of 2001

On November 15, 2001, the District issued \$43,000,000, of the General Obligation Bonds - Series A of 2001. The proceeds will be used: (1) to currently refund General Obligation Note - Series of 2000, (2) to design and construct a new middle school and other facilities, and (3) to pay the costs of the issue. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from March 15, 2003 to March 15, 2022. Interest rates range from 2.50% to 5.25%, with total interest indebtedness of \$40,600,112. A portion of this issue was advance refunded with the issuance of the Series of 2003, General Obligation Notes.

On January 10, 2012, the District refunded the Series A of 2001 (\$4,915,000), with interest rates ranging from 4.15% to 4.85%, with new debt in the amount of \$5,070,000, with interest rates ranging from .8% to 3.00%.

SOURCES

Gross Proceeds of Bonds	\$ 5,070,000
Plus: Accrued Interest Premium	-
Less: Original Issue Discount	100,085
Underwriter's Discount	(41,828)
TOTAL SOURCES	<u>\$ 5,128,257</u>

USES

Escrow Deposit	\$ 5,029,175
Issuance Costs	94,329
Sinking Fund Deposit	4,753
TOTAL USES	<u>\$ 5,128,257</u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows	\$ 6,033,220
Cash Flows From New Debt:	
New Debt Service Cash Flow	\$5,609,257
Less: Excess Funds Deposited in Sinking Fund	(4,753)
Net Cash Flows From New Debt	<u>5,604,505</u>
Net Difference in Cash Flows	<u>\$ 428,715</u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows	\$ 5,516,701
Present Value of New Debt Service Cash Flows	\$ 5,092,184
Less: Excess Funds Deposited in Sinking Fund	(4,753)
Total	<u>5,087,431</u>
Economic Gain or (Loss)	<u>\$ 429,270</u>

General Obligation Bonds – Series of 2007

On January 1, 2007, the District issued \$55,000,000 of General Obligation Bonds – Series of 2007. The proceeds will be used: (1) for capital projects, including renovations and expansion to Freedom High School and Liberty High School and (2) paying the costs of the issue. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from January 1, 2008 to January 1, 2032. The bonds shall bear interest on a variable weekly rate using the current market rate as determined by the remarketing agent. The School District entered into a forward starting swap agreement.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012**

During the 2011-12 fiscal year, the District issued Series of 2011 General Obligation Bonds to currently refund a portion (\$25,150,000) of the Series of 2007 bonds and terminate a portion (\$7,470,000) of the related swap agreement with this issue. In addition, the District issued General Obligation Notes – Series A of 2011 to transfer the remaining liability including the fixed payor swap of the Series of 2007 bond issue to the Bethlehem Area School District Authority. The Authority issued Series A of 2011 Revenue Bonds to refund the remaining outstanding Series of 2007 General Obligation Bonds.

General Obligation Bonds – Series A of 2007

On June 1, 2007, the District issued \$61,630,000 of General Obligation Bonds – Series A of 2007. The proceeds will be used: (1) to currently refund the outstanding General Obligation Bonds – Series of 1997, and (2) to pay the costs of the issue. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from September 1, 2007 to September 1, 2016. The bonds shall bear interest at 5.0% with total indebtedness of \$14,608,625.

The outstanding debt service requirements at June 30, 2012, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 6,805,000	\$ 1,443,125
2013-14	7,735,000	1,079,625
2014-15	8,135,000	682,875
2015-16	8,555,000	265,625
2016-17	1,035,000	25,875
SUB-TOTAL	32,265,000	\$ 3,497,125
Unamortized Deferred Chgs. on Refundings	-	
Unamortized Discount	(22,077)	
TOTAL OUTSTANDING	\$ 32,242,923	

Interest Rate Swap

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance the School District entered into a forward swaption in connection with its Series of 1997 variable-rate general obligation bonds. The intention of the forward swaption was to effectively change the School District's variable interest rate on the bonds to a synthetic fixed rate.

Terms. The bonds and the related swap agreement mature on September 1, 2016, and the swap's notional amount was \$71,215,000. Since the swaption was entered into, the 1997 bonds have been refunded with the Series A of 2007 bonds.

Fair Value. During this fiscal year, the District terminated this forward swaption recognizing \$89,965 as a gain on investments in the government-wide Statement of Net Assets.

General Obligation Bonds – Series A of 2009

On May 1, 2009, the District issued \$69,710,000 of General Obligation Bonds – Series A of 2009. The proceeds will be used: (1) to currently refund, in conjunction with General Obligation Bonds – Series AA of 2009, the variable rate outstanding debt of the Series of 2003 bonds; (2) pay the termination fee on the related interest rate swaps, and; (3) paying the costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from October 15, 2009 to October 15, 2023. Interest rates range from 1.15% to 4.625%, with total interest indebtedness of \$29,207,397. The outstanding debt service requirements at June 30, 2012, are:

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012**

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 1,845,000	\$ 2,872,231
2013-14	1,360,000	2,825,519
2014-15	1,410,000	2,777,106
2015-16	1,465,000	2,724,932
2016-17	8,985,000	2,510,331
2017-22	45,900,000	6,486,599
2022-24	4,015,000	171,665
SUB-TOTAL	64,980,000	\$ 20,368,383
Unamortized Deferred Chgs. on Refundings	(4,445,997)	
Unamortized Discount	(404,955)	
Unamortized Premium	1,887,619	
TOTAL OUTSTANDING	\$ 62,016,667	

General Obligation Bonds – Series AA of 2009

On May 1, 2009, the District issued \$14,410,000 of General Obligation Bonds – Series AA of 2009. The proceeds will be used: (1) to currently refund, in conjunction with General Obligation Bonds – Series A of 2009, the variable rate outstanding debt of the Series of 2003 bonds; (2) pay the termination fee on the related interest rate swaps, and; (3) paying the costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from October 15, 2018 to October 15, 2020. Interest rates range from 3.80% to 4.20%, with total interest indebtedness of \$6,164,404. The outstanding debt service requirements at June 30, 2012, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ -	\$ 580,400
2013-14	-	580,400
2014-15	-	580,400
2015-16	-	580,400
2016-17	-	580,400
2017-21	14,410,000	1,547,000
SUB-TOTAL	14,410,000	\$ 4,449,000
Unamortized Deferred Chgs. on Refundings	(942,427)	
Unamortized Discount	(212,648)	
TOTAL OUTSTANDING	\$ 13,254,925	

General Obligation Bonds – Series B of 2009

On May 1, 2009, the District issued \$11,100,000 of General Obligation Bonds – Series B of 2009. The proceeds will be used: (1) finance a portion of the costs to construct improvements to school buildings and facilities, including the Broughal Middle School and the Northeast Middle School, and; (2) paying the costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from October 15, 2009 to October 15, 2028. Interest rates range from 2.00% to 5.125%, with total interest indebtedness of \$16,473,525. The outstanding debt service requirements at June 30, 2012, are

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012**

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 440,000	\$ 396,819
2013-14	450,000	387,075
2014-15	465,000	375,338
2015-16	475,000	361,819
2016-17	495,000	346,526
2017-22	2,760,000	1,437,110
2022-27	3,275,000	771,063
2027-29	1,445,000	74,253
SUB-TOTAL	9,805,000	\$ 4,150,003
Unamortized Premium	4,762	
Unamortized Discount	(105,610)	
TOTAL OUTSTANDING	\$ 9,704,152	

General Obligation Bonds – Series of 2010

On January 5, 2010, the District issued \$28,850,000 of General Obligation Bonds – Series of 2010. The proceeds will be used: (1) to currently refund and partially redeem \$25,345,000 outstanding principal amount of the School District's General Obligation Bonds, Series of 2005, (2) make a payment to partially terminate (\$25,350,000 notional amount) of an interest rate swap agreement (fixed interest rate payments by the District) associated with the 2005 Bonds, and (3) pay the costs and expenses allocable to the issuance of the Bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from January 15, 2011 to January 15, 2026. Interest rates range from 1.25% to 5.25%, with total interest indebtedness of \$20,568,353. The outstanding debt service requirements at June 30, 2012, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 15,000	\$ 1,389,160
2013-14	10,000	1,388,860
2014-15	10,000	1,388,650
2015-16	15,000	1,388,400
2016-17	5,000	1,387,987
2017-22	40,000	6,937,402
2022-26	28,745,000	3,870,947
SUB-TOTAL	28,840,000	\$ 17,751,406
Unamortized Deferred Chgs. On Refundings	(1,966,581)	
Unamortized Discount	-	
Unamortized Premium	693,652	
TOTAL OUTSTANDING	\$ 27,567,071	

General Obligation Notes – Series of 2010

On January 5, 2010, the District issued \$30,000,000 of General Obligation Notes – Series of 2010. The proceeds will be used: (1) to currently refund a portion of General Obligation Bonds – Series of 2005 by transferring the liability to the BASD Authority and, (2) paying the costs of the issue. These Notes are issued to the BASD Authority to guarantee their issuance of the Series of 2010 revenue bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The notes mature from January 1, 2011 to January 1, 2030. Interest rates are variable using a weekly index. All principal and interest payments, which includes all amounts required to be paid by the Issuer to the Counterparty under the fixed payor swap. The maximum rate of interest payable shall be 15%, per annum, unless the bonds become bank bonds then the maximum interest rate is 25%, per annum.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Since this note is between the School District and its component unit (Bethlehem Area School District Authority), it is not shown on the government-wide Statement of Net Assets as obligated debt because the Authority is blended into the financial statements; therefore its long-term receivable equal to the principal outstanding balance of this Note are eliminated for financial reporting purposes. We are reporting the following outstanding debt service requirements at June 30, 2012, for informational purposes only, using 1.06% interest rate in effect at June 30, 2012:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 5,000	\$ 317,868
2013-14	5,000	317,815
2014-15	5,000	317,762
2015-16	5,000	317,709
2016-17	5,000	317,656
2017-22	25,000	1,587,485
2022-27	6,725,000	1,550,650
2027-30	23,215,000	382,846
TOTAL	\$ 29,990,000	\$ 5,109,791

General Obligation Notes – Series of 2011

On April 29, 2011, the District issued \$40,470,000 of General Obligation Notes – Series of 2011. The proceeds will be used: (1) to provide funds for refunding the variable rate General Obligation Notes – Series of 2009; and (2) paying the costs of this issue. These Notes are issued to the BASD Authority to guarantee their issuance of the Series of 2011 revenue bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The notes mature from July 1, 2011 to July 1, 2031. Interest rates are variable using the SIFMA index. The maximum rate of interest payable shall be 25%, per annum.

Since this Note is between the School District and its component unit (Bethlehem Area School District Authority), it is not shown on the government-wide Statement of Net Assets as obligated debt because the Authority is blended into the financial statements; therefore, its long-term receivable equal to the principal outstanding balance of this Note are eliminated for financial reporting purposes. We are reporting the following outstanding debt service requirements at June 30, 2012, for informational purposes only, using 0.913% interest rate in effect at June 30, 2012:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 5,000	\$ 369,416
2013-14	5,000	369,370
2014-15	5,000	369,324
2015-16	5,000	369,279
2016-17	5,000	369,233
2017-22	25,000	1,845,481
2022-27	11,385,000	1,610,984
2027-32	29,030,000	591,772
TOTAL	\$ 40,465,000	\$ 5,894,859

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012**

General Obligation Bonds – Series of 2011

On November 1, 2011, the District issued \$33,330,000 of General Obligation Bonds – Series of 2011. The proceeds will be used: (1) to currently refund a portion (\$25,150,000) of the General Obligation Bonds – Series of 2007; (2) to make a payment to terminate a portion (\$7,470,000) of a related swap agreement; and; (3) to pay the costs and expenses of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from November 15, 2012 to November 15, 2029. Interest rates range from 1.0% to 4.125%, with total interest indebtedness of \$18,872,955. The future outstanding debt service obligations are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 5,000	\$ 1,287,581
2013-14	5,000	1,287,531
2014-15	5,000	1,287,476
2015-16	5,000	1,287,413
2016-17	5,000	1,287,336
2017-22	25,000	6,435,031
2022-27	20,975,000	4,629,194
2027-32	12,305,000	677,515
Sub-Total	\$ 33,330,000	\$ 18,179,077
Unamortized Deferred Chgs. On Refundings	(317,545)	
Unamortized Bond Discount	(131,601)	
Total Outstanding	\$ 32,880,854	

General Obligation Notes – Series A of 2011

On November 1, 2011, the District issued \$30,000,000 of General Obligation Bonds – Series A of 2011. The proceeds will be used: (1) to provide funds for refunding a portion of the General Obligation Bonds – Series of 2007 by transferring the liability, including the fixed payor swap, to the BASD Authority; and (2) paying the cost of this issue. The Note is issued to the BASD Authority to guarantee their issuance of the Series A of 2011 revenue bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The Notes mature from January 1, 2012 to January 1, 2032, with interest at a variable weekly rate of 68% of 1 month LIBOR, plus 75 basis points.

Since this Note is between the School District and its component unit (Bethlehem Area School District Authority), it will not be shown on the government-wide Statement of Net Assets as obligated debt because the Authority is blended into the financial statements; therefore its long-term receivable equal to the principal outstanding balance of the Note are eliminated for financial reporting purposes. We are reporting the following outstanding debt service obligations at June 30, 2012, for informational purposes only, using 0.913% interest rate in effect at June 30, 2012:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 5,000	\$ 273,844
2013-14	5,000	273,799
2014-15	5,000	273,753
2015-16	5,000	273,707
2016-17	5,000	273,662
2017-22	25,000	1,367,623
2022-27	25,000	1,366,483
2027-32	29,920,000	1,088,682
Sub-Total	\$ 29,995,000	\$ 5,191,553

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012**

General Obligation Bonds – Series of 2012

In December 2011, the District issued \$5,070,000 in General Obligation Bonds- Series of 2012. The purposes of this issue are (1) to currently refund the outstanding Series A of 2001 General Obligation Bonds; and (2) to pay the costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from March 15, 2012 to March 15, 2019. Interest rates range from 1.0% to 3.0%, with total interest indebtedness of \$539,257. The outstanding debt service obligations are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 520,000	\$ 110,698
2013-14	500,000	106,538
2014-15	505,000	96,538
2015-16	520,000	81,387
2016-17	930,000	65,787
2017-19	2,020,000	58,188
SUB-TOTAL	\$ 4,995,000	\$ 519,136
Unamortized Deferred Chgs. On Refundings	(99,840)	
Unamortized Bond Premium	96,349	
TOTAL OUTSTANDING	\$ 4,991,509	

Component Unit Debt

Guaranteed Lease Revenue Bonds – Series of 2010

On January 5, 2010, the Bethlehem Area School District Authority issued \$30,000,000 of Guaranteed Lease Revenue Bonds – Series of 2010. The purpose of this issue are (1) to currently refund a portion of the Bethlehem Area School District's General Obligation Bonds, Series of 2005, and (2) to pay the costs and expenses allocable to the issuance of the Bonds. The bonds are being issued under the Municipal Authorities Act of 1945, as amended, and pursuant to the provisions of a Trust Indenture, dated May 1, 2009.

Interest Rate Swap

On January 5, 2010, the Bethlehem Area School District refunded its General Obligation Bonds – Series of 2005 in two issues – General Obligation Bonds – Series of 2010, and the General Obligation Note – Series of 2010, which the notes were issued to the Bethlehem Area School District Authority. The Authority funded this refunding with the Guaranteed Lease Revenue Bonds – Series of 2010. The related interest rate swap that was attached to the School District's General Obligation Bonds – Series of 2005 was transferred to the Authority's Guaranteed Lease Revenue Bonds – Series of 2010.

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in July 1, 2005, the Bethlehem Area School District entered into a forward starting interest rate swap in connection with its \$55,000,000, Series of 2005 variable-rate General Obligation Bonds. The intention of the swap was to effectively change the School District's variable interest rate on the bonds to a synthetic fixed rate.

Terms. The bonds and the related swap agreement mature on January 1, 2030, and the swap's original notional amount was \$55,000,000. The swap was entered into on December 8, 2003. Subsequently, \$25,350,000 of the original notional amount was terminated leaving a remaining notional amount of \$29,650,000. Under the swap, the School District receives the lesser of 60% of LIBOR (monthly rate) plus 0.345% from the Counterparty (JP Morgan Chase Bank) in exchange for a fixed rate of 3.90%. The variable rate paid on the Authority's Guaranteed Revenue Bonds –

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

Series of 2010 approximates the SIFMA index. Therefore, if SIFMA exceeds 60% of LIBOR plus 0.345%, the District pays a net effective interest rate approximately equal to the fixed rate.

Fair Value. The swap has a negative fair value of \$9,368,851 as of June 30, 2012. The swap negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated by PFM an Independent financial advisor.

Credit Risk. As of June 30, 2012, the Authority was exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Authority would not be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was ratedAa2 by Moody's, AA-by Standard & Poor's and AA by Fitch.

Basis Risk. The swap exposes the government to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2012. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2012, the SIFMA rate was 1.06%, whereas 60% of LIBOR was 0.4922%.

