

**REPORT ON  
BETHLEHEM AREA SCHOOL DISTRICT  
SINGLE AUDIT REPORT  
FISCAL YEAR ENDED JUNE 30, 2015**

# BETHLEHEM AREA SCHOOL DISTRICT

## Single Audit Report

For the Fiscal Year Ended June 30, 2015

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**BETHLEHEM AREA SCHOOL DISTRICT**

**Single Audit Report**

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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, 2015, 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 10, 2015



# 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, 2015, and have issued our report thereon dated December 10, 2015.

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 October 12, 2015.

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 and Net Pension Liability. 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 and long term debt.

We have requested certain representations from management that are included in the management representation letter provided to us on December 10, 2015. 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 2014-15 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.



## **Board of School Directors - Dr. Joseph Roy, Superintendent**

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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:**

### **CONTROL DEFICIENCIES**

#### *Activity Fund*

During our limited testing with the student clubs during this fiscal year, we discovered items purchased from student clubs that should have been paid by the General Fund. For example, there was a filing cabinet purchased in a student club called "Building Improvements Club, which does not sound like a valid student club. There was no student approval of this purchase. This item should have been purchased by the General Fund. We also noticed a student club called "Exchange Club" at Liberty High School that we suspect may not be a true student club.

We wish to advise management, with the tremendous improvements made in the major funds of the District, we will be examining student clubs and activities far more extensively in future years. As such, we wish to remind management that each student club or organization must have by-laws, student officers who approve all purchases within the respective club, and monthly meeting minutes. If any current existing club does not meet these criteria, we will be reporting them to the School Board in detail.

### **OTHER RECOMMENDATIONS**

#### *Self-Insurance Trust Fund*

During our testing in the Self-Insurance Trust Fund, we discovered the insurance expenditures (Object Codes 271, 272, 276, and 281) in the General, Food Service, and Day Care Funds did not agree with the revenue recorded in the Self-Insurance Trust Fund. We reported this issue in last year's report as a deficiency, but management was able to reconcile this year's difference within \$3,000.

We still recommend management segregate the revenues by fund in the Self-Insurance Trust Fund for each benefit being paid from the various other funds. This recommendation will help management to better manage the Self-Insurance Trust Fund, as well as improve the audit trail.

#### *Scholarship Awards*

As reported in last year's report, during our testing of scholarship awards, we discovered there were several scholarship awards being returned due to students not enrolling in the college that they specified. This problem continues to exist each year when the students do not enroll in the college that was sent the award amount. Historically, after the District informs the student of an award, the student informs the District what post-secondary school they will be attending, and the District sends the award amount to that school. There is no provision set up to determine whether or not the student actually attended the school.

To eliminate this problem, we are suggesting the District revise their procedures, by withholding the award until the student submits confirmation of enrollment in the post-secondary institution.

#### Scholarship Fund Records

During our review of the records maintained in the computer system, we noticed the postings are not completely separating each scholarship or memorial account into their own unique account number. For example, there is one unrestricted net asset account, instead of having a separate net asset account for each scholarship or memorial account. Presently, management is maintaining this information on an excel spreadsheet.

While management's excel file is done very well, we would like to recommend management consider creating the appropriate accounts in the computerized fund to eliminate the time spent on doing the excel spreadsheet.

#### **OTHER INFORMATION**

We would be remiss if we didn't keep the management and the School Board informed of changes in accounting principles that will affect the District next year and future years. The Government Accounting Standards Board (GASB) has issued Statement Nos. 72, 73, 74, 75, 76, and 77 that will come into effect in years to come. The statements that could affect the District next year and future years are as follows:

#### **GASB Statement No. 72**

This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes, along with applying fair value to certain investments and disclosures related to all fair value measurements.

This Statement requires a government to use valuation techniques using the market approach, the cost approach, or the income approach. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This Statement distinguishes between three levels of inputs.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Effective date is the 2015-16 fiscal year.

#### **GASB Statement No. 73**

This new accounting standard pertains to Pensions and related assets that are not within the Scope of GASB Statement 68, and amendments to certain provisions of GASB Statements 67 and 68. The amendments pertaining to Statement 68 will not affect cost-sharing employers. In addition, this Statement pertains to defined benefit pensions that do not relate to the School. Effective for the 2016-17 fiscal year.

**GASB Statement No. 74 & 75**

These new accounting standards affect Other Post Employment Benefit Plans and replace GASB Statements 43 and 45. Statement 74 pertains to the financial reporting of any Other Post Employment Benefit Trust Plans. Statement 75 pertains to the financial reporting of individual governments.

These two Statements, in essence, treat OPEB in future years similar to GASB Statements 67 and 68 pertaining to defined benefit and contribution pension plans. Statement 75 requires all governments to report as a long-term liability the actuarial value of its Other Post-Employment Benefits, similar to the treatment of your PSERS defined benefit pension plan.

Instead of having a Net OPEB obligation amortizing 1/30<sup>th</sup> of the total actuarial liability each year, you will be recording the entire actuarial liability as a long-term Net OPEB Liability on the government-wide financial statements.

Effective date for Statement 74 is the 2016-17 fiscal year for OPEB Trusts, and 2017-18 fiscal year for governmental employers.

**GASB Statement No. 76**

This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The biggest change in this accounting principle is that all implementation guides issued by GASB staff is now considered authoritative literature. Effective date for this standard is the 2015-16 fiscal year.

**GASB Statement No. 77**

In an effort to improve financial reporting for the government's citizens, taxpayers, legislative and oversight bodies, municipal bond analysts, and others, this Statement requires governments involved in Tax Abatement agreements; commonly known as Tax Incentive Financing (TIF) arrangements to disclose certain information on all such agreements.

This Standard defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The following information about the agreements must be disclosed:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.

**Board of School Directors - Dr. Joseph Roy, Superintendent**

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- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period

The effective date of the Statement is the 2016-17 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,

*Norman Associates, P.C.*

December 10, 2015

***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
THREE COPIES TO:	DEPARTMENT OF PUBLIC WELFARE BUREAU OF FINANCIAL OPERATIONS DIVISION OF FINANCIAL POLICY AND OPERATIONS AUDIT RESOLUTION SECTION 3 <sup>RD</sup> FLOOR, BERTOLINO BUILDING P.O. BOX 2675 HARRISBURG, PENNSYLVANIA 17602-2675

## FINANCIAL SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

## INDEPENDENT AUDITOR'S REPORT

Board of School Directors  
Bethlehem Area School District  
1516 Sycamore Street  
Bethlehem, PA 18017-6099

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Bethlehem Area School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Bethlehem Area School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2-G to the financial statements, the Bethlehem Area School District adopted new accounting guidance from GASB Statement No. 68 for the 2014-15 fiscal year. Our opinion is not modified with respect to this pronouncement.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12-23, the Schedule of Funding Progress, the Schedule of the District's Proportionate Share of Net Pension Liability, and the Schedule of District's Contributions-Pensions on pages 92-94, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

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 *combining and individual fund statements and schedules, and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.


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



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bethlehem Area School District's internal control over financial reporting and compliance.

Respectfully submitted,



December 10, 2015

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
(UNAUDITED)  
For the Year Ended June 30, 2015**

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, 2015. 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 13,826 students in 2014-15.

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

**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 actual revenues shows lower than budgeted interim and delinquent real estate taxes as well as mercantile and delinquent taxes of \$521,788 offset by increased real estate transfer taxes of \$1,641,560. State subsidies were below budget for the Ready to Learn grant and Pre-K Counts program expansion request that was not funded. Federal grant allocations were also \$324,852 lower than anticipated. Overall operating revenues were \$231,850,886 for the 2014-15 school year, \$2,146,617 under budget.

Operating expenditures for the 2014-15 school year of \$226,490,788 were under budget by \$7,332,013 resulting from unused contingencies and lower than expected charter school enrollments. Transfers to other funds in the amount of \$2,190,000 resulted in total expenditures of \$228,680,788. Charter school tuition was below budget projections by \$1,916,392 due to a taper in the enrollment trend but still increased by \$2,579,670 over the prior year. Monitored spending creating savings in all other areas including salaries, healthcare, professional services and utilities offset this increased tuition.

These events yielded a net General Fund surplus of \$3,170,098 for the year ended June 30, 2015. Together with the beginning fund balance of \$24,735,430, the BASD ended the fiscal year with a total general fund balance of \$27,855,824. This fund balance is reduced by \$331,747 in unspendable and restricted assets, \$2,000,000 committed to the capital reserve fund for future capital improvements, \$1,000,000 assigned to the BASD Self Insurance Fund for recommended reserves to fund future employee benefit claims, \$3,000,000 assigned to mitigate upcoming increases in the state pension rates for school employees, \$2,367,350 allocated toward one time expenditures in the 2015-16 operating budget, \$5,000 assigned for future Nitschmann MS equipment, and \$77,334 for the pending Alternative Education subsidy deduct for 2007 and 2008 on appeal to PDE. The resulting undesignated fund balance on June 30, 2015 is \$19,441,743 or 7.79% 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.