Termination Risk. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Authority, if the counterparty's short-term debt credit rating is withdrawn or reduced to a rating below P-1 for Moody's and the rating by S&P is withdrawn or reduced to a rating that is below A-1. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2012, debt service requirements of the variable –rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

The outstanding debt requirements at June 30, 2012, using the variable interest rate in effect at year end are:

FISCAL YEAR	PRINCIPAL	INTEREST	Interest Rate	
			Swaps, Net	TOTAL
2012-13	\$ 5,000	\$ 317,868	\$ 1,009,746	\$ 1,332,614
2013-14	5,000	317,815	1,009,746	1,332,561
2014-15	5,000	317,762	1,009,746	1,332,508
2015-16	5,000	317,709	1,009,746	1,332,455
2016-17	5,000	317,656	1,009,746	1,332,402
2017-22	25,000	1,587,485	5,048,730	6,661,215
2022-27	6,725,000	1,550,650	4,934,141	13,209,791
2027-30	23,215,000	382,846	1,193,857	24,791,703
SUB-TOTAL	29,990,000	\$ 5,109,791	\$ 16,225,458	\$ 51,325,249
Unamortized Deferred Chgs. on Refundings	(2,657,235)			
Unamortized Premium	57,881			
TOTAL OUTSTANDING	\$ 27,390,646			

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Guaranteed Lease Revenue Bonds – Series of 2011

On April 29, 2011, the Bethlehem Area School District Authority issued \$40,470,000 of Guaranteed Revenue Bonds – Series of 2011. The purposes of this issue are to: (1) refund the Authority's Series of 2009 Guaranteed Revenue Bonds, and (2) pay the costs of issuance. These bonds are secured by a pledge and assignment of lease rentals by the Bethlehem Area School District, and a guarantee by the School District, under the terms of a General Obligation Note issued by the School District for \$40,700,000, on April 29, 2011. The Authority Bonds were purchased by Wells Fargo Bank and mature between July 1, 2011 and July 1, 2031, at a variable interest rate of interest. The related swaps for the Series of 2009 revenue bonds have been transferred to this issue.

Interest Rate Swap

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate notes at the time of issuance in September 1, 2007, the School District entered into an forward starting interest rate swap in connection with its \$40,000,000, Series of 2007 variable-rate general obligation notes. In addition, the School District entered into a constant maturity swap. The intention of the swaps was to effectively change the School District's variable interest rate on the notes to a synthetic fixed rate.

Terms. The notes were refunded by the Bethlehem Area School District's Authority Guaranteed Revenue Bonds Series of 2009 during 2009-10 fiscal year backed by the issuance of the District's \$41,000,000 General Obligation Note to the Authority. These Series of 2009 revenue bonds and related District's Notes have been refunded with the Series of 2011 revenue bonds and related Series of 2011 general obligation bonds of the District that guarantee the Authority's revenue bonds. The related swap agreement matures on July 1, 2031, and the swap's notional amount is \$40,000,000. The swap was entered into on November 22, 2005. Starting on July 1, 2008, the notional value of the swap and the principal amount of the associated debt begin to decline. Under the swap, the Authority receives the lesser of 68% of LIBOR (monthly rate) from the Counterparty (JP Morgan Chase Bank) in exchange for a fixed rate of 3.774%. The variable rate paid on the Authority's Guaranteed Revenue Bonds – Series of 2011 approximates the SIFMA index. Therefore, if SIFMA exceeds 68% of LIBOR, the District pays a net effective interest rate in excess of 3.774%, and if SIFMA is less than 68% of LIBOR, the District pays a net effective interest rate approximately equal to the fixed rate.

Fair Value. The interest rate swap has a negative fair value of \$12,750,012 as of June 30, 2012. The swap negative fair value may be countered by a reduction in total interest payments required under the variable-rate notes, creating a lower synthetic interest rate. Because the coupons on the government's variable-rate notes adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated by PFM, and independent financial advisor.

Credit Risk. As of June 30, 2012, the Authority was exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Authority would not be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aa2 by Moody's, AA- by Standard & Poor's and AA by Fitch.

Basis Risk. The swap exposes the government to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the notes. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2012. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2012, the SIFMA rate was 0.913%, whereas 68% of LIBOR was 0.163%.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

Termination Risk. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Authority, if the counterparty's short-term debt credit rating is withdrawn or reduced to a rating below P-1 for Moody's and the rating by S&P is withdrawn or reduced to a rating that is below A-1. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a net negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2012, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

The outstanding debt service requirements at June 30, 2012, using the variable rate in effect at year end are:

FISCAL YEAR	PRINCIPAL	INTEREST	Interest Rate Swaps, Net	TOTAL
2012-13	\$ 5,000	\$ 369,416	\$ 1,443,579	\$ 1,817,995
2013-14	5,000	369,370	1,443,398	1,817,768
2014-15	5,000	369,324	1,443,217	1,817,541
2015-16	5,000	369,279	1,443,038	1,817,317
2016-17	5,000	369,233	1,442,857	1,817,090
2017-22	25,000	1,845,481	7,211,575	9,082,056
2022-27	11,385,000	1,610,984	5,642,848	18,638,832
2027-32	29,030,000	591,772	2,050,187	31,671,959
SUB-TOTAL	40,465,000	\$ 5,894,859	\$ 22,120,699	\$ 68,480,558
Unamortized Deferred Chgs. on Refundings	(8,519,314)			
Unamortized Premium	-			
TOTAL OUTSTANDING	\$ 31,945,686			

Component Unit Debt – Guaranteed Lease Revenue Bonds – Series A of 2011

On November 1, 2011, the Bethlehem Area School District Authority issued \$30,000,000 of Guaranteed Revenue Bonds – Series A of 2011. The purposes of this issue are to: (1) refund a portion of the School district's Series of 2007 variable rate general obligation bonds; (2) pay related costs and issuance of this issue; and (3) enter into a new ISDA Confirmation with JP Morgan Chase Bank (counterparty) assuming the remaining Series of 2007 fixed payor swap. These bonds are secured by a pledge and assignment of lease rentals by the Bethlehem Area School District, and a guarantee by the School District, under the terms of General Obligation Notes – Series A of 2011 issued by the School District for \$30,000,000, on November 1, 2011. The Authority bonds mature from January 1, 2012 to January 1, 2032, with interest at a variable weekly rate of 68% of 1 month LIBOR, plus 75 basis points.

Interest Rate Swap

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in January 1, 2007, the School District entered into an forward starting interest rate swap in connection with its \$55,000,000, Series of 2007 variable-rate general obligation bonds. The intention of the swap was to effectively change the School District's variable interest rate on the bonds to a synthetic fixed rate. The 2007 bonds were refunded by the Bethlehem Area School District Authority's Guaranteed Revenue Bonds.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

Terms. The bonds and the related swap agreement mature on January 1, 2032, and the swap's notional amount is \$55,000,000. The swap was entered into on December 8, 2003. Starting on January 1, 2008, the notional value of the swap and the principal amount of the associated debt begin to decline. Under the swap, the Authority receives the lesser of 60% of LIBOR (monthly rate) plus 0.346% from the JP Morgan Chase Bank in exchange for a fixed rate of 4.145%. The variable rate paid on Revenue Bonds – Series A of 2011 Authority's approximates the SIFMA index. Therefore, if SIFMA exceeds 60% of LIBOR plus 0.346%, the District pays a net effective interest rate in excess of 4.145%, and if SIFMA is less than 60% of LIBOR, plus 0.346%, the District pays a net effective interest rate approximately equal to the fixed rate.

Fair Value. The interest rate swap has a negative fair value of \$11,555,460, as of June 30, 2012. The swap negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated by PFM, and independent financial advisor.

Credit Risk. As of June 30, 2012, the Authority was exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Authority would not be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aa2 by Moody's, AA- by Standard & Poor's and AA by Fitch.

Basis Risk. The swap exposes the government to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2012. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2012, the SIFMA rate was 0.913%, whereas 60% of LIBOR plus .346 was 0.4899%.

Termination Risk. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Authority if the counterparty's short-term debt credit rating is withdrawn or reduced to a rating below P-1 for Moody's and the rating by S&P is withdrawn or reduced to a rating that is below A-1. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2012, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary:

FISCAL YEAR	PRINCIPAL	INTEREST	Interest Rate Swaps, Net	TOTAL
2012-13	\$ 5,000	\$ 273,844	\$ 1,090,332	\$ 1,369,176
2013-14	5,000	273,799	1,090,332	1,369,131
2014-15	5,000	273,753	1,090,332	1,369,085
2015-16	5,000	273,707	1,090,332	1,369,039
2016-17	5,000	273,662	1,090,332	1,368,994
2017-22	25,000	1,367,623	5,451,660	6,844,283
2022-27	25,000	1,366,483	5,451,660	6,843,143
2027-32	29,920,000	1,088,682	4,260,475	35,269,157
SUB-TOTAL	29,995,000	\$ 5,191,553	\$ 20,615,455	\$ 55,802,008
Unamortized Deferred Chgs. on Refundings	(390,945)			
Unamortized Premium	-			
TOTAL OUTSTANDING	\$ 29,604,055			

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Lease Rental Debt

Guaranteed Lease Revenue Bonds – Series of 2009

On June 1, 2009, the Bethlehem Area Vocational-Technical School Authority issued \$9,160,000 of Guaranteed Lease Revenue Bonds – Series of 2009. The purposes of this issue are (1) to currently refund the outstanding Guaranteed Lease Revenue Bonds – Series of 2001 Refunding and Improvement Series, and (2) to pay the costs of the issuance. The bonds are being issued under the Municipalities Authorities Act of 1945, as amended, and pursuant to the provisions of a Trust indenture, dated June 1, 2009 (Second Supplemental Indenture).

The Second Supplemental Indenture provides that the bonds shall be secured by a pledge and assignment of the lease rentals payable by the Bethlehem Area School District, the Northampton Area School District, and the Saucon Valley School District, and guaranteed by said school districts, under the terms of a Second Supplementary Lease agreement dated June 1, 2009.

Bethlehem Area Vocational-Technical School was created and operates under the Articles of Agreement by and among the three participating school districts located in Northampton County and a portion of Lehigh County, Pennsylvania.

Under the Articles of Agreement dated June 20, 1995, the annual operating expenses of the Vocational-Technical School are allocated to and paid by the participating school districts. The bonds mature between September 1, 2009 and September 1, 2021. Interest rates range from 2.00% to 4.00% with total interest indebtedness of \$2,097,444. This debt is reflected on Bethlehem Area Vocational-Technical School's financial statements. Since market values fluctuate year to year, the District's future share of the lease rental debt, as shown below, is an estimate using current market values.

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL RENTAL PAYMENT
2012-13	\$ 477,311	\$ 152,344	\$ 629,655
2013-14	486,794	142,338	629,132
2014-15	496,277	130,902	627,179
2015-16	508,921	117,064	625,985
2016-17	527,887	101,117	629,004
2017-22	2,835,417	496,263	3,331,680
TOTAL OUTSTANDING	\$ 5,332,607	\$ 1,140,028	\$ 6,472,635

Extended Term Financing Agreement

On August 15, 2011, the District modified the previous agreement and purchased Apple Personal Computers and other technology equipment under a financing agreement at an effective interest rate of 3.049% in the amount of \$2,337,530. The agreement requires four annual payments: of \$737,188. The outstanding debt service requirements at June 30, 2012, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 517,487	\$ 44,131
2013-14	529,858	29,768
2014-15	542,627	15,061
TOTAL OUTSTANDING	\$ 1,589,972	\$ 88,960

Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

Combined Long-Term Debt

The combined general long-term debt obligations for subsequent years, except for compensated absences, retirement benefits and extended term financing are:

SUMMARY OF PRINCIPAL REQUIREMENTS

FISCAL YEAR	G.O.B. SERIES A OF 2007	G.O.B. SERIES A OF 2009	G.O.B. SERIES AA OF 2009	G.O.B. SERIES B OF 2009	G.O.B. SERIES OF 2010	G.R.B. SERIES OF 2010	G.R.B. SERIES OF 2011	G.O.B. SERIES OF 2011	G.R.B. SERIES A OF 2011	G.O.B. SERIES OF 2012	TOTAL PRINCIPAL PAYMENTS
2012-13	\$ 6,805,000	\$ 1,845,000	\$ -	\$ 440,000	\$ 15,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 520,000	\$ 9,645,000
2013-14	7,735,000	1,360,000	-	450,000	10,000	5,000	5,000	5,000	5,000	500,000	10,075,000
2014-15	8,135,000	1,410,000	-	465,000	10,000	5,000	5,000	5,000	5,000	505,000	10,545,000
2015-16	8,555,000	1,465,000	-	475,000	15,000	5,000	5,000	5,000	5,000	520,000	11,050,000
2016-17	1,035,000	8,985,000	-	495,000	5,000	5,000	5,000	5,000	5,000	930,000	11,470,000
2017-22	-	45,900,000	14,410,000	2,760,000	40,000	25,000	25,000	25,000	25,000	2,020,000	65,230,000
2022-27	-	4,015,000	-	3,275,000	28,745,000	6,725,000	11,385,000	20,975,000	25,000	-	75,145,000
2027-32	-	-	-	1,445,000	-	23,215,000	29,030,000	12,305,000	29,920,000	-	95,915,000
2032-35	-	-	-	-	-	-	-	-	-	-	-
TOTAL	32,265,000	64,980,000	14,410,000	9,805,000	28,840,000	29,990,000	40,465,000	33,330,000	29,995,000	4,995,000	289,075,000
LESS PAYABLE WITHIN ONE YEAR	6,805,000	1,845,000	-	440,000	15,000	5,000	5,000	5,000	5,000	520,000	9,645,000
LONG-TERM PRINCIPAL DUE AFTER ONE YEAR	\$ 25,460,000	\$ 63,135,000	\$ 14,410,000	\$ 9,365,000	\$ 28,825,000	\$ 29,985,000	\$ 40,460,000	\$ 33,325,000	\$ 29,990,000	\$ 4,475,000	\$ 279,430,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

FISCAL YEAR	G.O.B. SERIES A OF 2007	G.O.B. SERIES A OF 2009	G.O.B. SERIES AA OF 2009	G.O.B. SERIES B OF 2009	G.O.B. SERIES OF 2010	G.R.B. SERIES OF 2010	G.R.B. SERIES OF 2011	G.O.B. SERIES OF 2011	G.R.B. SERIES A OF 2011	G.O.B. SERIES OF 2012	TOTAL DEBT SVC. PAYMENTS
2012-13	\$ 8,248,125	\$ 4,717,231	\$ 580,400	\$ 836,819	\$ 1,404,160	\$ 322,868	\$ 374,416	\$ 1,292,581	\$ 278,844	\$ 630,698	\$ 18,686,142
2013-14	8,814,625	4,185,519	580,400	837,075	1,398,860	322,815	374,370	1,292,531	278,799	606,538	18,691,532
2014-15	8,817,875	4,187,106	580,400	840,338	1,398,650	322,762	374,324	1,292,476	278,753	601,538	18,694,222
2015-16	8,820,625	4,189,932	580,400	836,819	1,403,400	322,709	374,279	1,292,413	278,707	601,387	18,700,671
2016-17	1,060,875	11,495,331	580,400	841,526	1,392,987	322,656	374,233	1,292,336	278,662	995,787	18,634,793
2017-22	-	52,386,599	15,957,000	4,197,110	6,977,402	1,612,485	1,870,481	6,460,031	1,392,623	2,078,188	92,931,919
2022-27	-	4,186,665	-	4,046,063	32,615,947	8,275,650	12,995,984	25,604,194	1,391,483	-	89,115,986
2027-32	-	-	-	1,519,253	-	23,597,846	29,621,772	12,982,515	31,008,682	-	98,730,068
2032-35	-	-	-	-	-	-	-	-	-	-	-
TOTAL	\$ 35,762,125	\$ 85,348,383	\$ 18,859,000	\$ 13,955,003	\$ 46,591,406	\$ 35,099,791	\$ 46,359,859	\$ 51,509,077	\$ 35,186,553	\$ 5,514,136	\$ 374,185,333

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Derivative Financial Instruments

Component Unit

In accordance with Governmental Accounting Standards Board Statement No. 53, any derivative financial instruments must be recorded on the government-wide financial statements at fair value for periods beginning on or after June 15, 2009. The Bethlehem Area School District Authority (component unit) has three derivative financial instruments; one associated with its Guaranteed Lease Revenue Bonds – Series of 2010, one associated with its Guaranteed Lease Revenue Bonds – Series of 2011, and one associated with its Guaranteed Lease Revenue Bonds – Series A of 2011.

The swap associated with the Authority's Guaranteed Lease Revenue Bonds – Series of 2010 originated from the School District's (primary government) General Obligation Bonds – Series of 2005. The swap associated with the Authority's Guaranteed Lease Revenue Bonds – Series of 2011 originated from the School District's (primary government) General Obligation Notes – Series of 2007. The swap associated with the Authority's Guaranteed Lease Revenue Bonds – Series A of 2011 originated from the School District's (primary government) General Obligation Notes – Series of 2007.

The fixed payor swap on the Series of 2010 Revenue Bonds is designed to create a synthetic fixed rate on the variable rate bond issue by paying the counterparty a fixed rate of 3.90% and receiving 60% of one month LIBOR, plus 0.345%. The value of this derivative instrument embedded into the swap is a negative \$9,368,850, at June 30, 2012.

The fixed payor swap on the Series of 2011 Revenue Bonds is designed to create a synthetic fixed rate on the variable rate bond issue by paying the counterparty a fixed rate of 3.774% and receiving 68% of one month LIBOR. The value of this derivative instrument embedded into the swap is a negative \$12,750,012, at June 30, 2012.

The fixed payor swap on the Series A of 2011 Revenue Bonds is designed to create a synthetic fixed rate on the variable rate bond issue by paying the counterparty a fixed rate of 4.145% and receiving 60% of one month LIBOR, plus 0.34%. The value of this derivative instrument embedded into the swap is a negative \$11,555,460, at June 30, 2012.

GASB Statement No. 53 requires the use of hedge accounting, in which the net change in fair value represents a deferred inflow or outflow of the hedging derivative financial instrument reported on the government-wide Statement of Net Assets. To be considered a hedging derivative financial instrument, the derivative financial instrument must pass an effectiveness test using one of the available methods (consistent critical terms, synthetic instrument, dollar-offset, and regression analysis). If none of the available methods result in the derivative financial instrument being effective, then the net change in fair value should flow to the government-wide Statement of Activities, and the instrument is considered an investment derivative.

Based upon the tests of effectiveness conducted by the District's financial advisor for this fiscal year, the above-mentioned interest rate swaps associated with the Series of 2010, 2011, and 2011A Revenue Bonds are hedging derivative financial instruments. As such, its fair values of \$9,368,850, and \$12,750,012, and \$11,555,460, respectively are shown on the Statement of Net Assets as a deferred outflow of resources offset by the long-term liability. The portion of these swaps fair value that is "at the market" is \$5,119,187, \$6,551,709, and \$908,113 respectively, and is recorded as deferred outflows of resources. The portion of the fair value \$1,644,071, has been recorded to deferred gains on refunding because of the termination of hedge accounting caused by the refunding of the original issues. In addition, \$10,551,434 is shown as deferred costs of refunding, and \$12,187,950, in deferred charges on refundings.

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Compensated Absences

Sick-Pay

Under the District's various bargaining agreements and plans, (see below), professional and eligible support personnel accumulate unused sick days from year to year based on their classification. *These accumulated sick days are non-vesting during the employee's tenure.*

Clerical/Secretarial Employees – Employees who retire will receive unused sick leave credit not to exceed 90 days at \$55 per day. Conversion of unused sick leave to health benefits have the following options: (1) if less than the allowed unused sick days have been accrued, payment in cash for the unused sick days will be used; (2) if more than the allowed unused sick days have been accrued, payment will be made for the allowed number, (90), plus all days in excess may be used to receive health care benefits for a period of time equal to a balance of funds credited for unused days multiplied by \$55 per day; (3) if more than the allowed unused sick days have been accrued, all unused sick days may be converted to credit toward health care coverage, as outlined in option 2.

Custodial and Maintenance Employees – Employees who retire will receive unused sick leave credit not to exceed 100 days at \$60 per day. Conversions of unused sick leave to health benefits have the following options. Option 1 is the same as above. Option 2 is the same, except the allowed number is 100 days, and the excess is multiplied by \$60. **Option 3 has a requirement that they are only entitled if they have at least 30 years of credited service in PSERS** and who have more than 100 unused sick days, then health benefits will be calculated at a rate of 55 sick days for one year of health coverage benefits to a maximum of 7 yrs of health coverage or until Medicare eligibility is attained, whichever comes first. In addition, if after calculating the number of years of health care coverage, there are sick days not used, two additional months of health care can be secured for every 9 sick days.

Food Service Employees – Employees who retire will receive unused sick leave credit at a rate of \$30 per day for a maximum of 85 days for full-time employees and \$25 per day for a maximum of 85 days for part-time employees. Conversion for only full-time employees to health benefits has the following three options: Option 1: If less than the maximum 85 days is accumulated, payment in cash will ensue. Option 2: If more than the allowed unused sick days have been accrued, payment will be made up to the 85 days, excess will be converted to health benefits for a period of time equal to a balance of funds credited for unused sick days multiplied by \$30 for full-time employees and \$25 for part-time employees. Option 3: If more than the allowed unused sick days have been accrued, they can cover all their unused sick days to the health benefit coverage.

Teacher Aide Employees – Sick days are cumulative from year to year without limit. Full Time teacher assistants/health assistants who retire will receive unused sick leave credit not to exceed days at \$40 per sick day. To be eligible for unused sick leave credit a teacher assistant/health assistant shall meet the following criteria, (total combination of age years of BASD service as follows: year 1 Age + Yrs.=70 w/min 11 yrs. BASD Service, year 2 Age + Yrs.=71 w/min 12 yrs. BASD Service, year 3 Age 72 yrs. w/min 13 yrs. BASD Service, year 4 Age + Yrs.=72 w/min 14 yrs. BASD Service, year 5 Age + Yrs. = w/min 15 yrs. BASD Service). Payment will be made for the allowed benefits as a non-elective employer contribution to the employee's 403 (b) Plan.

Teachers – Upon retirement, members of the bargaining unit shall receive unused sick leave credit up to 90 days at the rate of \$45 per day. **To be eligible for this severance payment they must have 10 yrs. of service at the district and be at least 52 yrs. of age, or have 10 yrs. of service and have accrued a minimum of 30 yrs. of credited service in the PSERS system**

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Note – Employees in the bargaining unit who have at least 30 years of credited service in PSERS, and who have more than 90 days of unused sick days at the time of retirement shall be provided with health benefits computed at the rate of 30 sick days for one year of health care coverage to a maximum of 10 years of benefits or until Medicare kicks in, whichever occurs first. If after calculating the number of years of coverage, there are sick days not used, two additional months of health care coverage can be secured for every 5 sick days, up to a maximum of 25 days equal 10 months of additional coverage. Bargaining members may exchange all of their unused sick days for the benefits of health coverage only if they exceed the minimum of 90 days accumulated.

The District maintains records of each employee's accumulated sick days that are vested with employees who are able to retire. In accordance with GASB statement No. 16, \$151,676 and \$96,231 respectively including FICA tax (net of reimbursement), has been recorded in the Food Service (Enterprise) Fund and Day Care (Enterprise) Fund, respectively for sick leave termination benefits earned by Cafeteria and Day Care employees at June 30, 2012. This amount is also included as a long-term liability in the business type activity column of the government-wide statements of net assets. The amount recorded in the General Fund for governmental employees, which will use currently available financial resources, is \$190,383, including FICA tax (net of reimbursement). This amount is reflected as a current liability in the governmental activities column of the government-wide statement of net assets. The remaining sick leave termination benefit of \$4,774,489, including FICA tax (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net assets.

Vacation Leave

Unused vacation leave is paid upon an employee's termination. The District maintains records of each employee's accumulated vacation days. In accordance with GASB Statement No. 16, the portion of vacation pay earned at June 30, 2012, that will use currently available financial resources is \$277,973, including fica tax and retirement contributions (net of reimbursement), which has been recorded in the General Fund. This amount is also shown as a current liability in the governmental activities column of the government-wide statement of net assets. (The Day Care) Fund and (Food Service Fund) has recorded \$68,585, and \$12,262, respectively, including fica tax and retirement contributions (net of reimbursement), which is also reflected as a long-term liability in the business-type activity column of the government-wide statement of net assets. The remaining vacation pay earned at June 30, 2012, of \$1,215,898, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net assets.

Defined benefit pension plans

Plan Description

Name of plan: The Public School Employees' Retirement System (the System).

Type of Plan: Governmental cost sharing multiple-employer defined benefit plan.

Benefits: Retirement and disability legislatively mandated ad hoc cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 PA C.S. 8101-8535).

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P. O. Box 125, Harrisburg, PA 17108-0125. The report is also available in the publications section of the PSERS website at www.psers.state.pa.us.

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth.

Contribution Rates

Member Contributions: Active members, who joined the System prior to July 22, 1983, contributed at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2012, the rate of employer contribution was 8.65 percent of covered payroll. The 8.65 percent rate is comprised of a pension contribution rate of 8.00 percent for pension benefits and 0.65 for healthcare insurance premium assistance.

The employer's current year covered payroll was \$91,379,291 and total payroll was \$93,544,057.

The total employee and employer contributions for this current year were \$6,853,487 and \$8,050,635, respectively.

Other Employee Benefits

HOSPITALIZATION/MEDICAL/DENTAL/PRESCRIPTION DRUG BENEFITS

The School District is self-insured for its hospitalization, medical and dental payments and prescription drug benefits. The monthly premium is revised annually in April for the upcoming fiscal year beginning July 1 and is based upon actual cost plus basis per third party administrator.

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Other Post Employment Benefits

Plan Description. Bethlehem Area School District has two single-employer defined benefit plans. The second plan is considered a pension plan in accordance with GASB Statement No. 27, but is shown under Other Post Employment Benefits:

- 1. In accordance with the PA School Code of 1949, as amended, medical coverage is provided to eligible retirees and spouses with the retiree paying the full active premium rate for coverage until age 65. This benefit has an implicit rate subsidy based upon GASB Statement No. 45, since the retiree pays the premium at the insurance carrier's global rate charged to the School District versus an age-adjusted rate, as defined in the GASB Statement. The following table on the next two pages reflects the Plan provisions by group:**

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION										
1. ADMINISTRATORS	Age 52 with 8 years of service with the district or ACT 110/43.	<ul style="list-style-type: none">Coverage: Medical, Prescription Drug, and Dental.Premium Sharing: If the member reaches 52 years with 8 years of service with the district, district contributions are based on the member's PSERS service at retirement. If the member reaches age 35 years of PSERS service, the district will pay the full premium for medical, prescription drug, and dental coverage for the member and spouse. If the member does not reach 35 years of PSERS service, the member may trade unused sick days at a rate of 30 days per year of medical, prescription drug, and dental benefits for the member and spouse for up to 10 years.If the accrued district subsidy period is exhausted, or if the member does not meet the requirements for receiving a subsidy but requirements are met for the ACT 110/43 benefit, the member and spouse may continue the benefit by paying the full premium as determined for the purpose of COBRA.Dependents: Spouses included.	Until the member reaches Medicare eligibility. If the spouse reaches Medicare eligibility prior to the member, spousal coverage will cease. *The duration is longer for one retiree with a special contract.										
II. TEACHERS	ACT 110/43	<ul style="list-style-type: none">Coverage: Medical, Prescription Drug, and DentalPremium Sharing: If the member reaches 30 years of PSERS service, the member may trade unused sick days at a rate according to the following table per year of medical, prescription drug, and dental benefits for the member and spouse for up to 10 years, depending on the year of retirement. Beginning with the 2013-2014 school year, the member must also reach 20 years of service with the district to be eligible for the subsidy. Members who reach 25 years of PSERS service by the end of the 2013-2014 school year and retire before the 2019-2020 school year will be exempt from this requirement. <table><tr><th><u>School Year of Retirement</u></th><th><u>Sick Days Per Year of Coverage</u></th></tr><tr><td>Before 2011-2012</td><td>30</td></tr><tr><td>2011-2012</td><td>33</td></tr><tr><td>2012-2013</td><td>35</td></tr><tr><td>After 2012-2013</td><td>40</td></tr></table>	<u>School Year of Retirement</u>	<u>Sick Days Per Year of Coverage</u>	Before 2011-2012	30	2011-2012	33	2012-2013	35	After 2012-2013	40	Same as I
<u>School Year of Retirement</u>	<u>Sick Days Per Year of Coverage</u>												
Before 2011-2012	30												
2011-2012	33												
2012-2013	35												
After 2012-2013	40												

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

II. TEACHERS (CONT'D)		<ul style="list-style-type: none"> If the accrued district subsidy period is exhausted, or if the member does not meet the requirements for receiving a subsidy but requirements are met for the ACT 110/43 benefit, the member and spouse may continue the benefit by paying the full premium as determined for the purpose of COBRA. Dependents: Spouses included. 	
III. CUSTODIAL MANITENANCE	25 years of service with the district and superannuation retirement or ACT 110/43	<ul style="list-style-type: none"> Coverage: Medical, Prescription Drug, and Dental Premium Sharing: If the member reaches 25 years of service, the district and superannuation retirement, the member may trade unused sick days at a rate of 60 days per year of medical, prescription drug, and dental benefits for the member and spouse for up to 7 years. If the accrued district subsidy period is exhausted the member may continue the benefit by paying the full premium as determined for the purpose of COBRA. Spouses may elect medical, prescription drug, and dental coverage by paying the full premium as determined for the purpose of COBRA If the member does not meet the requirements for receiving a subsidy but requirements are met for the ACT 110/43 benefit, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA. Dependents: Spouses included 	Same as I
IV. FOOD SERVICE	10 years of service with the district with age plus service greater than 65 or ACT 110/43.	<ul style="list-style-type: none"> ACT 110/43 	Same as I
V. TEACHER ASSISTANTS AND AIDES	11 years of service with the district with age plus service greater than 70, or ACT 110/43.	<ul style="list-style-type: none"> ACT 110/43 	Same as I

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

VI. ALL OTHER SUPPORT STAFF	Age 52 with 10 years of service with the district or ACT 110/43.	<ul style="list-style-type: none">• ACT110/43	Same as I
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Notes: Act 110/43 Benefit: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement. Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

Superannuation retirement: An employee is eligible for superannuation retirement at age 60 with 30 years of service, age 62 with 1 year of service or 35 years of service, regardless of age.

Coordination with Medicare benefits: Medicare pays primary.

Benefits not Included in the Calculation: Benefits that include conversion of sick leave to dollar value that can be used towards the payment of postretirement medical, prescription drug, and dental benefits are not valued under GASB 45. It is assumed that these benefits are reported under the provisions of GASB 16.

GASB 27 Disclosures: Administrators are eligible for service time incentive benefits upon attainment of age 52 with 8 years of service with the district. The amount payable is equal to \$1,000 times the administrator's service. The benefits are accounted for under GASB 27.

Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

Funding Policy and Annual OPEB Cost. The first benefit is state mandated via the School Code statute. The second benefit is determined by contractual agreement between the Board of School Directors and each eligible class of employees. The District's annual other post-employment benefit (OPEB) cost (expense) for each plan is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost, each year, and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's annual OPEB cost for the current year and the related information is as follows:

Contribution Rates:		
	OPEB Benefit Actuarially Determined	Years of Service Actuarially Determined
Interest Rate	4.5%	4.5%
Plan Members	1,798	52
Annual Required Contribution	\$ 4,464,168	\$ 46,006
Interest on net OPEB obligation	225,111	-
Adjustment to annual required contribution	(307,109)	-
Annual OPEB cost	4,382,170	46,006
Contributions made	(2,927,090)	(19,000)
Increase in net OPEB obligation	1,455,080	27,006
Net OPEB obligation - beginning of year	5,002,474	220,654
Net OPEB obligation - end of year	\$ 6,457,554	\$ 247,660

The following table shows the two plans segregated by fund:

	Actuarial Valuation by Fund				Years of Service Plan
	Other Post Employment Benefit Plan				General Fund
	General Fund	Fd. Service Fd.	Daycare Fund	Total	
Demographic Information:					
Active Participants	\$ 1,526	50	46	1,622	52
Retired Participants	176	-	-	176	-
Total	<u>\$ 1,702</u>	<u>\$ 50</u>	<u>\$ 46</u>	<u>\$ 1,798</u>	<u>\$ 52</u>
Annual Payroll of Active Participants	\$ 85,213,627	\$ 578,910	\$ 929,072	\$ 86,721,609	\$ 5,505,283
Annual Required Contributions	\$ 4,446,475	7,654	10,039	4,464,168	46,006
Interest on Net OPEB Obligation	222,696	926	1,489	225,111	-
Adjustment to Annual Required Contribution	(303,814)	(1,264)	(2,031)	(307,109)	-
Annual OPEB Cost	4,365,357	7,316	9,497	4,382,170	46,006
Contributions made	(2,927,090)	-	-	(2,927,090)	(19,000)
Increase in Net OPEB Obligation	1,438,267	7,316	9,497	1,455,080	27,006
Net OPEB Obligation - beginning of year	4,948,801	20,583	33,090	5,002,474	220,654
Net OPEB Obligation - end of year	\$ 6,387,068	\$ 27,899	\$ 42,587	\$ 6,457,554	\$ 247,660

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation of the five fiscal years ending June 30th, for the benefits were as follows:

Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 4,382,170	66.8%	\$ 6,457,554
6/30/2011	3,674,488	82.2%	5,002,474
6/30/2010	3,695,260	65.7%	4,349,893
6/30/2009	3,463,356	57.6%	3,082,632
6/30/2008	3,463,356	52.6%	1,642,678

Funded Status and Funding Process. The funded status of the benefits as of June 30, 2012, was as follows:

	<u>State-mandated Healthcare Benefit</u>	<u>Years of Service Increment Benefit</u>
Actuarial accrued liability (a)	\$ 43,367,781	\$ 430,559
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 43,367,781</u>	<u>\$ 430,559</u>
Funded Ratio (b) / (a)	0.0%	0.0%
Covered payroll	\$ 86,721,609	\$ 5,505,283
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	50.0%	7.8%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the benefits and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the district and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

	State-mandated Healthcare Benefit 7/1/2011	Years of Service Increment Benefit 7/1/2011
Actuarial Valuation Date	7/1/2011	7/1/2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
	Level dollar method over a 30 year period	Level dollar method over a 30 year period
Amortization Method		
Remaining amortization period	16.2889 years	16.2889 years
Asset Valuation Method	pay as you go basis	pay as you go basis
Actuarial Assumptions:		
Investment rate of return	4.5%	4.5%
Projected salary increases	4.25% to 7.25%	4.25% to 7.25%
Healthcare inflation rate		
2012	7.5%	N/A
2013	7.0%	N/A
2014	6.5%	N/A
2015	6.0%	N/A
2016	5.5%	N/A
2017-2089	5.3% to 4.2%	N/A

Note 6 - Risk Management

The District is subject to risk of loss from employee acts, property damage, personal injury auto accidents, theft, etc. The District covers those risks through the purchase of commercial insurance. The District's Workmen's compensation policy is a retrospectively rated policy; the final total premium is based on the actual payroll for the policy year and is determined by the insurance company. Any settlements received by the District or its employees did not exceed insurance coverage in any of the last three years.