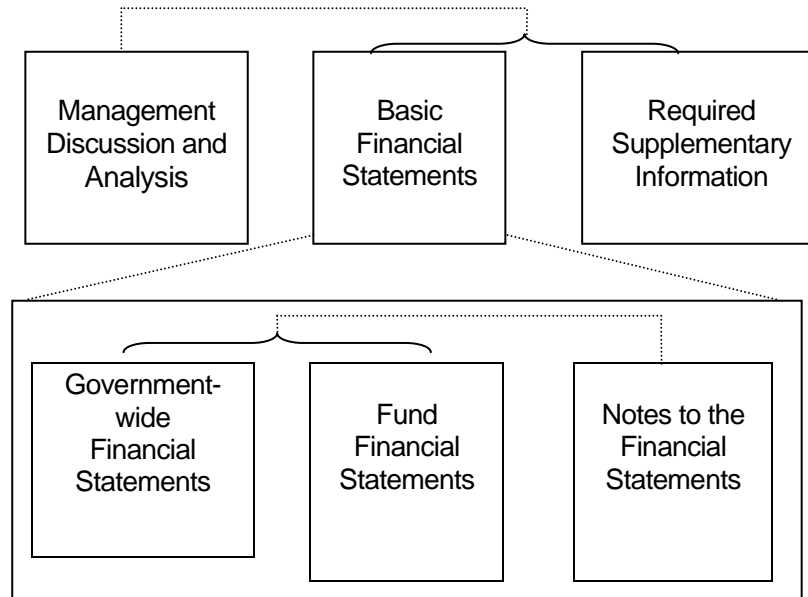
The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like a business. For this District this is our Food Service Fund and Child Care 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**

	<b>Government- wide Statements</b>	<b>Fund Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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
<b>Required financial statements</b>	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset/liability information</b>	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
<b>Type of inflow-outflow information</b>	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 position includes all of the government's assets, deferred outflows of resources, deferred inflows of resources, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

To assess the overall health of the District, 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary funds** - These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, 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**

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*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 Position. We exclude these activities from the District's other financial statements, because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total net position was (\$312,746,052) at June 30, 2015. This is a decrease from the previous fiscal year of 4288,706,734 due to the recognition of the district's prorate portion of the state pension liability in accordance with GASB 68.

**Table A-1  
Fiscal Year ended June 30, 2015  
Net Position (In Millions)**

	<b>2015</b>			<b>2014</b>		
	<b>Govern- mental Activities</b>	<b>Business- Type Activities</b>	<b>Total Primary Government</b>	<b>Govern- mental Activities</b>	<b>Business- Type Activities</b>	<b>Total Primary Government</b>
Current assets	\$ 91.9	\$ 2.0	\$ 93.9	\$ 57.7	\$ 1.6	\$ 59.3
Non-Current assets	226.5	0.2	226.7	227.9	0.1	228.0
Deferred Outflow of Resources	59.9	0.9	60.8	34.6	-	34.6
<b>Total Assets &amp; Deferred Outflow of Resources</b>	<b>\$ 378.3</b>	<b>\$ 3.1</b>	<b>\$ 381.4</b>	<b>\$ 320.2</b>	<b>\$ 1.7</b>	<b>\$ 321.9</b>
Current and other liabilities	\$ 40.9	\$ 0.5	\$ 41.4	\$ 37.8	\$ 0.3	\$ 38.1
Long-term liabilities	618.6	10.2	628.8	300.9	0.3	301.2
Deferred Inflow of Resources	23.1	0.7	23.8	6.6	-	6.6
<b>Total Liabilities &amp; Deferred Inflow of Resources</b>	<b>682.6</b>	<b>11.4</b>	<b>694.0</b>	<b>345.3</b>	<b>0.6</b>	<b>345.9</b>
<b>Net Position</b>						
Net Investment in Capital Assets	\$ -	\$ 0.2	\$ 0.2	\$ -	\$ 0.1	\$ 0.1
Unrestricted	(304.3)	(8.5)	(312.8)	(25.1)	1.0	(24.1)
<b>Total Net Position</b>	<b>\$ (304.3)</b>	<b>\$ (8.3)</b>	<b>\$ (312.8)</b>	<b>\$ (25.1)</b>	<b>\$ 1.1</b>	<b>\$ (24.0)</b>
<b>Total Liabilities, Deferred Inflow of Resources, &amp; Net Position</b>	<b>\$ 378.3</b>	<b>\$ 3.1</b>	<b>\$ 381.4</b>	<b>\$ 320.2</b>	<b>\$ 1.7</b>	<b>\$ 321.9</b>

Most of the District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is 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.

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

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.

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, 2015  
Changes in Net Position (In Thousands)**

	<u>2015</u>			<u>2014</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>
<b><u>REVENUES</u></b>						
<i>Program revenues</i>						
Charges for services	\$ 602	\$ 4,759	\$ 5,361	\$ 443	\$ 4,900	\$ 5,343
Operating grants and contributions	32,117	5,085	37,202	29,264	4,683	33,947
Capital grants and contributions	1,826	-	1,826	2,801	-	2,801
<i>General revenues</i>						
Property taxes	142,286	-	142,286	134,038	-	134,038
Other taxes	20,464	-	20,464	18,865	-	18,865
Grants, subsidies and contributions, unrestricted	32,672	-	32,672	32,550	-	32,550
Other	1,473	8	1,481	1,205	352	1,557
<b>TOTAL REVENUES</b>	<b>\$ 231,440</b>	<b>\$ 9,852</b>	<b>\$ 241,292</b>	<b>\$ 219,166</b>	<b>\$ 9,935</b>	<b>\$ 229,101</b>
<b><u>EXPENSES</u></b>						
Instruction	\$ 150,329	\$ -	\$ 150,329	\$ 139,002	\$ -	\$ 139,002
Instructional student support	17,233	-	17,233	16,891	-	16,891
Administrative and financial support	18,517	-	18,517	17,317	-	17,317
Operation and maintenance of plant	16,863	-	16,863	17,408	-	17,408
Pupil transportation	7,681	-	7,681	7,203	-	7,203
Student activities	2,720	-	2,720	2,499	-	2,499
Community services	67	2,946	3,013	247	2,537	2,784
Scholarships and Awards	-	-	-	-	-	-
Interest on long-term debt	12,371	-	12,371	12,938	-	12,938
Unallocated depreciation expense	7,963	-	7,963	7,458	-	7,458
Food Services	-	6,866	6,866	-	7,169	7,169
<b>TOTAL EXPENSES</b>	<b>233,744</b>	<b>9,812</b>	<b>243,556</b>	<b>220,963</b>	<b>9,706</b>	<b>230,669</b>
<b>Increase (decrease) in net position</b>	<b>\$ (2,304)</b>	<b>\$ 40</b>	<b>\$ (2,264)</b>	<b>\$ (1,797)</b>	<b>\$ 229</b>	<b>\$ (1,568)</b>



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

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.

**Table A-3  
Fiscal Year ended June 30, 2015  
Governmental Activities (In Thousands)**

<b>Functions/Programs</b>	<b>2015</b>		<b>2014</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 150,329	\$ 126,276	\$ 139,002	\$ 117,344
Instructional student support	17,233	14,040	16,891	13,901
Administrative	18,517	17,184	17,317	16,203
Operation and maintenance	16,863	15,913	17,408	16,524
Pupil transportation	7,681	4,933	7,203	4,545
Student activities	2,720	2,312	2,499	2,117
Community services	67	32	247	227
Interest on long-term debt	12,371	10,546	12,938	10,137
Unallocated depreciation expense	7,963	7,963	7,458	7,458
<b>Total governmental activities</b>	<b>\$ 233,744</b>	<b>\$ 199,199</b>	<b>\$ 220,963</b>	<b>\$ 188,456</b>
Less:				
Unrestricted grants, subsidies		32,672		32,550
<b>Total needs from local taxes and other revenues</b>		<b>\$ (166,527)</b>		<b>\$ (155,906)</b>

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, 2015  
Business –Type Activities**

<b>Functions/Programs</b>	<b>2015</b>		<b>2014</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Food Services	\$ 6,865,600	\$ 201,092	\$ 7,169,076	\$ (429,390)
Child Care	2,945,886	(169,074)	2,537,486	306,407
Less:				
Investment earnings & other misc.		7,757		351,828
<b>Total business-type activities</b>		<b>\$ 39,775</b>		<b>\$ 228,845</b>

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

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*DISTRICT FUNDS*

At June 30, 2015, the District governmental funds reported a combined fund balance of \$63,574,177, an increase of \$34,910,507 from the previous year.

General fund operating revenues exceeded expenditures by \$3,170,098 which resulted in the final General Fund net ending fund balance of \$27,855,824.

The Capital Projects Fund had an increase in its fund balance of \$31,790,264 due to the issuance of Bonds during the 14-15 year to finance the ongoing Nitschmann Middle School construction project to be completed in June 2018, resulting in a Capital Project fund balance of \$35,718,350 on June 30, 2015.

**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.

Analysis of our actual revenues shows lower than budgeted interim and delinquent real estate taxes as well as delinquent taxes of \$521,788 offset by increased real estate and Act 511 taxes of \$1,641,560. State subsidies were below budget for the Ready to Learn grant and a Pre-K Counts program expansion request that was not funded. Federal grant allocations were also \$324,852 lower than anticipated. Overall operating revenues were \$231,850,886 for the 2014-15 school year, \$2,146,617 under budget.

Charter school tuition was below budget projections by \$1,916,392 due to a taper in the enrollment trend but still increased by \$2,579,670 over the prior year. Salaries and benefits, which make up the largest portion of expenditures, were 1.36% lower than originally budgeted largely due to lower participation in healthcare programs by retirees. Utility, fuel and maintenance costs were also \$1,070,098 lower than originally budgeted due to increased facility efficiencies and general utility savings along with ongoing conservative spending. Further, positive economic conditions resulted in \$299,818 lower debt costs. 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**

A June 30, 2015, the District had \$222,931,992 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 \$4,050,439 or 1.78% from last year. In April 2015, the district sold the former Monocacy School as it was no longer needed for student instruction.

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

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**Table A-5  
Governmental Activities  
Fiscal Year Ended June 30, 2015  
Capital assets - net of depreciation**

	2015	2014
Land	\$ 75,410	\$ 75,410
Site Improvements	9,385,193	9,158,634
Buildings	322,376,817	321,703,732
Furniture & Equipment	64,023,286	62,945,987
Construction in Progress	4,575,146	1,429,336
Total Capital Assets	\$ 400,435,852	\$ 395,313,099
Less Accumulated Depreciation	(177,503,860)	(168,330,668)
Total Capital Assets Net of Accumulated Depreciation	<b>\$ 222,931,992</b>	<b>\$ 226,982,431</b>

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

**DEBT ADMINISTRATION**

As of July 1, 2014, the District had total outstanding debt of \$269,355,000. During the year, the District issued \$73,550,000 in additional debt, but retired and repaid \$52,410,000 resulting in ending outstanding debt as of June 30, 2015, of \$290,495,000:

**Table A-6  
Outstanding Debt**

	2015	2014
General Obligation Notes/Bonds:		
- Notes, Series C of 2015	\$ 9,580,000	\$ -
- Notes, Series B of 2015	3,725,000	-
- Bonds, Series A of 2015	30,000,000	-
- Bonds, Revenue Series of 2014	30,245,000	-
- Bonds, Series B of 2012	-	3,975,000
- Bonds, Revenue Series A of 2011	29,980,000	29,985,000
- Bonds, Series of 2011	33,315,000	33,320,000
- Bonds, Revenue Series of 2011	40,450,000	40,455,000
- Bonds, Revenue Series of 2010	-	29,980,000
- Bonds, Series of 2010	28,805,000	28,815,000
- Bonds, Series B of 2009	8,450,000	8,915,000
- Bonds, Series AA of 2009	14,410,000	14,410,000
- Bonds, Series A of 2009	51,945,000	61,775,000
- Bonds, Series A of 2007	9,590,000	17,725,000
<b>TOTAL</b>	<b>\$ 290,495,000</b>	<b>\$ 269,355,000</b>

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 authorized by the Board of School Directors to proceed with a newly constructed school costing approximately \$53.7 million. Construction commenced in June 2015 with building completion in 2017 and final site work complete in 2018. In 2015, a roof replacement was completed at Miller Heights Elementary, and construction began on the new Nitschmann Middle School. In summer 2015, flooring tile replacement and a new security camera system were installed at East Hills Middle School, roof repairs were completed district wide and the entire wireless network infrastructure was updated. The school district continues to annually fund and complete capital improvement projects that are designed to maintain all existing structures.

### ***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. Two Floating Rate Notes were remarketed (refunded) in April 2014 with Wells Fargo Bank at reduced spreads. On December 1, 2014, the floating rate note related to the 2010 BASD Authority Bonds was refunded with a new publicly offered 2014 Floating Rate Note with a reduced spread of 43 bps from 88 bps or a 51% reduction. The District currently has a 3 FRN Fixed Payer swaps outstanding, with a total notional amount of \$99,425,000; Series of 2014, Series of 2011 and Series A of 2011 which are all based on a uniform LIBOR index with the same maturity date as the related bonds. The financial position of the district on June 30, 2015 makes these refunding opportunities much more positive due to the improved financial position, large tax base, and stable outlook for our financial future.

### ***Future Budgets***

The annual operating budget for the 2015-2016 year of \$244,867,303 is supported by a 1.52 mil increase for Northampton County and a 0.46 mil increase for Lehigh County, or 4.99% real estate tax rate increase. With the passage of Act 1, the District was required to adopt a preliminary budget in February and get approval for increasing taxes above an allowed index or pass a resolution stating that we would not exceed the index. For the 2015-2016 budget, this index was 2.3%, and the District was approved for exceptions to exceed that amount for state mandated retirement contributions, and special education expenditures. The focus continues to be balancing the educational needs with the financial and economic realities. We continue to work to responsibly restore much needed academic programs with the focus of sustainability and improved outcomes.

The final budget represents a 1.69% overall increase in expenditures excluding PSERS and charter school tuition costs. For 2014-15, this BASD internal operational increase was less than 0.25% which demonstrates our ongoing commitment to maintaining cost effective and efficient programs to meet the needs of our students while respecting the demands on our community and taxpayers. BASD's most significant educational initiative for 2015-16 is the implementation of full day kindergarten district wide to serve all students. 2015-16 continued our new initiative Project Lead the Way by expansion to the bio-engineering program at our two high schools. This program is critical to meeting the needs of our students and also responds to the need for a larger STEM educated workforce in the Lehigh Valley. We also continued development of various key

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

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educational initiatives including College and Career Pathways, Community Schools, Leader In Me and AP course offerings. We continue to seek ways to address long-term needs in areas such as transportation, facilities and technology in future operating budgets and long term planning 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**

	<b>2015-2016</b>	<b>2014-2015</b>
Local	70.4%	70.3%
State	26.4%	26.3%
Federal/Other	3.1%	3.4%

**BUDGETED EXPENDITURES**

	<b>2015-2016</b>	<b>2014-2015</b>
Instruction	62.6%	62.3%
Support Services	25.2%	25.1%
Non-Instruction/Community	1.2%	1.3%
Fund Transfers/Debt	11.1%	11.4%

**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 Chief Financial Officer, 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 Position  
As of June 30, 2015**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 56,778,855	\$ 1,224,354	\$ 58,003,209
Investments	23,000,000	-	23,000,000
Receivables, net	5,289,594	-	5,289,594
Internal Balances	128,397	-	- <sup>(1)</sup>
Due From Other Governments	6,137,025	563,166	6,700,191
Other Receivables, net	206,634	87,915	294,549
Inventories	228,307	128,139	356,446
Prepaid Expenses	96,697	466	97,163
Other Current Assets	22,370	-	22,370
<b>Total Current Assets</b>	<b>91,887,879</b>	<b>2,004,040</b>	<b>93,763,522</b>
<b>Non-Current Assets:</b>			
Restricted Cash and Investments	3,596,195	-	3,596,195
Land	75,410	-	75,410
Site Improvements (net of depreciation)	1,825,023	-	1,825,023
Building and Bldg. Improvements (net of depreciation)	211,686,313	-	211,686,313
Furniture and Equipment (net of depreciation)	4,770,100	164,190	4,934,290
Construction in Progress	4,575,146	-	4,575,146
<b>Total Non-Current Assets</b>	<b>226,528,187</b>	<b>164,190</b>	<b>226,692,377</b>
<b>TOTAL ASSETS</b>	<b>\$ 318,416,066</b>	<b>\$ 2,168,230</b>	<b>\$ 320,455,899</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow of Resources - Derivatives	4,492,641	-	4,492,641
Deferred Charges on Bond Refundings, net	17,496,406	-	17,496,406
Deferred Cost on Refundings - Derivatives	10,551,434	-	10,551,434
Deferred Outflows of Resources - Change in Proportion of NPL	8,389,287	286,713	8,676,000
Deferred Outflows of Resources - 2014-15 Pension Contributions	18,942,856	634,773	19,577,629
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 378,288,690</b>	<b>\$ 3,089,716</b>	<b>\$ 381,250,009</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Internal Balances	\$ -	\$ 128,397	\$ - <sup>(1)</sup>
Due to other governments	1,339,768	-	1,339,768
Accounts Payable	7,518,109	169,056	7,687,165
Current Portion of Long-Term Obligations	11,826,157	-	11,826,157
Accrued Salaries and Benefits	9,732,430	23,010	9,755,440
Payroll Deductions and Withholdings	7,596,096	71,088	7,667,184
Prepayments	-	111,942	111,942
Other Current Liabilities	2,888,311	10,160	2,898,471
<b>Total Current Liabilities</b>	<b>40,900,871</b>	<b>513,653</b>	<b>41,286,127</b>
<b>Non-Current Liabilities:</b>			
Bonds and Notes Payable	285,003,325	-	285,003,325
Derivative Financial Instrument Liability	25,355,040	-	25,355,040
Lease Purchase Obligations	646,938	-	646,938
Long-Term Portion of Compensated Absences	4,639,736	134,206	4,773,942
Net Defined Benefit Pension Liability	292,048,564	9,981,076	302,029,640
Net Defined Contribution Pension Liability	505,275	-	505,275
Net OPEB Obligation	10,425,300	107,868	10,533,168
<b>TOTAL LIABILITIES</b>	<b>659,525,049</b>	<b>10,736,803</b>	<b>670,133,455</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Gain on Refundings - Derivatives	1,876,985	-	1,876,985
Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	20,909,399	714,602	21,624,001
Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	347,801	11,887	359,688
Unearned Revenue	6,932	-	6,932
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>682,666,166</b>	<b>11,463,292</b>	<b>694,001,061</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	164,190	164,190
<b>Restricted For:</b>			
Retirement of Long-Term Debt	-	-	-
Capital Projects	-	-	-
Other Restrictions	-	-	-
Unrestricted (deficit)	(304,377,476)	(8,537,766)	(312,915,242)
<b>TOTAL NET POSITION</b>	<b>(304,377,476)</b>	<b>(8,373,576)</b>	<b>(312,751,052)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 378,288,690</b>	<b>\$ 3,089,716</b>	<b>\$ 381,250,009</b>