Note 7 – Fund Balance Allocations

Nonspendable Fund Balance

The General Fund had \$305,455, in nonspendable fund balance at June 30, 2012, comprised of \$267,550, of inventories on hand at year-end and \$37,905, of prepaid expenditures.

Restricted Fund Balance

The two Capital Project Funds have restrictions on the use of the resources at year end. The Capital Reserve Fund's \$3,348,299 fund balance at year end is restricted because of enabling legislation under the Municipal Code in Pennsylvania. Section 1432 of this Code restricts the use of resources for limited purposes.

In addition, the debt covenant on the bond issues restricts the proceeds shown in the Construction Fund for the purposes outlined in the bond resolution. As such, the \$346,504, in fund balance at year end within this fund is considered restricted.

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

The General Fund's \$107,582, in fund balance, is restricted as a result of outside contributions that have not been spent for specific purposes designated by the donor at year end.

Committed Fund Balance

The School Board has committed \$3,000,000 in the General Fund for future transfers to the Capital Project (Capital Reserve) Fund to be used for specific projects.

Assigned Fund Balance

Management has assigned \$3,000,000 of the General Fund's fund balance for future retirement rate increases in their retirement contributions (\$1,000,000), and (\$2,000,000) for contributions to the Self-Insurance Employee Benefit Trust.

The fund balance of \$21,478, in the Non-Major Funds is assigned for the purpose of the Non-Major funds.

Note 8 - Net Asset Restrictions

The net assets for governmental activities, shown on the government-wide statement of net assets have an overall deficit of \$25,318,811. The business-type activities column reflects \$66,969 invested in capital assets with no related debt.

Note 9 - Prior Period Adjustments

As explained in Note 1 and Note 2, the previously reported Internal Service Fund has been reclassified as a blended component unit shown as a fiduciary fund of the District. As a result, prior period adjustments for the governmental activities (\$2,477,568), and the business-type activities (\$70,477), were required to eliminate the respective net assets previously reported for the Self-Insurance Trust Fund (internal service fund).

Note 10 - Contingencies

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 a condition 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 as of June 30, 2012.

Litigation

In accordance with management, there are no legal matters that could materially affect the financial position of the District as of June 30, 2012.

**REQUIRED
SUPPLEMENTAL INFORMATION**

**Bethlehem Area School District
Schedule of Funding Progress
Fiscal Year Ended June 30, 2012**

<u>State mandated healthcare benefit</u>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2011	\$ -	\$ 43,367,781	\$ 43,367,781	0.0%	\$ 86,721,609	50.01%
7/1/2009	-	35,034,503	35,034,503	0.0%	90,052,004	38.90%
7/1/2007	-	28,785,879	28,785,879	0.0%	92,771,303	31.03%
<u>Years of Service Increment</u>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2011	\$ -	\$ 430,559	\$ 430,559	0.0%	\$ 5,505,283	7.82%
7/1/2009	-	500,139	500,139	0.0%	5,211,518	9.60%
7/1/2007	-	435,354	435,354	0.0%	5,914,658	7.36%

S U P P L E M E N T A L I N F O R M A T I O N
S E C T I O N

**Bethlehem Area School District
Combining Balance Sheet
All Capital Project Funds
As of June 30, 2012**

	CAPITAL RESERVE FUND	CAPITAL PROJECT FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 906,315	\$ 341,692	\$ 1,248,007
Investments	-	-	-
Other Receivables	-	-	-
Due from other funds	2,885,703	4,812	2,890,515
Due from Primary Government	-	-	-
Receivables from other governments	-	-	-
Other Recoverable Disbursements	-	-	-
Prepaid Expenditures	-	-	-
Inventories	-	-	-
TOTAL ASSETS	<u>\$ 3,792,018</u>	<u>\$ 346,504</u>	<u>\$ 4,138,522</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Accounts Payable	\$ -	\$ -	\$ -
Due to other funds	443,719	-	443,719
Due to Primary Government	-	-	-
Interest Payable	-	-	-
Current Portion of Long-Term Debt	-	-	-
Accrued Salaries and Benefits	-	-	-
Payable to other governments	-	-	-
Deferred Revenue	-	-	-
Compensated Absences	-	-	-
TOTAL LIABILITIES	<u>443,719</u>	<u>-</u>	<u>443,719</u>
FUND BALANCES:			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	3,348,299	346,504	3,694,803
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	-	-
TOTAL FUND BALANCES	<u>3,348,299</u>	<u>346,504</u>	<u>3,694,803</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,792,018</u>	<u>\$ 346,504</u>	<u>\$ 4,138,522</u>

Bethlehem Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2012

	CAPITAL RESERVE FUND	CAPITAL PROJECT FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES			
Local Sources	\$ 81	\$ 352	\$ 433
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUES	<u>81</u>	<u>352</u>	<u>433</u>
	-----	-----	-----
EXPENDITURES			
Instruction	-	-	-
Support Services	-	1,260	1,260
Operation of Non-Instructional Services	-	-	-
Capital Outlay	-	495,067	495,067
Debt Service	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>496,327</u>	<u>496,327</u>
	-----	-----	-----
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>81</u>	<u>(495,975)</u>	<u>(495,894)</u>
	-----	-----	-----
OTHER FINANCING SOURCES (USES)			
Proceeds from Bond Issues	-	-	-
Bond Premium	-	-	-
Transfer from Primary Government	-	-	-
Payment to bond refunding escrow agent	-	-	-
Bond Discount	-	-	-
Swap Termination Fee	-	-	-
Sale/Compensation for Fixed Assets	-	-	-
Transfers in	2,953,288	-	2,953,288
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>2,953,288</u>	<u>-</u>	<u>2,953,288</u>
	-----	-----	-----
NET CHANGE IN FUND BALANCES	2,953,369	(495,975)	2,457,394
FUND BALANCES - BEGINNING	<u>394,930</u>	<u>842,479</u>	<u>1,237,409</u>
	-----	-----	-----
FUND BALANCES - ENDING	<u><u>\$ 3,348,299</u></u>	<u><u>\$ 346,504</u></u>	<u><u>\$ 3,694,803</u></u>

Bethlehem Area School District
Combining Balance Sheet
Non-Major Governmental Funds
As of June 30, 2012

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS				
	AUTHORITY GENERAL FUND	CONCESSION FUND	TOTAL SPECIAL REVENUE FUNDS	2011 GOB BOND FUND	2011A GON BOND FUND	2012 GOB BOND FUND	TOTAL DEBT SERVICE FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS								
Cash and cash equivalents	\$ 151	\$ -	\$ 151	\$ 21,327	\$ -	\$ -	\$ 21,327	\$ 21,478
Investments	-	-	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-	-	-
Due from other funds	1,010,522	-	1,010,522	-	-	-	-	1,010,522
Due from Primary Government	-	-	-	-	-	-	-	-
Receivables from other governments	-	-	-	-	-	-	-	-
Other Recoverable Disbursements	-	-	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,010,673	\$ -	\$ 1,010,673	\$ 21,327	\$ -	\$ -	\$ 21,327	\$ 1,032,000
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-
Due to Primary Government	-	-	-	-	-	-	-	-
Interest Payable	1,005,522	-	1,005,522	-	-	-	-	1,005,522
Current Portion of Long-Term Debt	5,000	-	5,000	-	-	-	-	5,000
Accrued Salaries and Benefits	-	-	-	-	-	-	-	-
Payable to other governments	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
Compensated Absences	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	1,010,522	-	1,010,522	-	-	-	-	1,010,522
FUND BALANCES:								
Nonspendable Fund Balance	-	-	-	-	-	-	-	-
Restricted Fund Balance	-	-	-	-	-	-	-	-
Committed Fund Balance	-	-	-	-	-	-	-	-
Assigned Fund Balance	151	-	151	21,327	-	-	21,327	21,478
TOTAL FUND BALANCES	151	-	151	21,327	-	-	21,327	21,478
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,010,673	\$ -	\$ 1,010,673	\$ 21,327	\$ -	\$ -	\$ 21,327	\$ 1,032,000

Bethlehem Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2012

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS				TOTAL NON-MAJOR GOVERNMENTAL FUNDS
	AUTHORITY GENERAL FUND	CONCESSION FUND	TOTAL SPECIAL REVENUE FUNDS	2011 GOB BOND FUND	2011A GON BOND FUND	2012 GOB BOND FUND	TOTAL DEBT SERVICE FUNDS	
REVENUES								
Local Sources	\$ 4,204,828	\$ -	\$ 4,204,828	\$ -	\$ -	\$ -	\$ -	\$ 4,204,828
State Sources	-	-	-	-	-	-	-	-
Federal Sources	-	-	-	-	-	-	-	-
TOTAL REVENUES	<u>4,204,828</u>	<u>-</u>	<u>4,204,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,204,828</u>
EXPENDITURES								
Instruction	-	-	-	-	-	-	-	-
Support Services	153,602	-	153,602	552,049	-	136,156	688,205	841,807
Operation of Non-Instructional Services	-	6,819	6,819	-	-	-	-	6,819
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	<u>4,221,226</u>	<u>-</u>	<u>4,221,226</u>	<u>-</u>	<u>-</u>	<u>4,753</u>	<u>4,753</u>	<u>4,225,979</u>
TOTAL EXPENDITURES	<u>4,374,828</u>	<u>6,819</u>	<u>4,381,647</u>	<u>552,049</u>	<u>-</u>	<u>140,909</u>	<u>692,958</u>	<u>5,074,605</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(170,000)</u>	<u>(6,819)</u>	<u>(176,819)</u>	<u>(552,049)</u>	<u>-</u>	<u>(140,909)</u>	<u>(692,958)</u>	<u>(869,777)</u>
OTHER FINANCING SOURCES (USES)								
Proceeds from Refunding Bond Issues	30,000,000	-	30,000,000	33,330,000	30,000,000	5,070,000	68,400,000	98,400,000
Bond Premium	-	-	-	-	-	100,084	100,084	100,084
Transfer from Primary Government	-	-	-	-	-	-	-	-
Payment to bond refunding escrow agent	29,830,000	-	29,830,000	25,150,000	30,000,000	5,029,175	60,179,175	90,009,175
Bond Discount	-	-	-	136,624	-	-	136,624	136,624
Swap Termination Fee	-	-	-	7,470,000	-	-	7,470,000	7,470,000
Sale/Compensation for Fixed Assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>170,000</u>	<u>-</u>	<u>170,000</u>	<u>573,376</u>	<u>-</u>	<u>140,909</u>	<u>714,285</u>	<u>884,285</u>
NET CHANGE IN FUND BALANCES	-	(6,819)	(6,819)	21,327	-	-	21,327	14,508
FUND BALANCES - BEGINNING	<u>151</u>	<u>6,819</u>	<u>6,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,970</u>
FUND BALANCES - ENDING	<u>\$ 151</u>	<u>\$ -</u>	<u>\$ 151</u>	<u>\$ 21,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,327</u>	<u>\$ 21,478</u>

Bethlehem Area School District
Combining Statement of Changes In Fiduciary Net Assets
Private Purpose Trust Funds
As of June 30, 2012

SCHOLARSHIP	7/1/11 NET ASSETS	CONTRIBUTIONS REVENUE	INTEREST REVENUE	AWARDS EXPENDED	6/30/12 NET ASSETS
General Scholarship Account	\$ 13,007	\$ 350	\$ -	\$ 5,287	\$ 8,070
General Bilingual Awards	3,486	-	-	-	3,486
ABW Pediatrics-Ramon Emerterio Betances	-	500	-	500	-
Al Senevitis	7,320	50	-	-	7,370
Angela Sanchez Memorial Award	350	200	-	-	550
Ann Goldberg Scholarship	604	425	-	425	604
George Maunz School-to-Work Scholarship	1,320	425	-	425	1,320
Bethlehem Partnership for a Healthy Community	600	300	-	600	300
Betty Williams Memorial Scholarship	400	170	-	170	400
Class Scholarship	600	300	-	-	900
CSSOLV - Hispanic Center Scholarship	2,200	4,000	-	4,500	1,700
Donegan Shining Stars Scholarship	3,187	1,155	-	1,100	3,242
Ella Springs Memorial	3,000	2,000	-	3,000	2,000
Frances Grabish Memorial	-	150	-	150	-
Harold & Dorothy Kram Memorial Award	150	-	-	-	150
Iris Cintron	-	400	-	400	-
Jesus "Berto" Rivera Scholarship	75	200	-	200	75
Julia De Burgos and Fowler Scholarship	6,900	4,000	-	5,800	5,100
Just Born Minority Scholarship	500	500	-	1,000	-
Kathryn & Perdro Bonne Textbook Award	1,050	-	-	-	1,050
L.A.C.E.O. Achievement Award	10	1,060	-	1,000	70
Latino Youth Leadership	-	-	-	-	-
PNC Bank Latino Scholarship	500	1,000	-	1,500	-
Puerto Rican Beneficial Scholarship	900	500	-	500	900
PR Cultural Coalition Scholarship	850	-	-	-	850
Ralph Lopez Scholarship	2,100	2,000	-	3,000	1,100
Rev. Dario Cruz Memorial Scholarship	600	300	-	300	600
Rev. Angel Torres Memorial Scholarship	(50)	300	-	-	250
Richard Montz Memorial	-	200	-	200	-
Roberto Clemente Scholarship	950	750	-	750	950
Scholastic Achievement, Service & Leadership	500	-	-	-	500
Scientific Learning	400	-	-	-	400
Teen Summit	150	150	-	200	100
Teresa Rodriguez Memorial	120	-	-	-	120
Interest	-	-	5	-	5
Martha Sschaedler Schabhuetti Scholarship	118,655	-	1,088	-	119,743
Lee Mae Segal	45,395	-	191	1,000	44,586
Natalie Merkin Scholarship	600	-	-	-	600
MSS	1,283	-	7	-	1,290
Captain Donald Kilpatrick Memorial	-	604	42	-	646
Kraig Yurchak Memorial	-	935	60	75	920
Walter Batt, Jr. Memorial	-	1,867	112	250	1,729
Charles Klein Memorial	-	7,062	463	400	7,125
Mabel Keichner Memorial	-	17,378	1,138	1,000	17,516
David Arnold Scholarship	-	92	-	92	-
William Faust Scholarship	-	17,339	-	17,339	-
James Diefenderfer Scholarship	-	1,087	76	-	1,163
Trevor Van Akeren Scholarship	-	3,242	184	600	2,826
James Krasley Scholarship	-	3,260	157	1,000	2,417
James Delgrosso Scholarship	-	12,311	786	1,000	12,097
John Priestas Scholarship	-	1,320	22	1,000	342
Class of 1941	-	708	-	708	-
Webster Koehler Math Fund	-	553	-	25	528
Janet Mack Scholarship	-	71	-	35	36
Elizabeth Bette Ann Rinker Scholarship	-	2,090	-	100	1,990
Elizabeth Shine Scholarship	-	661	-	250	411
Ethel Mae Bunny Scholarship	-	588	-	25	563
Lee Mae Segal	-	10	-	1	9
180 Degree Class of 2011	-	8,481	-	750	7,731
Charles Dubbs Scholarship	-	447	1	-	448
Marion Goodman Scholarship	-	1,184	2	100	1,086
TOTAL	\$ 217,712	\$ 102,675	\$ 4,334	\$ 56,757	\$ 267,964