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, 2015**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES:</b>							
Instruction	\$ 150,328,950	\$ 376,728	\$ 23,676,610	\$ -	\$ (126,275,612)	\$ -	\$ (126,275,612)
Instructional Student Support	17,233,208	-	3,192,700	-	(14,040,508)	-	(14,040,508)
Admin. & Fin'l Support Services	18,517,409	-	1,333,163	-	(17,184,246)	-	(17,184,246)
Oper. & Maint. of Plant Svcs.	16,862,662	-	949,234	-	(15,913,428)	-	(15,913,428)
Pupil Transportation	7,681,097	-	2,748,295	-	(4,932,802)	-	(4,932,802)
Student activities	2,719,724	223,623	184,205	-	(2,311,896)	-	(2,311,896)
Community Services	66,806	2,025	32,981	-	(31,800)	-	(31,800)
Scholarships and Awards	231				(231)		(231)
Interest on Long-Term Debt	12,371,572	-	-	1,825,749	(10,545,823)	-	(10,545,823)
Unallocated Depreciation Expense	7,962,730	-	-	-	(7,962,730)	-	(7,962,730)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>233,744,389</b>	<b>602,376</b>	<b>32,117,188</b>	<b>1,825,749</b>	<b>(199,199,076)</b>	<b>-</b>	<b>(199,199,076)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Food Services	6,865,600	2,254,311	4,812,381	-	-	201,092	201,092
Day Care	2,945,886	2,504,335	272,477	-	-	(169,074)	(169,074)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 243,555,875</b>	<b>\$ 5,361,022</b>	<b>\$ 37,202,046</b>	<b>\$ 1,825,749</b>	<b>\$ (199,199,076)</b>	<b>\$ 32,018</b>	<b>\$ (199,167,058)</b>
<b>GENERAL REVENUES:</b>							
Property taxes. Levied for general purposes, net					\$ 142,285,722	\$ -	\$ 142,285,722
Taxes levied for specific purposes					20,464,503	-	20,464,503
Grants, subsidies, & contributions not restricted					32,671,705	-	32,671,705
Investment Earnings					73,283	122	73,405
Miscellaneous Income					1,032,342	7,635	1,039,977
Special item - Gain (Loss) on sale of capital assets					367,850	-	367,850
Extraordinary Items					-	-	-
Transfers					-	-	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS</b>					<b>196,895,405</b>	<b>7,757</b>	<b>196,903,162</b>
<b>CHANGES IN NET POSITION</b>					<b>(2,303,671)</b>	<b>39,775</b>	<b>(2,263,896)</b>
<b>NET POSITION - BEGINNING</b>					<b>(25,090,474)</b>	<b>1,051,156</b>	<b>(24,039,318)</b>
<b>Prior Period Adjustment</b>					<b>(276,983,331)</b>	<b>(9,464,507)</b>	<b>(286,447,838)</b>
<b>NET POSITION - ENDING</b>					<b>\$ (304,377,476)</b>	<b>\$ (8,373,576)</b>	<b>\$ (312,751,052)</b>

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



**Bethlehem Area School District  
Balance Sheet  
Governmental Funds  
As of June 30, 2015**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 40,439,643	\$ 16,339,209	\$ 3	\$ 56,778,855
Restricted Cash	-	96,195	-	96,195
Investments	2,000,000	21,000,000	-	23,000,000
Restricted Investments	-	3,500,000	-	3,500,000
Taxes Receivable, net	5,289,594	-	-	5,289,594
Due from other funds	4,280,477	-	-	4,280,477
Due from Primary Government	-	-	981,592	981,592
Due from Other Governments	6,101,369	-	-	6,101,369
Due from Component Unit	-	-	-	-
Other Receivables	177,686	10,155	-	187,841
Inventories	228,307	-	-	228,307
Prepaid Expenditures	96,697	-	-	96,697
Other Current Assets	22,370	-	-	22,370
<b>TOTAL ASSETS</b>	<b>\$ 58,636,143</b>	<b>\$ 40,945,559</b>	<b>\$ 981,595</b>	<b>\$ 100,563,297</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred Charges on Refundings, net	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 58,636,143</b>	<b>\$ 40,945,559</b>	<b>\$ 981,595</b>	<b>\$ 100,563,297</b>
<b><u>LIABILITIES</u></b>				
Due to Other Funds	\$ 4,229,755	\$ 3,596,195	\$ -	\$ 7,825,950
Due to Other Governments	1,339,768	-	-	1,339,768
Due to Primary Government	-	-	-	-
Due to Component Unit	981,592	-	-	981,592
Accounts Payable	2,202,404	1,631,014	-	3,833,418
Current Portion of Long-Term Debt	528,844	-	5,000	533,844
Accrued Salaries and Benefits	9,732,430	-	-	9,732,430
Payroll Deductions and Withholdings	7,596,096	-	-	7,596,096
Prepayments	-	-	-	-
Other Current Liabilities	11,767	-	976,592	988,359
<b>TOTAL LIABILITIES</b>	<b>26,622,656</b>	<b>5,227,209</b>	<b>981,592</b>	<b>32,831,457</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unearned/Unavailable Property Taxes and Grants	4,157,663	-	-	4,157,663
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>30,780,319</b>	<b>5,227,209</b>	<b>981,592</b>	<b>36,989,120</b>
<b><u>FUND BALANCES:</u></b>				
Nonspendable Fund Balance	325,004	-	-	325,004
Restricted Fund Balance	6,743	35,718,350	-	35,725,093
Committed Fund Balance	2,000,000	-	-	2,000,000
Assigned Fund Balance	6,449,684	-	3	6,449,687
Unassigned Fund Balance	19,074,393	-	-	19,074,393
<b>TOTAL FUND BALANCES</b>	<b>27,855,824</b>	<b>35,718,350</b>	<b>3</b>	<b>63,574,177</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 58,636,143</b>	<b>\$ 40,945,559</b>	<b>\$ 981,595</b>	<b>\$ 100,563,297</b>

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 Position  
As of June 30, 2015**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 63,574,177

**Amounts reported for governmental activities in the statement of net position 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 \$400,435,852 and the accumulated depreciation is \$177,503,860. 222,931,992

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. 43,629

This amount represents the deferred outflows, net of deferred inflows, created from derivative hedging transactions, including derivative instrument assets, deferred gains on derivative refundings, and deferred costs on refundings. 13,167,090

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. 4,150,731

This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues. This amount was previously reported as a contra to Bonds Payable under long-term debt; however GASB Statement No. 65 changed the classification of this item to deferred outflows of resources. 17,496,406

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

This represents the deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension Liability 6,074,943

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	\$ (295,273,325)	
Accrued interest on the bonds	(1,899,952)	
Intergovernmental Payable	-	
Compensated absences	(4,639,736)	
Derivative Instrument Liability	(25,355,040)	
Net Defined Benefit Pension Liability	(292,048,564)	
Net Defined Contribution Pension Liability	(505,275)	
Net OPEB Obligation	(10,425,300)	
Lease Purchase Obligations	(1,669,252)	(631,816,444)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ (304,377,476)**

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, 2015**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>				
Local Sources	\$ 166,726,431	\$ 2,789	\$ 4,287,750	\$ 171,016,970
State Sources	59,485,263	-	-	59,485,263
Federal Sources	5,266,016	-	-	5,266,016
<b>TOTAL REVENUES</b>	<u>231,477,710</u>	<u>2,789</u>	<u>4,287,750</u>	<u>235,768,249</u>
	-----	-----	-----	-----
<b>EXPENDITURES</b>				
Instruction	143,173,745	-	-	143,173,745
Support Services	57,449,610	259,645	412,923	58,122,178
Operation of Non-Instructional Services	2,651,191	-	-	2,651,191
Capital Outlay	-	3,845,464	-	3,845,464
Debt Service	23,216,242	-	4,291,398	27,507,640
<b>TOTAL EXPENDITURES</b>	<u>226,490,788</u>	<u>4,105,109</u>	<u>4,704,321</u>	<u>235,300,218</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>4,986,922</u>	<u>(4,102,320)</u>	<u>(416,571)</u>	<u>468,031</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Bond Issues	-	30,000,000	-	30,000,000
Proceeds from Refunded Bond Issues	-	-	43,555,000	43,555,000
Proceeds from Extended Term Financing	-	-	-	-
Bond Premiums	-	3,892,584	-	3,892,584
Interfund Transfers In	-	2,000,000	-	2,000,000
Sale/Compensation for Fixed Assets	367,850	-	-	367,850
Payment to bond refunding escrow agent	-	-	(43,049,322)	(43,049,322)
Bond Discounts	-	-	(89,258)	(89,258)
Operating Transfers Out	(2,190,000)	-	-	(2,190,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,822,150)</u>	<u>35,892,584</u>	<u>416,420</u>	<u>34,486,854</u>
<b>SPECIAL/EXTRAORDINARY ITEMS</b>				
Special Items	-	-	-	-
Extraordinary Items - Insurance Recoveries	5,326	-	-	5,326
<b>NET CHANGE IN FUND BALANCES</b>	3,170,098	31,790,264	(151)	34,960,211
<b>FUND BALANCES - BEGINNING</b>	24,735,430	3,928,086	154	28,663,670
<b>Prior Period Adjustment</b>	<u>(49,704)</u>	<u>-</u>	<u>-</u>	<u>(49,704)</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 27,855,824</u>	<u>\$ 35,718,350</u>	<u>\$ 3</u>	<u>\$ 63,574,177</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, 2015**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 34,960,211**

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	\$ 9,254,080	
less - capital outlays	<u>5,203,639</u>	(4,050,441)

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 position 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 inflows of resources decreased by this amount this year.

(447,495)

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 position.

11,539,870

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.

(195,673)

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.

(4,253,211)

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING** **37,553,261**

**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, 2015**

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

**\$ 37,553,261**

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.

3,596,197

Bond and lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. 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 position. This figure represents the difference between bond and lease proceeds and refunding payments made to paying agents.

(34,309,004)

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.

-

The difference between current year pension expense reported on the governmental activities column of the government-wide financial statements and the pension contributions made this past year reported as expenditures in the governmental funds.

(9,144,125)

**CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

**\$ (2,303,671)**

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

**Bethlehem Area School District**  
**Statement of Fund Net Position - Proprietary Funds**  
**As of June 30, 2015**

	<b>FOOD SERVICE</b>	<b>DAY CARE FUND</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 72,481	\$ 1,151,873	\$ 1,224,354
Investments	-	-	-
Due from other funds	359,383	185,921	545,304
Due From Other Governments	563,166	-	563,166
Other Receivables (net)	32,810	54,867	87,677
Inventories	128,139	-	128,139
Prepaid expenses	291	175	466
Other Current Assets	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>1,156,270</b>	<b>1,392,836</b>	<b>2,549,106</b>
<b>NON-CURRENT ASSETS:</b>			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	164,190	-	164,190
Other Long-Term Receivables	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>164,190</b>	<b>-</b>	<b>164,190</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,320,460</b>	<b>\$ 1,392,836</b>	<b>\$ 2,713,296</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources - Change in Proportion to NPL	170,078	116,635	286,713
Deferred Outflows of Resources - 2014-15 Contributions	370,342	264,431	634,773
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,860,880</b>	<b>\$ 1,773,902</b>	<b>\$ 3,634,782</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Due to Other Funds	\$ 364,256	\$ 370,974	\$ 735,230
Due to Other Governments	-	-	-
Accounts Payable	105,836	1,453	107,289
Compensated Absences	-	-	-
Accrued Salaries and Benefits	23,010	-	23,010
Payroll Deductions and Withholdings	36,233	34,855	71,088
Other Current Liabilities	10,160	-	10,160
Prepayments	52,904	59,038	111,942
<b>TOTAL CURRENT LIABILITIES</b>	<b>592,399</b>	<b>466,320</b>	<b>1,058,719</b>
<b>NON-CURRENT LIABILITIES:</b>			
Long-Term Portion of Compensated Absences	131,708	2,498	134,206
Net Pension Liability	5,921,415	4,059,661	9,981,076
Net OPEB Obligation	61,930	45,938	107,868
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>6,115,053</b>	<b>4,108,097</b>	<b>10,223,150</b>
<b>TOTAL LIABILITIES</b>	<b>6,707,452</b>	<b>4,574,417</b>	<b>11,281,869</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	423,902	290,700	714,602
Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	7,052	4,835	11,887
Deferred Inflows of Resources - Change in Proportion of NPL	-	-	-
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>7,138,406</b>	<b>4,869,952</b>	<b>12,008,358</b>
<b>FUND NET POSITION</b>			
Net Investment in Capital Assets	164,190	-	164,190
Restricted for Legal Purposes	-	-	-
Unrestricted	(5,441,716)	(3,096,050)	(8,537,766)
<b>TOTAL FUND NET POSITION</b>	<b>(5,277,526)</b>	<b>(3,096,050)</b>	<b>(8,373,576)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, &amp; FUND NET POSITION</b>	<b>\$ 1,860,880</b>	<b>\$ 1,773,902</b>	<b>\$ 3,634,782</b>

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

**Bethlehem Area School District**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds**  
**For the Year Ended June 30, 2015**

	<b>FOOD SERVICE</b>	<b>DAY CARE FUND</b>	<b>TOTAL</b>
<b>OPERATING REVENUES:</b>			
Food Service Revenue	\$ 2,169,262	\$ -	\$ 2,169,262
Charges for Services	-	1,807,524	1,807,524
Other Operating Revenues	3,345	701,150	704,495
<b>TOTAL OPERATING REVENUES</b>	<u>2,172,607</u>	<u>2,508,674</u>	<u>4,681,281</u>
	-----	-----	-----
<b>OPERATING EXPENSES:</b>			
Salaries	1,761,932	1,429,988	3,191,920
Employee Benefits	1,263,646	1,306,845	2,570,491
Purchased Professional and Technical Services	697	3,391	4,088
Purchased Property Service	192,611	44,974	237,585
Other Purchased Services	3,190,332	9,620	3,199,952
Supplies	412,390	105,171	517,561
Depreciation	22,828	-	22,828
Dues and Fees	5,165	6,949	12,114
Claims and Judgments	-	14,115	14,115
Other Operating Expenses	15,999	24,833	40,832
<b>TOTAL OPERATING EXPENSES</b>	<u>6,865,600</u>	<u>2,945,886</u>	<u>9,811,486</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(4,692,993)</u>	<u>(437,212)</u>	<u>(5,130,205)</u>
	-----	-----	-----
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Earnings on investments	29	93	122
Contributions and Donations	85,000	417	85,417
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	455,390	272,060	727,450
Federal Sources	4,356,991	-	4,356,991
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>4,897,410</u>	<u>272,570</u>	<u>5,169,980</u>
	-----	-----	-----
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	204,417	(164,642)	39,775
Capital Contributions	-	-	-
Transfers in (out)	-	-	-
<b>CHANGES IN FUND NET POSITION</b>	<u>204,417</u>	<u>(164,642)</u>	<u>39,775</u>
	-----	-----	-----
<b>FUND NET POSITION - BEGINNING</b>	133,044	918,112	1,051,156
<b>Prior Period Adjustment</b>	<u>(5,614,987)</u>	<u>(3,849,520)</u>	<u>(9,464,507)</u>
	-----	-----	-----
<b>FUND NET POSITION - ENDING</b>	<u>\$ (5,277,526)</u>	<u>\$ (3,096,050)</u>	<u>\$ (8,373,576)</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, 2015**

	<b>FOOD SERVICE</b>	<b>DAY CARE FUND</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Users	\$ 2,042,553	\$ 1,780,482	\$ 3,823,035
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	3,054	700,975	704,029
Cash Payments to Employees for Services	(2,834,327)	(2,615,367)	(5,449,694)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(3,160,843)	155,739	(3,005,104)
Cash Payments to Other Operating Expenses	(4,937)	(6,949)	(11,886)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	(3,954,500)	14,880	(3,939,620)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Local Sources	-	-	-
State Sources	433,689	272,060	705,749
Federal Sources	3,598,297	-	3,598,297
Notes and Loans Received	-	-	-
Contributions and Donations	85,000	417	85,417
Operating Transfers In (Out)	-	-	-
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	4,116,986	272,477	4,389,463
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Equipment	(93,963)	-	(93,963)
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(93,963)	-	(93,963)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Earnings on Investments	29	93	122
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Withdrawals from Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	29	93	122
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	68,552	287,450	356,002
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	3,929	864,423	868,352
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 72,481</b>	<b>\$ 1,151,873</b>	<b>\$ 1,224,354</b>