**Bethlehem Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2012**

	Bethlehem Township	Freemansburg	Fountain Hill	Hanover Township	Bethlehem City	Total
<u>Current Real Estate Taxes</u>						
Assessed Value	\$ 813,383,000	\$ 43,768,000	\$ 75,811,050	\$ 494,695,800	\$ 1,477,499,050	\$ 2,905,156,900
Millage Rate	0.04492	0.04492	0.04492	0.04492	0.04492	Avg.
Total Tax to be Collected	36,537,165	1,966,058	3,405,432	22,221,736	66,369,258	130,499,649
Less: Act 1 Deduction	1,268,551	111,232	192,192	606,672	2,535,104	4,713,751
Total Taxable Duplicate	35,268,614	1,854,826	3,213,240	21,615,064	63,834,154	125,785,898
Plus:						
Additions	19,816	863	-	9,727	60,638	91,044
Overpayments	144,872	6,677	22,615	99,450	289,738	563,352
Collected by District	6,388	-	1,216	-	-	7,604
Penalties	71,463	4,537	7,155	26,258	143,726	253,139
Total Taxes to be Collected	35,511,152	1,866,904	3,244,226	21,750,499	64,328,256	126,701,037
Less -						
Discounts	555,040	28,174	51,096	354,294	965,364	1,953,968
Reductions	76,716	2,351	9,417	32,166	188,940	309,590
Refunds	211,729	4,248	35,512	26,962	4,402,880	4,681,332
NSF Checks	-	-	-	-	-	-
Taxes Held in Escrow	110,731	-	-	-	-	110,731
Returned to County	816,207	80,622	152,009	227,661	2,272,835	3,549,333
Outstanding	-	-	-	-	-	-
Net Current Real Estate Taxes Collected	\$ 33,740,730	\$ 1,751,508	\$ 2,996,192	\$ 21,109,417	\$ 56,498,237	\$ 116,096,083
<u>Current Interim Real Estate Taxes Collected</u>	\$ 154,216	\$ -	\$ 19,214	\$ 118,906	\$ 2,392,016	\$ 2,684,352
<u>Current Per Capita Taxes</u>						
No. of Persons Assessed	18,004	1,228	3,171	8,485	29,822	60,710
Tax Rate	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
Taxable Valuation	\$ 180,040	\$ 12,280	\$ 31,710	\$ 84,850	\$ 298,220	\$ 607,100
Plus -						
Additions	8,850	60	1,580	6,400	1,270	18,160
Adjustments	203	17	43	58	388	710
Penalties	597	52	102	243	872	1,866
Collections made by the District	344	59	117	258	560	1,339
Taxes to be Collected	190,035	12,468	33,552	91,809	301,310	629,174
Less -						
Discounts	2,272	125	300	1,211	3,797	7,705
Exonerations	13,690	810	2,960	6,700	16,070	40,230
Refunds	10	-	-	20	39	69
Returned to Delinquent Tax Collector	40,340	3,660	11,610	14,870	62,610	133,090
Outstanding	60	-	-	-	80	140
Reductions	410	60	110	260	620	1,460
Net Current Per Capita Taxes Collected	\$ 133,253	\$ 7,813	\$ 18,572	\$ 68,749	\$ 218,094	\$ 446,481

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012

REVENUES

LOCAL SOURCES:

Current Real Estate Taxes	\$ 116,096,083	
Interim Real Estate Taxes	2,684,352	
Public Utility	179,570	
Payment in Lieu of Taxes	208,571	
Current Per Capita Taxes - 511	223,241	
Current Per Capita Taxes - 679	223,240	
Local Services Tax	319,154	
Earned Income Tax	13,806,108	
Real Estate Transfer Tax	1,634,164	
Act 511 Mercantile Taxes	1,180,189	
Delinquent Real Estate Taxes	4,836,995	
Delinquent Per Capita Taxes	79,545	
Delinquent Mercantile Taxes	359,478	
Interest	109,411	
Special Functions	3,973	
Admissions	139,751	
Other Student Activity Income	1,040	
Fees	84,225	
State Revenue from other Public Schools	13,653	
State Revenue from Other Sources	-	
Federal Revenue from Local Sources	1,852,974	
Federal ARRA Revenue from Local Sources	-	
Rentals	164,397	
Contributions	223,702	
Regular Day School Tuition	-	
Summer School	46,484	
Adult Education Tuition	27,468	
Receipts from Other LEA's - Education	373,821	
Other Tuition From Patrons	-	
Services provided to Other Funds	44,251	
All Other Services Provided Other Governments	-	
Revenue from Community Services	13,160	
Miscellaneous	108,281	
Energy Efficient Revenues	3,162	
Refunds of Prior Yr. Expenditures	1,062,850	
TOTAL LOCAL SOURCE REVENUE	\$ 146,103,293	

STATE SOURCES:

Basic Subsidy - ESBE	27,044,565	
Read to Succeed	-	
Charter Schools	-	
Nonpublic Transfers	-	
Orphan Tuition	318,062	
SUB-TOTAL	27,362,627	

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012

REVENUE (CONT'D)

SUB-TOTAL (CARRIED FORWARD)	\$ 27,362,627	
School Improvement	-	
Vocational Education	20,843	
Driver Education	-	
Special Education	6,584,843	
Educational Assistance Program	-	
Pre-K Counts	596,600	
Other Program Revenues	-	
Transportation	2,326,844	
Rentals	2,467,999	
Health Services	347,895	
State Property Tax Reduction Allocation	4,715,051	
Alternative Education	-	
Migratory Children	483	
Accountability Grants	665,439	
Dual Enrollment	-	
Project 720 - High School Reform	-	
FICA Revenue	3,675,434	
Retirement Revenue	3,847,384	
Classrooms for the Future	-	
Other State Grants	210,243	
TOTAL STATE SOURCE REVENUE	<u>52,821,685</u>	\$ 52,821,685

FEDERAL SOURCES:

Payments for Federally Impacted Areas	54,538	
Title I	3,162,205	
Title I - ARRA	11,252	
Title I - Improvement - ARRA	20,785	
Title IIA, IID	803,294	
Title III	253,838	
Title IV	696,692	
Education Jobs Fund	30,765	
Child Care Grants	170,290	
ARRA - State Stabilization Fund	-	
Medical Assistance	69,852	
Other Restricted Federal Grants-In-Aid	-	
TOTAL FEDERAL SOURCE REVENUE	<u>5,273,511</u>	
TOTAL REVENUE		204,198,489

EXPENDITURES

Regular Programs - Elem./Secondary	81,202,928
Federally Funded Regular Programs	<u>3,709,497</u>
SUB-TOTAL	84,912,425

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012

SUB-TOTAL (CARRIED FORWARD)	\$ 84,912,425
Life Skills Support	14,450
Life Skills Support - Public	1,339,863
Life Skills Support - PRRI	-
Deaf or Hearing Impaired Support	662,992
Blind or Visually Impaired Support	127,169
Speech & Language Impaired	1,361,443
Emotional Support	2,713,891
Autistic Support	1,518,414
Learning Support - Public	11,067,917
Gifted Support	486,963
Other Support	-
Physical Support	929,224
Multi-Handicapped Support	889,763
Development Delay Support	-
Early Intervention Support	72
Other Support	2,060,280
Home Economics	222
Consumer and Homemaking Education	499,191
Industrial Arts Education	625,079
Business Education	1,742,829
Other Vocational Education Programs	5,426,407
Drivers' Education	-
Summer School	308,530
Homebound Instruction	226,064
Adjudicated/Court Placed Programs	152,650
Alternative Education Program	340,270
Instructional Programs Outside Established Schools	307,991
Additional Other Instructional Program	-
Nonpublic School Programs	-
Other Adult Education Programs	6,295
Community College Programs	2,126,035
Pre-Kindergarten	637,813
Supervision of Pupil Personnel Services	276,794
Guidance Services	4,743,108
Counseling Services	210
Attendance Services	214,968
Psychological Services	1,007,844
Speech Pathology Services	-
Social Work Services	377,958
Student Accounting Services	325,136
Other Pupil Personnel Services	241,341
Support Services - Instructional Staff	-
SUB-TOTAL	127,671,601

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012

SUB-TOTAL (CARRIED FORWARD)	\$ 127,671,601
Technology Support Services	449,583
Computer Assisted Instruction Services	1,474,768
School Library Services	1,439,464
Instructional & Curriculum Dev. Service	1,568,231
Instructional Staff Development Services	127,711
Nonpublic Support Services	141,716
Board Services	172,715
Board Treasurer Services	2,306
Tax Assessment & Collection Service	1,136,016
Staff Relations	-
Legal Services	337,637
Office of the Superintendent Services	398,639
Office of the Principal Services	7,307,552
Other Administration Services	178,642
Medical Services	15,076
Dental Services	9,312
Nursing Services	1,593,135
Non-Public Health Services	189,120
Support Services - Business	1,582,872
Operation and Maintenance of Plant Services	13,960,213
Supervision of Operation and Maintenance of Plant	336,583
Vehicle Operation and Maint. Services	329
Security Services	583,083
Student Transportation Services	662,979
Supervision of Student Transportation Services	423,040
Vehicle Operation Services	3,738,842
Monitoring Services	144,254
Vehicle Servicing and Maintenance Services	975,879
Nonpublic Transportation	2,850
System Wide Technology Services	14,072
Information Services	17,514
Staff Services	1,103,473
Staff Development Services	11,538
Staff Development-Non-Instruction	25,163
Data Processing Services	1,260,977
State and Federal Agency Liaison Services	323,016
Management Services	8,755
Other Support Services	99,678
Pass-Thru Funds	-
School Sponsored Student Activities	318,572
School Sponsored Athletics	1,685,805
Community Services	241,345
Scholarships and Awards	335
SUB-TOTAL	171,734,391

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012

SUB-TOTAL (CARRIED FORWARD)	\$ 171,734,391	
Existing Site Improvement Services	137,035	
Architecture and Engineering Services	52,232	
Existing Building Improvement Services	79,788	
Debt Service	22,707,185	
Short-Term Borrowing Costs	77,000	
Refund of Prior Yr. Receipts	<u>415,426</u>	
TOTAL EXPENDITURES		<u>195,203,057</u>
EXCESS (DEFICIENCY) OF REVENUES		
OVER EXPENDITURES (CARRIED FORWARD)	\$ 8,995,432	
OTHER FINANCING SOURCES (USES)		
Proceeds from Extended Term Financing	982,602	
Sale of or Compensation for Loss of Fixed Assets	3,475	
Bond Premium	57,890	
Capital Projects Funds Transfers Out	(2,953,288)	
Transfers to Component Unit (Self Insurance Fund)	(882,000)	
Food Service Fund Transfers Out	-	
Activity Fund Transfers Out	<u>-</u>	
TOTAL OTHER FINANCING SOURCES (USES)	(2,791,321)	
Special Items	-	
Extraordinary Items	<u>4,852</u>	<u>(2,786,469)</u>
NET CHANGE IN FUND BALANCE		6,208,963
FUND BALANCE - JULY 1, 2011		<u>15,675,420</u>
FUND BALANCE - JUNE 30, 2012		<u>\$ 21,884,383</u>

**Bethlehem Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012**

FUND BALANCE - JULY 1, 2011	\$	394,930
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REVENUES AND OTHER FINANCING SOURCES

Interest	\$ 81	
Transfer from General Fund	2,953,288	2,953,369
TOTAL FUNDS AVAILABLE		3,348,299

EXPENDITURES

INSTRUCTIONAL SERVICES:

Equipment	-	
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SUPPORT SERVICES:

Professional Services	-	
Repairs and Maintenance	-	
Advertising	-	
Admin. Software and Fees	-	
Construction Services	-	
Equipment	-	

CAPITAL OUTLAY:

Construction Services	-	
Transportation	-	
Professional Services	-	

Other Financing Uses:

Transfer to General Fund	-	-
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FUND BALANCE - JUNE 30, 2012	\$	<u>3,348,299</u>
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**Bethlehem Area School District
Special Revenue (Authority General Fund) Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012**

FUND BALANCE - JULY 1, 2011 \$ 151

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Refunding Bond Issues	\$ 30,000,000	
Transfer from General Fund	-	
Interest Earnings	<u>4,204,828</u>	<u>34,204,828</u>
TOTAL FUNDS AVAILABLE		34,204,979

EXPENDITURES AND OTHER FINANCING USES

SUPPORT SERVICES:

Professional Services	153,602	
Advertising	-	
Printing	-	
Dues and Fees	-	

NON-INSTRUCTIONAL SERVICES:

Equipment	-	
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DEBT SERVICE:

Bond Principal	15,000	
Bond Interest	4,206,226	

OTHER FINANCING USES:

Payment to Refunding Bond Issue Escrow Agent	<u>29,830,000</u>	<u>34,204,828</u>
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FUND BALANCE - JUNE 30, 2012 **\$ 151**

**Bethlehem Area School District
Capital Project Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012**

FUND BALANCE - JULY 1, 2011 \$ 842,479

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Bond Issues	\$ -		
Gain (Loss) on Sale of Investments	-		
Refund of Prior Year Expenditures	-		
Interest Earnings	352		352
TOTAL FUNDS AVAILABLE			842,831

EXPENDITURES AND OTHER FINANCING USES

INSTRUCTIONAL:

Supplies	-		
Equipment	-		

SUPPORT SERVICES:

Salaries	-		
Benefits	-		
Professional Services	-		
Repairs and Maintenance	1,260		
Advertising	-		
Printing	-		
Property and Liability Insurance	-		
Disposal Services	-		
Utilities	-		
Telecommunication Services	-		
Supplies	-		
Technology Infrastructure	-		
Equipment	-		
Dues and Fees	-		

NON-INSTRUCTIONAL SERVICES:

Equipment	-		
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CAPITAL OUTLAY:

Professional Services	28,825		
Existing Site Improvements	-		
Construction Services	466,242		
Rentals	-		
Equipment	-		
Other Purchased Services	-		
Dues and Fees	-		
Technology Infrastructure	-		

DEBT SERVICE:

Bond Discount	-		
Transfer to General Fund	-		496,327
			496,327

FUND BALANCE - JUNE 30, 2012 **\$ 346,504**

Bethlehem Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2012

REVENUES

Sales	\$ 1,820,746	
Donated Commodities	289,531	
Special Events	624,485	
ARRA - NSLP Equipment grant	-	
State Subsidies	401,381	
Federal Subsidies	3,535,855	
Gain (Loss) on Sale of Fixed Assets	796	
Interest earnings	136	
Rentals	580	
Contributions	-	
TOTAL REVENUES	<u> </u>	\$ 6,673,510

COST OF COMMODITIES

Beginning Inventory	111,682	
Food Service Management - Food	2,348,845	
Donated Commodities	289,531	
Ending Inventory	<u>(155,740)</u>	
TOTAL COST OF COMMODITIES SOLD		<u>2,594,318</u>
GROSS PROFIT		4,079,192

OPERATING EXPENSES

Salaries	1,969,425	
Self-Insured Medical Benefits	518,728	
Self-Insured Dental Benefits	54,211	
Self-Insured Prescriptions	222,119	
Fica Tax	148,669	
Retirement Contributions	166,849	
Other Benefits	26,614	
Tech & Other Services	571	
Refuse	75,264	
Repairs and Maintenance	36,495	
Rentals	2,907	
Advertising	714	
Communications	6,057	
Food Service Management Costs	1,354,750	
Travel	3,223	
Supplies	18,589	
Small Tools	3,119	
Depreciation	10,516	
Miscellaneous	-	
Dues and Fees	<u>25,308</u>	<u>4,644,128</u>
TOTAL EXPENSES		<u>4,644,128</u>

CHANGES IN NET ASSETS (564,936)

NET ASSETS - JULY 1, 2011 1,036,887

NET ASSETS - JUNE 30, 2012 **\$ 471,951**

Bethlehem Area School District
Day Care Fund
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2012

REVENUES

Regular Day School Tuition	\$ 1,859,659	
Revenue from Community Service Activities	625,079	
State Revenue	109,781	
Fica Revenue	52,387	
Retirement Revenue	59,578	
Rentals	-	
Child Care and Development grant	-	
Miscellaneous	3,245	
Earnings on Investments	110	
TOTAL REVENUES		\$ 2,709,839

OPERATING EXPENSES

Salaries	1,522,309	
Self-ins. Medical Benefits	381,992	
Self-ins. Dental Benefits	42,060	
Self-ins. Prescriptions	167,286	
Fica Tax	110,097	
Retirement Contributions	121,422	
Workers Compensation	9,114	
Other Benefits	12,791	
Professional Services	3,075	
Small Equipment	22,067	
Communications	10,480	
Travel	3,614	
Field Trips	455	
Repairs and Maintenance	1,600	
Supplies	55,076	
Food	150,887	
Depreciation	5,697	
Miscellaneous	288	
Dues and Fees	9,282	
Bad Debt Expense	25,361	
TOTAL EXPENSES		2,654,953

CHANGES IN NET ASSETS

54,886

NET ASSETS - JULY 1, 2011

289,642

NET ASSETS - JUNE 30, 2012

\$ 344,528

**Bethlehem Area School District
Self-Insurance Fund (Component Unit)
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2012**

ADDITIONS

Contributions from Other Funds	\$ 25,358,342	
Cobra and Co-Pay Payments	2,059,446	
Transfers from General Fund (Primary Government)	882,000	
Interest Earnings	425	
Other Misc. Revenue	<u>381,286</u>	
TOTAL REVENUES		\$ 28,681,499

DEDUCTIONS

Health Benefit Costs	17,467,903	
Dental Costs	1,561,195	
Drug Costs	5,848,574	
Unemployment	550,885	
Workers Compensation	2,622	
Other Expenses	<u>3,278</u>	
TOTAL EXPENSES		<u>25,434,457</u>

CHANGES IN NET ASSETS 3,247,042

NET ASSETS - JULY 1, 2011 2,548,045

NET ASSETS - JUNE 30, 2012 **\$ 5,795,087**

**Bethlehem Area School District
Concession Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012**

REVENUES

Concession Revenue	\$ -	
Interest Earnings	-	\$ -

EXPENDITURES AND OTHER FINANCING USES

Repairs and Maintenance	-	
Other Insurance	-	
Supplies	6,819	
Equipment	-	
Miscellaneous	-	6,819

EXCESS EXPENDITURES AND OTHER FINANCING

USES OVER REVENUES (6,819)

OTHER FINANCING SOURCES

Transfer from General Fund	-
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EXCESS REVENUES AND OTHER FINANCING SOURCES OVER

(UNDER) EXPENDITURES AND OTHER FINANCING USES (6,819)