**Bethlehem Area School District**  
**Statement of Cash Flows - Proprietary Funds**  
**As of June 30, 2015**

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

	<b>FOOD SERVICE</b>	<b>DAY CARE FUND</b>	<b>TOTAL</b>
<b>OPERATING INCOME (LOSS)</b>	\$ (4,692,993)	\$ (437,212)	\$ (5,130,205)
	-----	-----	-----
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>			
Depreciation and Net Amortization	22,828	-	22,828
Provision for Uncollectible Accounts	-	(25,361)	(25,361)
Donated Commodities Used	367,844	-	367,844
<b>CHANGE IN ASSETS AND LIABILITIES:</b>			
(Increase) Decrease in Accounts Receivable	231,672	42,078	273,750
(Increase) Decrease in Advances to Other Funds	(358,381)	(29,644)	(388,025)
(Increase) Decrease in Inventories	(43,458)	-	(43,458)
(Increase) Decrease in Prepaid Expenses	(291)	(175)	(466)
(Increase) Decrease in Other Current Assets	-	-	-
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion to NPL	(170,078)	(116,635)	(286,713)
(Increase) Decrease in Deferred Outflows of Resources - 2014-15 Contributions	(370,342)	(264,431)	(634,773)
Increase (Decrease) in Accounts Payable	38,558	493	39,051
Increase (Decrease) in Accrued Salaries and Benefits	(5,711)	(3,144)	(8,855)
Increase (Decrease) in Advances from Other Funds	281,481	315,043	596,524
Increase (Decrease) in Net Pension Liability	306,428	210,141	516,569
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	423,902	290,700	714,602
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	7,052	4,835	11,887
Increase (Decrease) in Deferred Inflows of Resources - Change in Proportion of NPL	-	-	-
Increase (Decrease) in Other Current Liabilities	6,989	28,192	35,181
<b>TOTAL ADJUSTMENTS</b>	<u>738,493</u>	<u>452,092</u>	<u>1,190,585</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u><u>\$ (3,954,500)</u></u>	<u><u>\$ 14,880</u></u>	<u><u>\$ (3,939,620)</u></u>

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

**Bethlehem Area School District**  
**Statement of Net Position - Fiduciary Funds**  
**As of June 30, 2015**

	<b>PRIVATE PURPOSE TRUST</b>	<b>PENSION AND OTHER EMPLOYEE BENEFIT TRUST</b>	<b>AGENCY FUNDS</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 265,891	\$ 10,710,635	\$ 644,830
Restricted Cash	-	-	-
Investments	1,897	-	-
Due from Other Funds	-	3,746,457	-
Other Receivables	-	763,626	16,944
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 267,788</b>	<b>\$ 15,220,718</b>	<b>\$ 661,774</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charges on Refundings, net	-	-	-
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 267,788</b>	<b>\$ 15,220,718</b>	<b>\$ 661,774</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 28,505	\$ 2,532,088	\$ 59,658
Due to Other Funds	-	-	11,058
Due to Student Clubs	-	-	591,058
Other Current Liabilities	-	59,233	-
<b>TOTAL LIABILITIES</b>	<b>28,505</b>	<b>2,591,321</b>	<b>661,774</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned Revenue	-	-	-
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>28,505</b>	<b>2,591,321</b>	<b>661,774</b>
<b>NET POSITION</b>			
Restricted	-	-	-
Unrestricted	239,283	12,629,397	-
<b>TOTAL NET POSITION</b>	<b>\$ 239,283</b>	<b>\$ 12,629,397</b>	<b>\$ -</b>

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

**Bethlehem Area School District**  
**Statement of Changes in Net Position - Fiduciary Funds**  
**For the Year Ended June 30, 2015**

	<b>PRIVATE-PURPOSE TRUST FUND</b>	<b>PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS</b>
<b>ADDITIONS</b>		
Contributions	\$ 35,879	\$ 30,002,001
Transfers from other funds	-	190,000
Miscellaneous		72,763
Rebates		181,951
<b>INVESTMENT EARNINGS:</b>		
Interest and Dividends	-	4,995
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
<b>TOTAL ADDITIONS</b>	<u>35,879</u>	<u>30,451,710</u>
	-----	-----
<b>DEDUCTIONS</b>		
Transfers to other funds	-	-
PA Trust - Stop Loss Ins.		461,908
Medical and Dental Claims		29,561,309
Unemployment Costs		104,772
Workers Compensation Costs		80,456
Dues and Fees		217,437
Administrative charges	-	25,828
Scholarships	<u>47,831</u>	<u>-</u>
<b>TOTAL DEDUCTIONS</b>	<u>47,831</u>	<u>30,451,710</u>
	-----	-----
<b>CHANGES IN NET POSITION</b>	(11,952)	-
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>251,235</u>	<u>12,629,397</u>
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<b>NET POSITION - END OF YEAR</b>	<u>\$ 239,283</u>	<u>\$ 12,629,397</u>
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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, 2015**

	<b>BUDGET AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>	<b>BUDGET TO</b>	<b>ACTUAL</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>(BUDGETARY BASIS)</b>	<b>FINAL BUDGET POSITIVE (NEGATIVE)</b>	<b>GAAP DIFFERENCE</b>	<b>AMOUNTS GAAP BASIS</b>
<b>REVENUES</b>						
Local Sources	\$ 166,199,483	\$ 166,209,297	\$ 166,726,431	\$ 517,134	\$ -	\$ 166,726,431
State Sources	62,177,152	62,167,338	59,485,263	(2,682,075)	-	59,485,263
Federal Sources	5,590,868	5,590,868	5,266,016	(324,852)	-	5,266,016
<b>TOTAL REVENUES</b>	<b>233,967,503</b>	<b>233,967,503</b>	<b>231,477,710</b>	<b>(2,489,793)</b>	<b>-</b>	<b>231,477,710</b>
<b>EXPENDITURES</b>						
Regular Instruction	101,437,912	105,255,110	102,497,841	2,757,269	-	102,497,841
Special Programs	28,991,950	29,124,884	29,688,116	(563,232)	-	29,688,116
Vocational Programs	11,191,040	6,673,012	6,669,727	3,285	-	6,669,727
Other Instructional Programs	2,722,715	2,838,620	1,336,774	1,501,846	-	1,336,774
Nonpublic School Programs	28,504	24,742	24,742	-	-	24,742
Adult Education Programs	4,000	-	-	-	-	-
Community/Junior College Ed. Programs	2,295,708	2,294,708	2,294,708	-	-	2,294,708
Pre-Kindergarten	736,292	672,684	661,837	10,847	-	661,837
Pupil Personnel Services	8,906,172	8,700,230	8,530,134	170,096	-	8,530,134
Instructional Staff Services	6,135,688	5,790,053	5,452,591	337,462	-	5,452,591
Administrative Services	10,923,817	11,176,822	10,813,926	362,896	-	10,813,926
Pupil Health	2,240,713	2,255,218	2,102,605	152,613	-	2,102,605
Business Services	1,780,207	1,741,500	1,819,810	(78,310)	-	1,819,810
Operation & Maintenance of Plant Services	18,258,611	18,196,019	16,319,196	1,876,823	-	16,319,196
Student Transportation Services	7,140,050	7,410,905	6,925,793	485,112	-	6,925,793
Central Support Services	3,781,932	5,176,635	5,378,114	(201,479)	-	5,378,114
Other Support Services	102,548	105,711	107,441	(1,730)	-	107,441
Student Activities	2,685,967	2,678,556	2,584,848	93,708	-	2,584,848
Community Services	302,548	64,017	66,112	(2,095)	-	66,112
Scholarships and Awards	-	231	231	-	-	231
Facilities, Acquisition and Construction	-	-	-	-	-	-
Debt Service	23,648,799	23,643,144	23,216,242	426,902	-	23,216,242
<b>TOTAL EXPENDITURES</b>	<b>233,315,173</b>	<b>233,822,801</b>	<b>226,490,788</b>	<b>7,332,013</b>	<b>-</b>	<b>226,490,788</b>
Excess (deficiency) of revenues over expenditures	652,330	144,702	4,986,922	4,842,220	-	4,986,922
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds From Extended Term Financing	-	-	-	-	-	-
Interfund Transfers In	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	20,000	20,000	367,850	347,850	-	367,850
Fund Transfers Out	(200,000)	(200,000)	(2,190,000)	(1,990,000)	-	(2,190,000)
Budgetary Reserve	(3,000,000)	(2,492,372)	-	2,492,372	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,180,000)</b>	<b>(2,672,372)</b>	<b>(1,822,150)</b>	<b>850,222</b>	<b>-</b>	<b>(1,822,150)</b>
Special Items	-	-	-	-	-	-
Extraordinary Items - Insurance Recoveries	10,000	10,000	5,326	(4,674)	-	5,326
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,517,670)</b>	<b>(2,517,670)</b>	<b>3,170,098</b>	<b>5,687,768</b>	<b>-</b>	<b>3,170,098</b>
<b>FUND BALANCE - JULY 1, 2014</b>	<b>19,918,779</b>	<b>\$ 19,918,779</b>	<b>\$ 24,735,430</b>	<b>\$ 4,816,651</b>	<b>\$ -</b>	<b>\$ 24,735,430</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>(49,704)</b>	<b>(49,704)</b>	<b>-</b>	<b>(49,704)</b>
<b>FUND BALANCE - JUNE 30, 2015</b>	<b>\$ 17,401,109</b>	<b>\$ 17,401,109</b>	<b>\$ 27,855,824</b>	<b>\$ 10,454,715</b>	<b>\$ -</b>	<b>\$ 27,855,824</b>

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, 2015**

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**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 13,500 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 Chief Financial Officer 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 Chief Financial Officer is directly responsible to the Superintendent.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

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***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***

***Bethlehem Area School District Authority***

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 2014-15 fiscal year are blended into the School District's basic financial statements.

***Bethlehem Area School District Employee Benefit Trust***

During the 2011-12 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 2014-15 was \$6,669,727.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

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On dissolution of the Bethlehem Area Vocational Technical School, the net position 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 position 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 2014-15 was \$2,294,708.

On dissolution of the Northampton Community College, the net position 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 position 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. GASB Statement No. 62 was issued to include all prior Financial Accounting Standards Board's statements and interpretations pertaining to governments into the hierarchy of the Governmental Accounting Standards Board's jurisdiction. The most 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, 2015**

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**A. Basis of Presentation**

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

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

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program, or function of the School District's governmental 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. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Deferred outflows of resources is recorded in a particular governmental fund where costs are spent for a future period. Current Liabilities are assigned to the governmental fund from which they will be paid. Deferred inflows of resources is recorded in a particular governmental fund that has received resources for a future period. The difference between the sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources 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. However, its blended component unit's (BASD Authority) general fund is brought into these basic financial statements as a non-major special revenue fund.

### **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.

The District has the following Capital Project Funds:

a) Capital Project Fund

During the 2014-15 fiscal year this fund received the proceeds from the \$30,000,000 General Obligation Bonds – Series A of 2015. The purpose of this issue is to finance the capital costs of designing, constructing, renovating, improving, and furnishing & equipping school facilities, including the Nitschmann Middle School project.

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 position, 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 position and changes in net position. 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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

**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, along with deferred outflows of resources or deferred inflows of resources required to be reported. 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, including required deferred outflows of resources or required deferred inflows of resources, associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds 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 inflows of resources, 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.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

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***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.

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 2014-15 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. Changes in Accounting Principles***

During the 2014-15 fiscal year the District implemented the required GASB Statement No. 68 (*Accounting and Financial Reporting for Pensions*), which requires all governments to record the net pension liability on all defined benefit and defined contribution plans. Since this District is a cost-sharing participating member of the Public School Employees' Retirement System (PSERS), they must record their proportionate share of the Plan's Net Pension Liability as calculated by the Plan's actuary. In addition, GASB Statement No. 68 requires recording applicable deferred outflows of resources and deferred inflows of resources required under the guidance found in the accounting standard.

***H. Pensions***

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

***I. Assets, Liabilities, and Net Position***

***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.

***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.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

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*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, 2015, 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 inflows of resources 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, 2015, the inventory shown in the governmental activities column of the government-wide statement of net position is \$228,307 and \$128,139, is shown as inventory in the business-type activities column of the government-wide statement of net position.

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 \$228,307, taken as of June 30, 2015; 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 that has inventory 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, 2015, consist of:

Purchased Food	\$	76,423
Donated Commodities		16,225
Purchased Supplies		<u>35,491</u>
Total	\$	<u><u>128,139</u></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.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

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*Capital Assets*

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand (\$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:

<b>Description</b>	<b>Governmental Activities Estimated Lives</b>	<b>Business-Type Activities Estimated Lives</b>
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.

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.

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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*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 position. Bond premiums and discounts, 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. Any deferred amount on refundings are reported as deferred outflows of resources and amortized over the life of the bond issue. Bond issuance costs are expensed in the year they are incurred.

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, 2015, 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.

*Net Position*

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net Investment in Capital Assets component of Net Position is comprised 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. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall Net Investment in Capital Assets. The restricted component of Net Position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of Net Position is unrestricted.

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

*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.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

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*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.

*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.



**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

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**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 position.*

The governmental fund balance sheet includes reconciliation between "fund balance - total governmental funds" and "net position - governmental activities" as reported in the government-wide statement of net position. 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 \$631,816,444 differences are:

Bonds payable	\$ 290,495,000
Less: Issuance discount (to be amortized as interest expense)	(605,593)
Add: Issuance premium (to be amortized as a contra to interest expense)	5,383,918
Derivative Instrument Liability	25,355,040
Lease Purchase Obligations	1,669,252
Accrued interest payable	1,899,952
Net Defined Benefit Pension Liability	292,048,564
Net Defined Contribution Pension Liability	505,275
Net OPEB Obligation	10,425,300
Compensated absences	4,639,736
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	<u><u>\$ 631,816,444</u></u>

A. *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 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.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

	TOTAL GOVERN- MENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANS- ACTIONS	TOTAL FOR STATEMENT OF ACTIVITIES
<b>REVENUES AND OTHER SOURCES</b>					
<b>LOCAL SOURCES:</b>					
Property Taxes	\$ 142,733,216	\$ (447,494)	\$ -	\$ -	\$ 142,285,722
Taxes levied for specific purposes	20,464,503	-	-	-	20,464,503
Interest and investment earnings	4,362,150	7,531	-	(4,296,398)	73,283
Miscellaneous	659,071	5,326	-	-	664,397
Contributions and Donations	367,945	-	-	-	367,945
Charges for Services	566,721	35,655	-	-	602,376
Grants, subsidies & contributions not restricted	32,671,705	-	-	-	32,671,705
<b>INTERMEDIATE SOURCES:</b>					
Charges for Services	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
<b>STATE SOURCES:</b>					
Operating & Capital grants and contributions	26,813,558	-	-	-	26,813,558
<b>FEDERAL SOURCES:</b>					
Operating & Capital grants and contributions	7,129,379	-	-	-	7,129,379
<b>SPECIAL AND EXTRAORDINARY SOURCES:</b>					
Proceeds from Bond Issues	73,555,000	-	-	(73,555,000)	-
Bond Premiums	3,892,584	-	-	(3,892,584)	-
Proceeds from Extended Term Financing	-	-	-	-	-
Extraordinary Item - Insurance Recoveries	5,326	(5,326)	-	-	-
Gain or (Loss) on disposal of assets	367,850	-	-	-	367,850
<b>TOTAL REVENUES</b>	<b>313,589,008</b>	<b>(404,308)</b>	<b>-</b>	<b>(81,743,982)</b>	<b>231,440,718</b>
<b>EXPENDITURES/EXPENSES</b>					
Instruction	143,299,889	7,230,825	(201,764)	-	150,328,950
Instructional Student Support	16,104,428	1,120,517	8,263	-	17,233,208
Admin. & Fin'l Support Services	18,809,365	202,227	(494,183)	-	18,517,409
Oper. & Maint. Of Plant Svcs.	16,336,590	327,479	198,593	-	16,862,662
Pupil Transportation	6,935,164	314,228	431,705	-	7,681,097
Student activities	2,585,335	143,828	(9,439)	-	2,719,724
Community Services	66,112	694	-	-	66,806
Scholarships & Awards	231	-	-	-	231
Capital Outlay	3,845,464	-	(3,845,464)	-	-
Debt Service	70,646,220	-	-	(58,274,648)	12,371,572
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	7,962,730	-	7,962,730
Special Item - Derivative Termination Fee	-	-	-	-	-
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>278,628,798</b>	<b>9,339,798</b>	<b>4,050,441</b>	<b>(58,274,648)</b>	<b>233,744,389</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ 34,960,210</b>	<b>\$ (9,744,106)</b>	<b>\$ (4,050,441)</b>	<b>\$ (23,469,334)</b>	<b>\$ (2,303,671)</b>

**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 position of individual funds**

No individual fund contains a deficit fund balance or net position at June 30, 2015, except the governmental activities has a \$304,377,476 in deficit net position, and the business-type activities (comprised of food service fund, (\$5,277,526), and day care fund, (\$3,096,050), has a deficit Net Position of \$8,373,576.

**C. Excess of expenditures over appropriations in individual funds**

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

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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, 2015.

In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

**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, 2015, \$0- of the District's bank balance of \$75,574 was exposed to custodial credit risk as follows, and \$96,195 held in a pooled account is restricted.