FUND BALANCE - JULY 1, 2011 6,819

FUND BALANCE - JUNE 30, 2012 \$ -

**2011 GOB Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012**

FUND BALANCE - JULY 1, 2011 \$ -

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Refunding Bond Issues	33,330,000	
Bond Premium	-	
Investment Earnings	-	33,330,000

TOTAL FUNDS AVAILABLE 33,330,000

EXPENDITURES AND OTHER FINANCING USES:

SUPPORT SERVICES

Professional Services	366,792	
Insurance	182,710	
Printing	2,547	

OTHER FINANCING USES

Bond Discount	136,624	
Debt Service - Bond Interest	-	
Swap Termination Fee	7,470,000	
Payment to Refunded Bonds Escrow Agent	25,150,000	33,308,673

FUND BALANCE - JUNE 30, 2012 \$ 21,327

**Bethlehem Area School District
2011 A GON Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012**

FUND BALANCE - JULY 1, 2011		\$ -
REVENUES AND OTHER FINANCING SOURCES		
Proceeds from Refunding Bond Issues	30,000,000	
Bond Premium	-	
Investment Earnings	-	30,000,000
TOTAL FUNDS AVAILABLE		<u>30,000,000</u>
EXPENDITURES AND OTHER FINANCING USES:		
SUPPORT SERVICES		
Professional Services	-	
Insurance	-	
Printing	-	
OTHER FINANCING USES		
Bond Discount	-	
Debt Service - Bond Interest	-	
Swap Termination Fee	-	
Payment to Refunded Bonds Escrow Agent	<u>30,000,000</u>	<u>30,000,000</u>
FUND BALANCE - JUNE 30, 2012		<u>\$ -</u>

**2012 GOB Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012**

FUND BALANCE - JULY 1, 2011		\$ -
REVENUES AND OTHER FINANCING SOURCES		
Proceeds from Refunding Bond Issues	5,070,000	
Bond Premium	100,084	
Investment Earnings	-	5,170,084
TOTAL FUNDS AVAILABLE		<u>5,170,084</u>
EXPENDITURES AND OTHER FINANCING USES:		
SUPPORT SERVICES		
Professional Services	114,063	
Insurance	19,632	
Printing	2,461	
OTHER FINANCING USES		
Bond Discount	-	
Debt Service - Interest	4,753	
Payment to Refunded Bonds Escrow Agent	<u>5,029,175</u>	<u>5,170,084</u>
FUND BALANCE - JUNE 30, 2012		<u>\$ -</u>

Bethlehem Area School District
Schedule on General Obligation Bonds - Series A of 2007
For the Year Ended June 30, 2012

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 1,443,125	\$ 6,805,000
2013-14	1,079,625	7,735,000
2014-15	682,875	8,135,000
2015-16	265,625	8,555,000
2016-17	25,875	1,035,000
TOTAL OUTSTANDING	<u>\$ 3,497,125</u>	<u>\$ 32,265,000</u>

Schedule on General Obligation Bonds - Series A of 2009
For the Year Ended June 30, 2012

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 2,872,231	\$ 1,845,000
2013-14	2,825,519	1,360,000
2014-15	2,777,106	1,410,000
2015-16	2,724,932	1,465,000
2016-17	2,510,331	8,985,000
2017-18	2,087,456	10,415,000
2018-19	1,657,581	7,905,000
2019-20	1,309,956	6,000,000
2020-21	960,081	7,995,000
2021-22	471,525	13,585,000
2022-23	131,544	2,280,000
2023-24	40,121	1,735,000
TOTAL OUTSTANDING	<u>\$ 20,368,383</u>	<u>\$ 64,980,000</u>

Bethlehem Area School District
Schedule on General Obligation Bonds - Series AA of 2009
For the Year Ended June 30, 2012

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 580,400	\$ -
2013-14	580,400	-
2014-15	580,400	-
2015-16	580,400	-
2016-17	580,400	-
2017-18	580,400	-
2018-19	523,400	3,000,000
2019-20	338,200	6,410,000
2020-21	105,000	5,000,000
TOTAL OUTSTANDING	\$ 4,449,000	\$ 14,410,000

Schedule on General Obligation Bonds - Series B of 2009
For the Year Ended June 30, 2012

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 396,819	\$ 440,000
2013-14	387,075	450,000
2014-15	375,338	465,000
2015-16	361,819	475,000
2016-17	346,526	495,000
2017-18	329,434	510,000
2018-19	310,438	530,000
2019-20	289,369	550,000
2020-21	266,294	575,000
2021-22	241,575	595,000
2022-23	214,869	625,000
2023-24	186,006	640,000
2024-25	155,769	650,000
2025-26	124,000	670,000
2026-27	90,419	690,000
2027-28	55,419	710,000
2028-29	18,834	735,000
TOTAL OUTSTANDING	\$ 4,150,003	\$ 9,805,000

Bethlehem Area School District
Schedule on General Obligation Bonds - Series of 2010
For the Year Ended June 30, 2012

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 1,389,160	\$ 15,000
2013-14	1,388,860	10,000
2014-15	1,388,650	10,000
2015-16	1,388,400	15,000
2016-17	1,387,987	5,000
2017-18	1,387,837	5,000
2018-19	1,387,672	5,000
2019-20	1,387,498	5,000
2020-21	1,387,297	5,000
2021-22	1,387,098	20,000
2022-23	1,386,297	5,530,000
2023-24	1,154,038	6,475,000
2024-25	878,850	8,135,000
2025-26	451,762	8,605,000
TOTAL OUTSTANDING	\$ 17,751,406	\$ 28,840,000

Schedule on Guaranteed Revenue Bonds - Series of 2010
For the Year Ended June 30, 2012

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 317,868	\$ 5,000
2013-14	317,815	5,000
2014-15	317,762	5,000
2015-16	317,709	5,000
2016-17	317,656	5,000
2017-18	317,603	5,000
2018-19	317,550	5,000
2019-20	317,497	5,000
2020-21	317,444	5,000
2021-22	317,391	5,000
2022-23	317,338	5,000
2023-24	317,285	5,000
2024-25	317,232	5,000
2025-26	317,179	5,000
2026-27	281,616	6,705,000
2027-28	208,184	7,150,000
2028-29	129,903	7,620,000
2029-30	44,759	8,445,000
TOTAL OUTSTANDING	\$ 5,109,791	\$ 29,990,000

Bethlehem Area School District
Schedule on Guaranteed Revenue Bonds - Series of 2011
For the Year Ended June 30, 2012

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 369,416	\$ 5,000
2013-14	369,370	5,000
2014-15	369,324	5,000
2015-16	369,279	5,000
2016-17	369,233	5,000
2017-18	369,187	5,000
2018-19	369,142	5,000
2019-20	369,096	5,000
2020-21	369,051	5,000
2021-22	369,005	5,000
2022-23	358,037	1,310,000
2023-24	345,616	1,365,000
2024-25	328,466	1,925,000
2025-26	310,179	2,010,000
2026-27	268,686	4,775,000
2027-28	223,289	4,990,000
2028-29	175,929	5,205,000
2029-30	122,171	5,950,000
2030-31	65,335	6,250,000
2031-32	5,048	6,635,000
TOTAL OUTSTANDING	\$ 5,894,859	\$ 40,465,000

Schedule on General Obligation Bonds - Series of 2011
For the Year Ended June 30, 2012

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 1,287,581	\$ 5,000
2013-14	1,287,531	5,000
2014-15	1,287,476	5,000
2015-16	1,287,413	5,000
2016-17	1,287,336	5,000
2017-18	1,287,244	5,000
2018-19	1,287,137	5,000
2019-20	1,287,019	5,000
2020-21	1,286,887	5,000
2021-22	1,286,744	5,000
2022-23	1,225,497	3,915,000
2023-24	1,096,234	4,035,000
2024-25	954,819	4,190,000
2025-26	772,744	4,350,000
2026-27	579,900	4,485,000
2027-28	403,206	4,630,000
2028-29	214,806	4,790,000
2029-30	59,503	2,885,000
TOTAL OUTSTANDING	\$ 18,179,077	\$ 33,330,000

Bethlehem Area School District
Schedule on Guaranteed Revenue Bonds - Series A of 2011
For the Year Ended June 30, 2012

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 273,844	\$ 5,000
2013-14	273,799	5,000
2014-15	273,753	5,000
2015-16	273,707	5,000
2016-17	273,662	5,000
2017-18	273,616	5,000
2018-19	273,570	5,000
2019-20	273,525	5,000
2020-21	273,479	5,000
2021-22	273,433	5,000
2022-23	273,388	5,000
2023-24	273,342	5,000
2024-25	273,297	5,000
2025-26	273,251	5,000
2026-27	273,205	5,000
2027-28	273,160	5,000
2028-29	273,114	5,000
2029-30	264,984	2,130,000
2030-31	201,901	13,600,000
2031-32	75,523	14,180,000
TOTAL OUTSTANDING	\$ 5,191,553	\$ 29,995,000

Schedule on General Obligation Bonds - Series of 2012
For the Year Ended June 30, 2012

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	\$ 110,698	\$ 520,000
2013-14	106,538	500,000
2014-15	96,538	505,000
2015-16	81,387	520,000
2016-17	65,787	930,000
2017-18	37,888	1,005,000
2018-19	20,300	1,015,000
TOTAL OUTSTANDING	\$ 519,136	\$ 4,995,000

S I N G L E A U D I T S E C T I O N

**BETHLEHEM AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/11	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/12	FOOTNOTES
<u>U. S. DEPARTMENT OF EDUCATION</u>											5
IMPACT AID PUBLIC LAW 81-874	D	84.041	N/A	7/1/11-6/30/12	\$ 54,538	\$ 54,538	-	\$ 54,538	\$ 54,538	-	
READINESS AND EMERGENCY MANAGEMENT FOR SCHOOLS	D	84.184	N/A	8/2/09-6/30/11	\$ 250,000	30,551	30,551	-	-	-	
TOTAL IMPACT AID CLUSTER						85,089	30,551	54,538	54,538	-	
<u>PASSED THROUGH THE PDE</u>											5
TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-100034	7/1/09-9/30/10	\$ 3,051,313	(31,753)	(31,753)	-	-	-	
TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-110034	7/1/10-9/30/11	\$ 3,018,791	1,004,674	943,532	61,142	61,142	-	
TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-120034	7/1/11-9/30/12	\$ 2,906,200	2,109,718	-	2,906,200	2,906,200	796,482	
TITLE I SCHOOL IMPROVEMENT SET ASIDE - BASE	I	84.010	042-100034	7/1/09-9/30/10	\$ 159,719	44,366	9,593	-	34,773	-	
TITLE I SCHOOL IMPROVEMENT SET ASIDE - BASE	I	84.010	042-110034	7/1/10-9/30/11	\$ 218,540	115,021	-	160,090	160,090	45,069	
ARRA - TITLE I	I	84.389	140-141493	5/15/09-9/30/10	\$ 1,955,349	-	(11,252)	11,252	11,252	-	8
ARRA - TITLE I SCHOOL IMPROVEMENT	I	84.389	044-007034	4/22/10-9/30/11	\$ 110,833	43,102	22,317	20,785	20,785	-	
TOTAL TITLE I CLUSTER						3,285,128	932,437	3,194,242	3,194,242	841,551	
<u>PASSED THROUGH THE PDE</u>											5
TITLE II A IMPROVING TEACHER QUALITY	I	84.367	020-110034	7/1/10-9/30/11	\$ 841,160	276,267	150,552	125,715	125,715	-	
TITLE II A IMPROVING TEACHER QUALITY	I	84.367	020-120034	7/1/11-9/30/12	\$ 720,284	516,388	-	677,580	677,580	161,192	
TOTAL TITLE IIA PROGRAM						792,655	150,552	803,295	803,295	161,192	
ARRA - STATE FISCAL STABILIZATION FUND	I	84.394	126-110034	7/1/10-6/30/11	\$ 3,352,416	838,104	838,104	-	-	-	8
ARRA - EDUCATION JOBS FUND	I	84.410	140-141493	8/10/11-6/30/12	\$ 30,765	-	-	30,765	30,765	30,765	8
<u>PASSED THROUGH THE PDE</u>											5
TITLE III LEP / IMMIGRANT STUDENTS	I	84.365	010-110034	7/1/10-9/30/11	\$ 297,710	68,703	68,703	-	-	-	
TITLE III LEP / IMMIGRANT STUDENTS	I	84.365	010-120034	7/1/11-9/30/12	\$ 355,313	237,112	-	253,838	253,838	16,726	
TOTAL TITLE III PROGRAM						305,815	68,703	253,838	253,838	16,726	
<u>PASSED THROUGH THE PDE</u>											5
SAFE AND DRUG FREE SCHOOLS	I	84.186	100-110034	7/1/10-9/30/11	\$ 3,609	1,109	(1,335)	2,444	2,444	-	
21st CENTURY COMMUNITY LEARNING CENTERS	I	84.287	4100042718	7/1/10-9/30/11	\$ 249,023	98,282	98,282	-	-	-	
21st CENTURY COMMUNITY LEARNING CENTERS	I	84.287	4100052381	7/1/10-9/30/11	\$ 750,000	354,959	354,959	-	-	-	
21st CENTURY COMMUNITY LEARNING CENTERS	I	84.287	4100052381	7/1/11-9/30/12	\$ 500,000	195,562	-	500,000	500,000	304,438	
21st CENTURY COMMUNITY LEARNING CENTERS	I	84.287	4100058678	7/1/11-9/30/12	\$ 500,000	28,474	-	194,248	194,248	165,774	
TOTAL TITLE IV CLUSTER						678,386	451,906	696,692	696,692	470,212	
<u>PASSED THROUGH THE COLONIAL I.U. #20</u>											5
IDEA	I	84.027	N/A	7/1/09-6/30/10	\$ 1,911,233	487,715	487,715	-	-	-	
IDEA	I	84.027	N/A	7/1/10-6/30/11	\$ 1,837,574	-	-	1,837,574	1,837,574	1,837,574	1
ARRA - IDEA	I	84.391	N/A	2/17/09-9/30/11	\$ 3,033,726	1,994,382	1,994,382	-	-	-	1,8
IDEA - SECTION 619A	I	84.173	N/A	7/1/11-6/30/12	\$ 14,169	-	-	14,169	14,169	14,169	1
TOTAL IDEA CLUSTER						2,482,097	2,482,097	1,851,743	1,851,743	1,851,743	
<u>PASSED THROUGH PENN STATE UNIVERSITY</u>											5
MODELL GRANT	I	N/A	N/A	7/1/1-6/30/12	\$ 800	800	-	800	800	-	1
TOTAL U.S. DEPARTMENT OF EDUCATION						8,468,074	4,954,350	6,885,913	6,885,913	3,372,189	
<u>U.S. DEPT. OF HEALTH AND HUMAN SERVICES</u>											
<u>PASSED THROUGH THE PDE</u>											5
<u>FAMILY CENTERS:</u>											
CHILD CARE MANDATORY/MATCH FUNDS	I	93.556	SAP 4100044212	7/1/10-6/30/11	\$ 154,337	54,647	54,647	-	-	-	
CHILD CARE MANDATORY/MATCH FUNDS	I	93.556	SAP 4100044212	7/1/11-6/30/12	\$ 154,337	94,148	-	154,337	154,337	60,189	
CHILD CARE MANDATORY/MATCH FUNDS	I	93.590	SAP 4100044212	7/1/10-6/30/11	\$ 15,953	5,672	5,672	-	-	-	
CHILD CARE MANDATORY/MATCH FUNDS	I	93.590	SAP 4100044212	7/1/11-6/30/12	\$ 15,953	9,692	-	15,953	15,953	6,261	
TOTAL CHILD CARE CLUSTER						164,159	60,319	170,290	170,290	66,450	

**BETHLEHEM AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/11	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/12	FOOTNOTES
<u>PASSED THROUGH NORTHAMPTON COUNTY</u>											
<u>TIME-LIMITED FAMILY REUNIFICATION SERVICES:</u>											
CHILD CARE MANDATORY/MATCH FUNDS	I	93.590	SAP 4100044432	7/1/10-6/30/11	\$ 215,000	98,341	98,341	-	-	-	5 2
<u>PASSED THROUGH THE PA.</u>											
<u>DEPARTMENT OF PUBLIC WELFARE</u>											
TITLE 19 MEDICAL ASSISTANCE PROGRAM	I	93.778	N/A	7/1/11-6/30/12	N/A	88,619	24,700	69,852	69,852	5,933	5
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						351,119	183,360	240,142	240,142	72,383	
<u>CORPORATION FOR NATIONAL & COMMUNITY SERVICES</u>											
<u>PASSED THROUGH THE PDE</u>											
LEARN & SERVE AMERICA	I	94.004	019-110021	10/15/10-6/30/11	\$ 20,000	(4,936)	(4,936)	-	-	-	5
LEARN & SERVE AMERICA	I	94.004	019-112021	10/15/10-6/30/11	\$ 8,000	2,444	2,444	-	-	-	
TOTAL CORPORATION FOR NATIONAL & COMMUNITY SERVICES						(2,492)	(2,492)	-	-	-	
<u>U.S. DEPARTMENT OF LABOR</u>											
<u>PASSED THROUGH THE P.A. DEPT. OF PUBLIC WELFARE</u>											
PIC CAREER LINKING ACADEMY	I	17.259	N/A	1/03/11-6/30/11	\$ 14,873	13,334	13,334	-	-	-	5 3
PIC CAREER LINKING ACADEMY	I	17.259	N/A	1/03/11-6/30/11	\$ 8,251	1,179	1,179	-	-	-	3
TOTAL U.S. DEPARTMENT OF LABOR						14,513	14,513	-	-	-	
<u>U.S DEPARTMENT OF JUSTICE</u>											
<u>PASSED THROUGH UNITED WAY</u>											
222 CORRIDOR ANTI-GANG INITIATIVE	I	16.745	N/A	7/1/10-6/30/11	\$ 800	778	778	-	-	-	5 4
222 CORRIDOR ANTI-GANG INITIATIVE	I	16.745	N/A	7/1/11-6/30/12	\$ 431	-	-	431	431	431	4
TOTAL U.S. DEPARTMENT OF JUSTICE						778	778	431	431	431	
<u>U. S. DEPT. OF AGRICULTURE</u>											
<u>PASSED THROUGH THE PDE</u>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/01/10 - 6/30/11	N/A	677,892	677,892	-	-	-	5
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/01/11 - 6/30/12	N/A	2,639,572	-	2,673,358	2,673,358	33,786	
BREAKFAST PROGRAM	I	10.553	N/A	7/01/10 - 6/30/11	N/A	11,908	11,908	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/01/11 - 6/30/12	N/A	63,095	-	63,724	63,724	629	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/01/10 - 6/30/11	N/A	117,667	117,667	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/01/11 - 6/30/12	N/A	478,540	-	486,639	486,639	8,099	
AFTER SCHOOL SNACK	I	10.555	N/A	7/01/10 - 6/30/11	N/A	10,989	10,989	-	-	-	
AFTER SCHOOL SNACK	I	10.555	N/A	7/01/11 - 6/30/12	N/A	24,518	-	24,527	24,527	9	
SPECIAL MILK	I	10.556	N/A	7/01/10 - 6/30/11	N/A	453	453	-	-	-	
SPECIAL MILK	I	10.556	N/A	7/01/11 - 6/30/12	N/A	2,155	-	2,172	2,172	17	
SUMMER FOOD	I	10.559	N/A	7/01/10 - 6/30/11	N/A	56,375	56,375	-	-	-	
SUMMER FOOD	I	10.559	N/A	7/01/11 - 6/30/12	N/A	36,072	-	92,447	92,447	56,375	
FRESH FRUIT AND VEGETABLE PROGRAM	I	10.582	N/A	7/01/11 - 6/30/12	N/A	139,061	-	192,987	192,987	53,926	
<u>PASSED THROUGH THE PA</u>											
<u>DEPARTMENT OF AGRICULTURE</u>											
USDA COMMODITIES	I	10.555	N/A	7/1/11-6/30/12	N/A	289,531	(14,825)	287,037	287,037	(17,319)	5 6,7
TOTAL CHILD NUTRITION CLUSTER						4,547,828	860,459	3,822,891	3,822,891	135,522	
TOTAL U.S. DEPARTMENT OF AGRICULTURE						4,547,828	860,459	3,822,891	3,822,891	135,522	
TOTAL FEDERAL AWARDS						\$ 13,379,820	\$ 6,010,968	\$ 10,949,377	\$ 10,949,377	\$ 3,580,525	

SOURCE: D-DIRECT; I- INDIRECT

Bethlehem Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Note 1 - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting for all federal awards charged to governmental funds and on the accrual basis of accounting for all federal awards charged to proprietary funds, as contemplated by generally accepted accounting principles.

Note 2- Organization and Scope

The District recognized 3.5% of its total general fund revenue in federal awards, and 57.3% of its total enterprise fund revenue.

Note 3 - Program Disclosure – Footnotes

1. The federal awards passed through the Colonial IU, Northampton Community College, and Penn State University, under the U.S. Department of Education heading, are part of a consortium of participating school districts. In accordance with directions from the Commonwealth of Pennsylvania, these awards are reported on the basic financial statements as local source revenues.
2. The Time Limited Family Reunification Services, under the U.S. Department of Health and Human Services heading, is reflected as local source revenue in the basic financial statements, as per PDE instructions.
3. The PIC Summer Maintenance and Career Linking Academy Grants, passed through the PA Department of Public Welfare are reflected as local source revenue in the basic financial statements, as per PDE instructions.
4. The 222 Corridor Anti-Gang Initiative Grant, under the U.S. Department of Justice heading, is reflected as local source revenue in the basic financial statements, as per PDE Instructions. The Safe Routes to School grant, under U.S. Dept. of Transportation heading, is reflected as local source revenue in the basic financial statements as per PDE instructions.
5. The Federal Grants were passed through the following entities in the totals below:

US Department of Education	\$ 304,538	\$ 54,538
PA Department of Education	19,389,605	8,684,976
Colonial I.U. #20	6,796,702	1,851,743
Penn State University	800	800
Northampton County TLFRS	215,000	-
PA Department of Public Welfare	23,124	69,852
The United Way	1,231	431
PA Department of Agriculture	N/A	287,037
Totals	\$ 26,731,000	\$ 10,949,377

6. The District received non-monetary assistance of \$289,531 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2011-12 fiscal year, the District used \$287,037 in commodities and established a year-end inventory of \$17,319 at June 30, 2012.

Bethlehem Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

7. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards, under the U.S. Department of Agriculture heading, represents the commodities used, versus the commodities received, which are recognized as revenue in the basic financial statements.
8. . The programs reporting this footnote are grants received using funds from the American Recovery and Reinvestment Act.

FINANCIAL STATEMENT RECONCILIATION

General Fund Federal Source Revenues	\$ 5,273,511
Federal Grants in Local Sources	1,852,974
Food Service Fund Federal Revenue	<u>3,825,386</u>
Total Federal Revenue, per financial statements	\$ 10,951,871
Less - Medical Access	-
Plus: Change in Donated Commodities	<u>(2,494)</u>
Total Federal Revenue Reported on SEFA	<u>\$ 10,949,377</u>



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Board of School Directors
Bethlehem Area School District
1516 Sycamore Street
Bethlehem, PA 18017

**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**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement for the General Fund of Bethlehem Area School District as of and for the year ended June 30, 2012, which collectively comprise Bethlehem Area School District's basic financial statements and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America, and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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 Bethlehem Area School District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency in internal control over financial reporting.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* (2012-1) to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Bethlehem Area School District in a separate letter dated December 21, 2012.

Bethlehem Area School District's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit Bethlehem Area School District's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



December 21, 2012



Board of School Directors
Bethlehem Area School District
1516 Sycamore Street
Bethlehem, PA 18017

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

Compliance

We have audited Bethlehem Area School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Bethlehem Area School District's major federal programs for the year ended June 30, 2012. Bethlehem Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Bethlehem Area School District's management. Our responsibility is to express an opinion on Bethlehem Area School District's compliance based on our audit.

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

In our opinion, Bethlehem Area School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

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

Board of School Directors

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

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

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

Respectfully submitted,

Norman Associates, P.C.

December 21, 2012

**Bethlehem Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) Identified? ☐ yes ☒ no
- Significant Deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) Identified? ☐ yes ☒ no
- Significant Deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of **OMB** Circular A-133? ☐ yes ☒ no

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
84.010, 84.389	Title I Cluster
84.367	Title IIA Program
84.027, 84.391, 84.173	IDEA Cluster
84.287, 84.186	Title IV Cluster

Percentage of programs tested to total awards 59.8%

Dollar threshold used to distinguish between type A and type B program: \$328,481

Auditee qualified as low-risk auditee? ☐ yes ☒ no

**Bethlehem Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section II – Financial Statement Findings

Significant Deficiency 2012-1 (General Fund – Collection of Taxes)

Criteria:	Control Activities component of internal controls require reconciliations to be performed on material accounts in the general ledger, including the reconciliation of taxes collected on a regular basis.
Condition:	During our review of the current real estate and per capita taxes, we discovered the taxes collected were not reconciled to the general ledger revenue accounts.
Cause:	During our investigation we discovered the business office stopped making adjusting entries to the unallocated account after the first four months of the fiscal year. Part of this problem was a result of human error, changeover to a new computer system, and change in collection procedures.
Effect:	The result of this condition is that the tax revenue accounts, which are the largest revenue in the general fund, are not properly reconciled between the general ledger of the general fund and the taxes collected and deposited. The auditors spent additional time to reconcile the account, costing the District additional audit costs.
Recommendation:	We recommend the district staff reconcile the tax collections reported on the monthly Act 169 reports to the general ledger on a monthly basis. Management should oversee this reconciliation on a current basis to ensure the action is followed.

Section III – Findings and Questioned Costs for Federal Awards

There were no findings discovered, relating to the federal awards, which are required to be reported in accordance with OMB Circular A-133, Section 510.

Audit Follow-Up Procedures

We did perform follow-up procedures on prior year findings shown in the accompanying Schedule of Prior Year Findings.

**Bethlehem Area School District
Schedule of Prior Year Findings
For the Year Ended June 30, 2012**

Prior Year Findings 2010-2011

Significant Deficiency 2011-1 (All Funds Pooled Cash & Investments – Bank Reconciliations)

Criteria:	Control Activities component of internal controls require reconciliations to be performed on material accounts in the general ledger, including the bank accounts on a regular basis.
Condition:	During our review of the account balance in cash and investments at year end, we discovered the general ledger account was not properly reconciled to the bank statement balance.
Cause:	During our investigation to determine why this was not done, we discovered three debt service payments not posted into the computer system, federal revenue from Title 19 (medical reimbursement) posted twice, and an error was made in posting the wrong amount of retirement revenue.
Effect:	The result of this condition is that the each respective fund's financial position could be understated or overstated with errors or fraud occurring without being detected. In addition, the auditors spent additional time to reconcile the account, costing the District additional audit costs.
Status:	Corrective Action was taken.

Significant Deficiency 2011-2 (Self-Insurance Fund – Transactions)

Criteria:	The District is required to record all transactions correctly to ensure the financial statements are correct and monitor the control activities done by staff.
Condition:	We discovered errors in transaction recording that understates the expenditures of this fund. For example, \$1.3 million of unpaid bills owed to Capital Blue Cross and Caremark were not recorded in the computer system at year end.
Cause:	This condition appears to have been caused because throughout the year this fund is maintained on the cash basis and was not properly converted to the accrual basis at year end.
Effect:	Improper accounting recognition lead to an understatement of the expenditures in this fund.
Status:	Corrective Action was taken.

**Bethlehem Area School District
Schedule of Prior Year Findings
For the Year Ended June 30, 2012**

Significant Deficiency 2011-3 Federal Awards (Allowable Costs)

Federal Awards:

Passed Through Colonial I.U.20

CDFA No. 84.391 – IDEA – ARRA

Passed Through PA Department of Education

CDFA No. 84.394 – State Fiscal Stabilization Fund

CDFA No. 84.287 – 21st Century Community Learning Center

CDFA No. 84.010 – Title I Improving Basic Programs

CDFA No. 84.389 – Title I - ARRA

Questioned Costs: N/A

Criteria:	The District is to maintain evidence to support that all costs charged to the federal IDEA program, State Fiscal Stabilization Fund, Title I, and 21 st Century grants are allowable under federal cost principles.
Condition:	The grants office failed to maintain sufficient documentation to show that only allowable costs were charged to federal programs. This reflects material weaknesses in control activities, risk assessment, and monitoring components of internal control.
Cause:	The postings in the general ledger do not adequately display information on whose salaries are charged to the programs and there was no manual documents maintained to reflect these costs.
Effect:	The failure to not properly maintain adequate records can cause unallowable costs to be charged to a federal program. However, through exerted efforts the District was able to re-construct the documentation to prove that all costs charged to these programs were allowable under federal cost principles.
Status:	Corrective Action was taken.

Significant Deficiency 2011-4 (General Fixed Assets)

Criteria:	Management is required to incorporate proper controls to safeguard capital assets of the District and making sure all assets have been properly valued.
Condition:	We discovered that in the current year the District stop tracking fixed asset records for the Day Care Fund and Food Service fund. In addition they are not maintaining a tagging system in order to locate and keep track of its capital assets, except the technology dept. is maintaining a separate tagging system for technology assets

**Bethlehem Area School District
Schedule of Prior Year Findings
For the Year Ended June 30, 2012**

Cause: An appraisal company valued the general fixed assets a few years ago for the District, but failed to tag each asset. As a result, the tag no. reported on the VFACS program is arbitrary making the ability to locate moveable assets virtually impossible. There was also a personnel change during the year resulting in misplaced records.

Effect: The failure to properly value all capital assets and maintain a tagging system to locate portable assets creates an understatement of assets owned and can potentially create theft to occur without being detected.

Status: Corrective Action was taken.

Significant Deficiency 2011-5 (Information and Communication Component of Internal Controls)

Criteria: This component of controls is designed to ensure transactions flow through the accounting system in a normal process with proper communication upstream between staff and management and downstream with management giving directives to staff to make sure the financial statements are prepared in accordance with accounting principles.

Condition: There continues to be problems in recording transactions to enable individual account balances to be correct in preparing the financial statements.

Cause: It appears there is a failure to systematically perform individual functions accurately with proper communication channels between staff personnel and senior management personnel.

Effect: The failure to properly follow established steps determined by current management can cause the financial statements to be prepared that would result in misstatements to the financial position of the District.

Status: Corrective Action was taken.

**Bethlehem Area School District
Schedule of Prior Year Findings
For the Year Ended June 30, 2012**

Prior Year Findings 2009-2010

Significant Deficiency 2010-1 (All Funds Pooled Cash – Bank Reconciliation)

Criteria:	Control Activities component of internal controls require reconciliations to be performed on material accounts in the general ledger, including the bank accounts on a regular basis.
Condition:	During our review of the account balance in cash at year end, we discovered the general ledger account was not properly reconciled to the bank statement balance.
Cause:	During our investigation to determine why this was not done, we discovered the personnel assigned to this function did not know why the balances did not agree. In addition, the monitoring component of internal controls failed because management did not monitor their staff.
Effect:	The result of this condition is that the each respective fund's financial position could be understated or overstated with errors or fraud occurring without being detected. In addition, the auditors spent additional time to reconcile the account, costing the District additional audit costs.
Status:	Corrective Action was taken.

Significant Deficiency 2010-3 (General Fund - Investment Accounts)

Criteria:	As with any balance sheet account in all funds, the investment accounts should be reconciled to the monthly statements received from the investment advisors on a monthly basis.
Condition:	During our review of investment accounts, we found no evidence to support that these accounts were reconciled during the fiscal year.
Cause:	This condition is created because staff personnel did not perform the reconciliations and management failed to monitor the staff to ensure these procedures were performed.
Effect:	The failure to reconcile the investment accounts can cause an understatement or overstatement of each respective fund's financial position and can cause errors or fraud to occur without being detected.
Status:	Corrective Action was taken.

**Bethlehem Area School District
Schedule of Prior Year Findings
For the Year Ended June 30, 2012**

Significant Deficiency 2010-16 (General Fixed Assets)

Criteria:	Management is required to incorporate proper controls to safeguard capital assets of the District and making sure all assets have been properly valued.
Condition:	We discovered the District is not maintaining a tagging system in order to locate and keep track of its capital assets, except the technology dept. is maintaining a separate tagging system for technology assets. In addition, auctions are held with items sold and no reductions from the fixed asset records are done to correlate the disposals.
Cause:	An appraisal company valued the general fixed assets a few years ago for the District, but failed to tag each asset. As a result, the tag no. reported on the VFACS program is arbitrary making the ability to locate moveable assets virtually impossible.
Effect:	The failure to properly value all capital assets and maintain a tagging system to locate portable assets creates an understatement of assets owned and can potentially create theft to occur without being detected.
Status:	Corrective Action was taken.

Prior Year Findings 2008-2009

Significant Deficiency 2009-1 (All Funds Pooled Cash – Bank Reconciliation)

Criteria:	Control Activities component of internal controls require reconciliations to be performed on material accounts in the general ledger, including the bank accounts on a regular basis.
Condition:	During our review of the account balance in cash at year end, we discovered the general ledger account was plugged to equal the bank statement balance.
Cause:	During our investigation to determine why this was done, we discovered the account was not properly reconciled during the entire year. In addition, the monitoring component of internal controls failed because management did not monitor their staff.
Effect:	The result of this condition is that the General Fund's financial position was overstated. In addition, the auditors spent additional time to reconcile the account, costing the district additional audit costs.
Status:	Corrective Action was taken.

**Bethlehem Area School District
Schedule of Prior Year Findings
For the Year Ended June 30, 2012**

Significant Deficiency 2009-5 (General Fixed Assets)

Criteria:	Management is required to incorporate proper controls to safeguard capital assets of the District, making sure all assets have been properly valued.
Condition:	We discovered the District is not maintaining a tagging system in order to locate and keep track of its capital assets, except the technology dept. is maintaining a separate tagging system for technology assets. In addition, it doesn't appear that land owned by the District was assigned values.
Cause:	An appraisal company valued the general fixed assets a few years ago for the District, but failed to tag each asset. As a result, the tag no. reported on the VFACS program is arbitrary making the ability to locate moveable assets virtually impossible.
Effect:	The failure to properly value all capital assets and maintain a tagging system to locate portable assets creates an understatement of assets owned and can potentially create theft to occur without being detected.
Status:	Corrective Action was taken.

Significant Deficiency 2009-15 (Self Insurance Fund – Monitoring)

Criteria:	In accordance with the monitoring component of internal controls, management should be monitoring transactions and balances among its accounting funds.
Condition:	The District is self-funded for medical benefits; as such, other funds contribute to this fund to provide resources for payment of medical claims. This fund showed a major deficit during the year compared to a surplus in the funds providing resources for this fund. Unfortunately, material misstatements occurred, which required adjustments.
Cause:	Management is not monitoring the activities of this fund.
Effect:	The incorrect recording is showing an overstatement of the financial position in other funds and the understatement of financial position in this fund.
Status:	Corrective Action was taken.

**Bethlehem Area School District
Schedule of Prior Year Findings
For the Year Ended June 30, 2012**

Prior Year Findings 2007-2008

Significant Deficiency 2008-9 (Payroll Account – Reconciliation)

Criteria:	The District should perform bank reconciliation on every bank account and compare the balance to the general ledger account
Condition:	During our review of reconciliations performed on bank accounts, we discovered the payroll account is not being reconciled. The difference between the bank statements less outstanding checks to the balance in the general ledger is \$19,254.13.
Cause:	It does not appear payroll personnel have spent the time necessary to discover this variance.
Effect:	The failure to reconcile account balances can create an atmosphere of potential fraud to occur without being detected within a reasonable period of time.
Status:	Corrective Action was taken.

Significant Deficiency 2008-11 (General Fixed Assets)

Criteria:	Management is required to incorporate proper controls to safeguard capital assets of the District, making sure all assets have been properly valued.
Condition:	The balances reported on the prior year financial statements did not correlate to the balances maintained in the fixed asset system used by the District by \$1,853,418. We also discovered the District is not maintaining a tagging system to be able to locate and keep track of its capital assets, except the technology dept. is maintaining a separate tagging system for technology assets. In addition, it doesn't appear the land owned by the District was assigned values.
Cause:	An appraisal company valued the general fixed assets a few years ago for the District, but failed to tag each asset. As a result, the tag no. reported on the VFACS program is arbitrary making the ability to locate moveable assets virtually impossible.
Effect:	The failure to properly value all capital assets and maintain a tagging system to locate portable assets creates an understatement of assets owned and can potentially create theft to occur without being detected.
Status:	Corrective Action was taken.

**Bethlehem Area School District
Corrective Action Plan
For the Year Ended June 30, 2012**

Significant Deficiency 2012-1 (General Fund – Collection of Taxes)

Criteria:	Control Activities component of internal controls require reconciliations to be performed on material accounts in the general ledger, including the reconciliation of taxes collected on a regular basis.
Condition:	During our review of the current real estate and per capita taxes, we discovered the taxes collected were not reconciled to the general ledger revenue accounts.
Cause:	During our investigation we discovered the business office stopped making adjusting entries to the unallocated account after the first four months of the fiscal year. Part of this problem was a result of human error, changeover to a new computer system, and change in collection procedures.
Effect:	The result of this condition is that the tax revenue accounts, which are the largest revenue in the general fund, are not properly reconciled between the general ledger of the general fund and the taxes collected and deposited. The auditors spent additional time to reconcile the account, costing the District additional audit costs.
Recommendation:	We recommend the district staff reconcile the tax collections reported on the monthly Act 169 reports to the general ledger on a monthly basis. Management should oversee this reconciliation on a current basis to ensure the action is followed.
Response:	Management agrees with this recommendation as stated and has initiated procedures to ensure that tax collections are recorded to each municipality. New tax billing and collection software has been implemented July 2012 that allows for transaction processing and accounting individually by municipality which eliminates any reference to an undistributed account for real estate taxes. Management has also been monitoring this process on a monthly basis as part of the bank reconciliation.

FORM **SF-SAC**
(5-18-2010)U.S. DEPT. OF COMM.— Econ. and Stat. Admin.— U.S. CENSUS BUREAU
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS
for Fiscal Year Ending Dates in 2010, 2011, or 2012**

▶ Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

PART I**GENERAL INFORMATION (To be completed by auditee, except for Items 6, 7, and 8)**

1. Fiscal period ending date for this submission	2. Type of Circular A-133 audit	3. Audit period covered
Month Day Year 06 / 30 / 2012	1 <input checked="" type="checkbox"/> Single audit 2 <input type="checkbox"/> Program-specific audit	1 <input checked="" type="checkbox"/> Annual 3 <input type="checkbox"/> Other — <input type="text"/> Months 2 <input type="checkbox"/> Biennial

4. Auditee Identification Numbers**a.** Primary Employer Identification Number (EIN)**2 4** — **0 8 6 2 5 9 2****b.** Are multiple EINs covered in this report? 1 ☐ Yes 2 ☒ No**c.** If Part I, Item 4b = "Yes," complete Part I, Item 4c on the continuation sheet on Page 4.**d.** Data Universal Numbering System (DUNS) Number**0 7** — **3 6 1** — **5 6 6 8****e.** Are multiple DUNS covered in this report? 1 ☐ Yes 2 ☒ No**f.** If Part I, Item 4e = "Yes," complete Part I, Item 4f on the continuation sheet on Page 4.**5. AUDITEE INFORMATION****a.** Auditee name

BETHLEHEM AREA SCHOOL DISTRICT

b. Auditee address (Number and street)

1516 SYCAMORE STREET

City

BETHLEHEM

State

PA

ZIP + 4 Code

1

8

0

1

7

—

6

0

3

7

c. Auditee contact

Name

STACY M. GOBER

Title

ASST. TO SUPER. FOR FISCAL AFFAIRS

d. Auditee contact telephone

(610) 861 — 0500

e. Auditee contact FAX

(610) 861 — 8107

f. Auditee contact E-mail

SGOBER@BETH.K12.PA.US

6. PRIMARY AUDITOR INFORMATION

(To be completed by auditor)

a. Primary auditor name

GORMAN & ASSOCIATES, P.C.

b. Primary auditor address (Number and street)

1825 FRANKLIN STREET SUITE B

City

NORTHAMPTON

State

PA

ZIP + 4 Code

1

8

0

6

7

—

1

5

7

3

c. Primary auditor contact

Name

WILLIAM H. GORMAN JR., CPA, CGFM

Title

PRESIDENT

d. Primary auditor contact telephone

(610) 262 — 1280

e. Primary auditor contact FAX

(610) 262 — 1756

f. Primary auditor contact E-mail

BGORMAN@GAAPC.COM

g. AUDITEE CERTIFICATION STATEMENT — This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

g. AUDITOR STATEMENT — The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9g, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and **is not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Auditee certification

Date

ELECTRONICALLY CERTIFIED**12/29/2012**

Name of certifying official

STACY M GOBER

Title of certifying official

ASST TO THE SUPERINTENDENT FOR FINANCE & ADMINISTRATION**7a. Add Secondary auditor information? (Optional)**1 ☐ Yes 2 ☒ No**b.** If "Yes," complete **Part I, Item 8** on the continuation sheet on page 5.

Auditor certification

Date

ELECTRONICALLY CERTIFIED**12/28/2012**

PART II**FINANCIAL STATEMENTS (To be completed by auditor)****1. Type of audit report**

Mark either: 1 ☒ Unqualified opinion **OR**
any combination of: 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report?1 ☐ Yes 2 ☒ No**3. Is a significant deficiency disclosed?**1 ☒ Yes 2 ☐ No**4. Is a material weakness disclosed?**1 ☐ Yes 2 ☒ No**5. Is a material noncompliance disclosed?**1 ☐ Yes 2 ☒ No**PART III****FEDERAL PROGRAMS (To be completed by auditor)****1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 13)**1 ☐ Yes 2 ☒ No**2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))**

\$ 328,481

3. Did the auditee qualify as a low-risk auditee? (§ .530)1 ☐ Yes 2 ☒ No**4. Is a significant deficiency disclosed for any major program? (§ .510(a)(1))**1 ☐ Yes 2 ☒ No**5. Is a material weakness disclosed for any major program? (§ .510(a)(1))**1 ☐ Yes 2 ☒ No**6. Are any known questioned costs reported? (§ .510(a)(3) or (4))**1 ☐ Yes 2 ☒ No**7. Were Prior Audit Findings related to direct funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b))**1 ☐ Yes 2 ☒ No**8. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. (Mark (X) all that apply or None)**98 ☐ U.S. Agency for International Development10 ☐ Agriculture23 ☐ Appalachian Regional Commission11 ☐ Commerce94 ☐ Corporation for National and Community Service12 ☐ Defense84 ☐ Education81 ☐ Energy66 ☐ Environmental Protection Agency39 ☐ General Services Administration93 ☐ Health and Human Services97 ☐ Homeland Security14 ☐ Housing and Urban Development03 ☐ Institute of Museum and Library Services15 ☐ Interior16 ☐ Justice17 ☐ Labor09 ☐ Legal Services Corporation43 ☐ National Aeronautics and Space Administration89 ☐ National Archives and Records Administration05 ☐ National Endowment for the Arts06 ☐ National Endowment for the Humanities47 ☐ National Science Foundation07 ☐ Office of National Drug Control Policy59 ☐ Small Business Administration96 ☐ Social Security Administration19 ☐ U.S. Department of State20 ☐ Transportation21 ☐ Treasury64 ☐ Veterans Affairs00 ☒ None☐ Other - Specify:

PART III FEDERAL PROGRAMS - Continued**9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR****10. AUDIT FINDINGS**

CFDA Number		Research and development (c)	A R R A ³ (d)	Name of Federal program (e)	Amount expended (f)	Direct award (g)	Major program		Type(s) of compliance requirement(s) ⁵ (a)	Audit finding reference number(s) ⁶ (b)
Federal Agency Prefix ¹ (a)	Extension ² (b)						Major program (h)	If yes, type of audit report ⁴ (i)		
8	4 .041	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	IMPACT AID PUBLIC LAW 81-874	\$ 54,538 .00	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N		O	N/A
8	4 .010	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	TITLE I	\$ 3,162,205 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	U	O	N/A
8	4 .389	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	ARRA TITLE I	\$ 32,037 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	U	O	N/A
8	4 .367	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	TITLE IIA	\$ 803,295 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	U	O	N/A
8	4 .410	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	ARRA EDUCATIONS JOBS FUND	\$ 30,765 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N		O	N/A
8	4 .365	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	TITLE III LEARN IMMIGRANT STUDENTS	\$ 253,838 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N		O	N/A
8	4 .186	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	SAFE AND DRUG FREE SCHOOLS	\$ 2,444 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N		O	N/A
8	4 .287	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	21ST CENTURY COMMUNITY LEARNING CENTERS	\$ 694,248 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	U	O	N/A
8	4 .027	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	IDEA	\$ 1,837,574 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	U	O	N/A
8	4 .173	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	IDEA SECTION 619A	\$ 14,169 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	U	O	N/A
TOTAL FEDERAL AWARDS EXPENDED					\$ 10,949,377 .00					

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)³ American Recovery and Reinvestment Act of 2009 (ARRA).⁴ If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.⁵ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material weaknesses), questioned costs, fraud, and other items reported under § .510(a)) reported for each Federal program.

- A. Activities allowed or unallowed
B. Allowable costs/cost principles
C. Cash management
D. Davis – Bacon Act

- E. Eligibility
F. Equipment and real property management
G. Matching, level of effort, earmarking
H. Period of availability of Federal funds

- I. Procurement and suspension and debarment
J. Program income
K. Real property acquisition and relocation assistance

- L. Reporting
M. Subrecipient monitoring
N. Special tests and provisions
O. None
P. Other

⁶ N/A for NONE

PART III FEDERAL PROGRAMS - Continued**9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR****10. AUDIT FINDINGS**

CFDA Number		Research and development (c)	A R R A ³ (d)	Name of Federal program (e)	Amount expended (f)	Direct award (g)	Major program		Type(s) of compliance requirement(s) ⁵ (a)	Audit finding reference number(s) ⁶ (b)	
Federal Agency Prefix ¹ (a)	Extension ² (b)						Major program (h)	If yes, type of audit report ⁴ (i)			
8	4	.XXX	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	MODELL GRANT	\$ 800 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N		O	N/A
9	3	.556	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	CHILD CARE MANDATORY/MATCH FUNDS	\$ 154,337 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N		O	N/A
9	3	.590	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	CHILD CARE MANDATORY/MATCH FUNDS	\$ 15,953 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N		O	N/A
9	3	.778	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	TITLE 19 MEDICAL ASSISTANCE PROGRAM	\$ 69,852 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N		O	N/A
1	6	.745	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	222 CORRIDOR ANTI-GANG INITIATIVE	\$ 431 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N		O	N/A
1	0	.555	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	NATIONAL SCHOOL LUNCH/USDA COMMODITIES/AFTER SCHOOL SNACK	\$ 2,984,922 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N		O	N/A
1	0	.553	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	BREAKFAST PROGRAM/SEVERE NEED	\$ 550,363 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N		O	N/A
1	0	.556	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	SPECIAL MILK	\$ 2,172 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N		O	N/A
1	0	.559	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	SUMMER FOOD	\$ 92,447 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N		O	N/A
1	0	.582	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	FRESH FRUIT AND VEGETABLE PROGRAM	\$ 192,987 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N		O	N/A
TOTAL FEDERAL AWARDS EXPENDED						\$ 10,949,377 .00					

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)³ American Recovery and Reinvestment Act of 2009 (ARRA).⁴ If major program is marked "Yes," enter only one letter (**U** = Unqualified opinion, **Q** = Qualified opinion, **A** = Adverse opinion, **D** = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.⁵ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material weaknesses), questioned costs, fraud, and other items reported under § .510(a)) reported for each Federal program.

- A. Activities allowed or unallowed
B. Allowable costs/cost principles
C. Cash management
D. Davis – Bacon Act

- E. Eligibility
F. Equipment and real property management
G. Matching, level of effort, earmarking
H. Period of availability of Federal funds

- I. Procurement and suspension and debarment
J. Program income
K. Real property acquisition and relocation assistance

- L. Reporting
M. Subrecipient monitoring
N. Special tests and provisions
O. None
P. Other

⁶ N/A for NONE

PART I

Item 5 Continuation Sheet

c. List the multiple Employer Identification Numbers (EINs) covered in this report.

1	N	/	A					21		-								41		-										
2		-						22		-								42		-										
3		-						23		-								43		-										
4		-						24		-								44		-										
5		-						25		-								45		-										
6		-						26		-								46		-										
7		-						27		-								47		-										
8		-						28		-								48		-										
9		-						29		-								49		-										
10		-						30		-								50		-										
11		-						31		-								51		-										
12		-						32		-								52		-										
13		-						33		-								53		-										
14		-						34		-								54		-										
15		-						35		-								55		-										
16		-						36		-								56		-										
17		-						37		-								57		-										
18		-						38		-								58		-										
19		-						39		-								59		-										
20		-						40		-								60		-										

f. List the multiple DUNS covered in the report.

1	N	/	A					21		-																				
2		-						22		-										-										
3		-						23		-										-										
4		-						24		-										-										
5		-						25		-										-										
6		-						26		-										-										
7		-						27		-										-										
8		-						28		-										-										
9		-						29		-										-										
10		-						30		-										-										
11		-						31		-										-										
12		-						32		-										-										
13		-						33		-										-										
14		-						34		-										-										
15		-						35		-										-										
16		-						36		-										-										
17		-						37		-										-										
18		-						38		-										-										
19		-						39		-										-										
20		-						40		-										-										

PART I**GENERAL INFORMATION - Continued****8.** Part I, Item 8, Secondary Auditor's Contact Information. *(List the Secondary Auditor's Contact information)*

1. a. Secondary Auditor name N / A	2. a. Secondary Auditor name	3. a. Secondary Auditor name
b. Secondary Auditor address <i>(Number and street)</i>	b. Secondary Auditor address <i>(Number and street)</i>	b. Secondary Auditor address <i>(Number and street)</i>
City	City	City
State ZIP + 4 Code	State ZIP + 4 Code	State ZIP + 4 Code
c. Secondary Auditor contact Name	c. Secondary Auditor contact Name	c. Secondary Auditor contact Name
Title	Title	Title
d. Secondary Auditor contact telephone () -	d. Secondary Auditor contact telephone () -	d. Secondary Auditor contact telephone () -
e. Secondary Auditor contact FAX () -	e. Secondary Auditor contact FAX () -	e. Secondary Auditor contact FAX () -
f. Secondary Auditor contact E-mail	f. Secondary Auditor contact E-mail	f. Secondary Auditor contact E-mail
4. a. Secondary Auditor name	5. a. Secondary Auditor name	6. a. Secondary Auditor name
b. Secondary Auditor address <i>(Number and street)</i>	b. Secondary Auditor address <i>(Number and street)</i>	b. Secondary Auditor address <i>(Number and street)</i>
City	City	City
State ZIP + 4 Code	State ZIP + 4 Code	State ZIP + 4 Code
c. Secondary Auditor contact Name	c. Secondary Auditor contact Name	c. Secondary Auditor contact Name
Title	Title	Title
d. Secondary Auditor contact telephone () -	d. Secondary Auditor contact telephone () -	d. Secondary Auditor contact telephone () -
e. Secondary Auditor contact FAX () -	e. Secondary Auditor contact FAX () -	e. Secondary Auditor contact FAX () -
f. Secondary Auditor contact E-mail	f. Secondary Auditor contact E-mail	f. Secondary Auditor contact E-mail