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Uninsured and uncollateralized	\$	-
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		-
<b>TOTAL</b>	<b>\$</b>	<b>-</b>

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*Reconciliation to Financial Statements*

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Uncollateralized Amount above	\$	-
Plus: Insured Amount		75,574
Less: Outstanding Checks		(1,577)
Carrying Amount - Cash Balances		73,997
Plus: Petty Cash		2,356
Deposit in Pooled Investments Considered Cash Equivalents		69,646,304
Less: Certificates of Deposit considered Investments by School Code		(1,897)
<b>TOTAL CASH PER FINANCIAL STATEMENTS</b>	<b>\$</b>	<b>69,720,760</b>

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**Investments**

As of June 30, 2015, the District had the following investments:

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

<i>Investment</i>	<i>Maturities</i>	<i>Fair Value</i>
PSDLAF/PSDMAX		\$ 64,917,887
PSDMAX - Restricted		96,195
PA Treasurer's Invest Program		2,210,042
PLGIT Class		2,422,180
Lafayette Ambassador Bank -CD		600
KNBT -CD's		1,297
PSDLAF -CD's		23,000,000
PSDLAF - Restricted CD		3,500,000
<b>TOTAL</b>		<b>\$ 96,148,201</b>

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, 2015, 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 Capital Projects Fund has 60.25% of investments in Certificates of Deposits with PSDLAF. As for the Governmental Activities, the District has 34.89% of investments in Certificates of Deposits with PSDLAF. Of the investments held entity wide, 27.64% are held in Certificates of Deposit with PSDLAF.

Reconciliation to Financial Statements

Total Investments Above	\$ 96,148,201
Less: Deposits in Investment Pool Considered Cash Equivalents	(69,646,304)
<b>Total Investments Per Financial Statements</b>	<b>\$ 26,501,897</b>

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 \$4,118,992,900. In accordance with Act I of 2006, the District receives \$4,743,763 in property tax reduction funds for the 2014-15 fiscal year. The tax rate for the Northampton and Lehigh Counties was \$5.099 and \$1.577, respectively per \$100 of assessed valuation or 50.99 mills and 15.77 mills, respectively.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

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	DAY CARE FUND	FIDUCIARY FUNDS	TOTAL
<b>RECEIVABLES:</b>						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	5,289,594	-	-	-	-	5,289,594
Accounts	177,686	10,155	32,810	54,867	780,570	1,056,088
Intergovernmental	6,101,369	-	563,166	-	-	6,664,535
<b>GROSS RECEIVABLES</b>	<b>11,568,649</b>	<b>10,155</b>	<b>595,976</b>	<b>54,867</b>	<b>780,570</b>	<b>13,010,217</b>
Less: Allowance for Uncollectibles	-	-	-	-	-	-
<b>NET RECEIVABLES</b>	<b>\$ 11,568,649</b>	<b>\$ 10,155</b>	<b>\$ 595,976</b>	<b>\$ 54,867</b>	<b>\$ 780,570</b>	<b>\$ 13,010,217</b>

Governmental funds report deferred inflows of resources 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 inflows of resources reported in the governmental funds were:

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 4,150,731	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	6,932
<b>TOTAL</b>	<b>\$ 4,150,731</b>	<b>\$ 6,932</b>

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

*Capital Assets*

Capital asset balances and activity for the year ending June 30, 2015, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital Assets not being depreciated:				
Land	\$ 75,410	\$ -	\$ -	\$ 75,410
Construction in Progress	1,429,336	4,090,961	(945,151)	4,575,146
Total Capital Assets not being depreciated	1,504,746	4,090,961	(945,151)	4,650,556
Capital Assets being depreciated:				-
Site Improvements	9,158,634	226,559	-	9,385,193
Buildings and Improvements	321,703,732	746,520	(73,435)	322,376,817
Furniture and Equipment	62,945,987	1,084,750	(7,451)	64,023,286
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>393,808,353</b>	<b>2,057,829</b>	<b>(80,886)</b>	<b>395,785,296</b>
Less accumulated depreciation for:				
Site Improvements	(7,228,799)	(331,371)	-	(7,560,170)
Buildings and Improvements	(102,771,206)	(7,992,733)	73,435	(110,690,504)
Furniture and Equipment	(58,330,663)	(929,974)	7,451	(59,253,186)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(168,330,668)</b>	<b>(9,254,078)</b>	<b>80,886</b>	<b>(177,503,860)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION</b>	<b>225,477,685</b>	<b>(7,196,249)</b>	<b>-</b>	<b>218,281,436</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION</b>	<b>\$ 226,982,431</b>	<b>\$ (3,105,288)</b>	<b>\$ (945,151)</b>	<b>\$ 222,931,992</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 1,900,543	\$ 93,963	\$ (26,574)	\$ 1,967,932
Less accumulated depreciation	(1,807,488)	(22,828)	26,574	(1,803,742)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION</b>	<b>\$ 93,055</b>	<b>\$ 71,135</b>	<b>\$ -</b>	<b>\$ 164,190</b>

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

Regular Instruction	\$ 120,897
Special Instruction	1,769
Vocational Instruction	3,065
Other Instruction	1,019
Adult Instruction	-
Community College Instruction	-
Pre-Kindergarten	108
Pupil Services	-
Instructional Staff Svcs.	7,869
Administrative Services	1,669
Health Services	394
Business Services	4,077
Operation & Maintenance of Plant Svcs.	528,749
Pupil Transportation	436,734
Central Services	80,738
Other Support Services	-
Student Activities	104,260
Community Services	-
Depreciation - unallocated	7,962,730
<b>TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES</b>	<b>\$ 9,254,078</b>

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

The governmental activities disposed of \$80,886 in fully depreciated capital assets during the year, showing a gain of disposition of \$367,850, representing the sale of the Monocacy Property. The business-type activities disposed of \$26,574, with accumulated depreciation of \$26,574, reflecting a \$-0- gain on disposition.

**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:

	<b>CONTRACT AMOUNT</b>	<b>EXPENDED TO 6/30/15</b>	<b>OUTSTANDING COMMITMENTS</b>
<b><u>Nitschmann Middle School</u></b>			
D'Huy Engineering, Inc	\$ 1,759,103	\$ 548,061	\$ 1,211,042
Jay R. Reynolds, Inc.	1,865,300	83,939	1,781,361
Penn Builders, Inc.	34,061,200	807,953	33,253,247
Sargent Enterprises, Inc.	376,850	27,067	349,783
Wind Gap Electric, Inc.	4,851,300	82,800	4,768,500
Myco Mechanical, Inc.	5,179,000	-	5,179,000
B.R.F. Architects	2,250,000	1,838,889	411,111
<b>SUB-TOTAL</b>	<b>50,342,753</b>	<b>3,388,709</b>	<b>46,954,044</b>
<b><u>Miller Heights Roof Replacement</u></b>			
C&D Waterproofing Corp.	751,800	553,587	198,213
<b>SUB-TOTAL</b>	<b>751,800</b>	<b>553,587</b>	<b>198,213</b>
<b><u>East Hills Middle School Cafeteria Floor Replacement</u></b>			
Cope Carpet Interiors	69,500	-	69,500
<b>SUB-TOTAL</b>	<b>69,500</b>	<b>-</b>	<b>69,500</b>
<b><u>Telephone Systems Upgrade</u></b>			
STC Services	295,800	-	295,800
<b>SUB-TOTAL</b>	<b>295,800</b>	<b>-</b>	<b>295,800</b>
<b><u>Security Cameras Upgrade - East Hills Middle School</u></b>			
Communication Systems	36,722	-	36,722
<b>SUB-TOTAL</b>	<b>36,722</b>	<b>-</b>	<b>36,722</b>
<b>GRAND TOTAL</b>	<b>\$ 51,496,575</b>	<b>\$ 3,942,296</b>	<b>\$ 47,554,279</b>

**Short-term debt**

*Interfund receivables and payables*

The following interfund receivables and payables were in existence on June 30, 2015:

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

	<b>INTERFUND RECEIVABLES</b>	<b>INTERFUND PAYABLES</b>
General Fund	\$ 4,280,477	\$ 4,229,755
Enterprise (Food Service) Fund	359,383	364,256
Enterprise (Day Care) Fund	185,921	370,974
Capital Project Fund	-	3,596,195
Self - Insurance Trust Fund (Blended Component Unit)	3,746,457	-
Agency (Activity) Fund	-	11,058
<b>TOTAL</b>	<b>\$ 8,572,238</b>	<b>\$ 8,572,238</b>

The District also made the following interfund transfers during the fiscal year ended June 30, 2015:

	<b>TRANSFER IN</b>	<b>TRANSFER OUT</b>
General Fund	\$ -	\$ 2,190,000
Capital Projects (Capital Reserve) Fund	2,000,000	-
Self - Insurance Trust Fund (Blended Component Unit)	190,000	-
Enterprise (Food Service) Fund	-	-
<b>TOTAL</b>	<b>\$ 2,190,000</b>	<b>\$ 2,190,000</b>

*Long-Term Liabilities*

Long-term liability balances and activity for the year ended June 30, 2015, were:

	<b>BEGINNING BALANCE</b>	<b>ADDITIONS</b>	<b>REDUCTIONS</b>	<b>ENDING BALANCE</b>	<b>AMOUNTS DUE WITHIN ONE YEAR</b>
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>General Obligation Debt:</b>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 270,763,828	\$ 78,752,249	\$ 54,237,752	\$ 295,278,325	\$ 10,275,000
Capital Leases	2,664,121	-	994,870	1,669,251	1,022,313
<b>Total general obligation debt</b>	273,427,949	78,752,249	55,232,622	296,947,576	11,297,313
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	1,562,736	-	492,093	1,070,643	393,961
Sick pay	4,866,038	-	768,101	4,097,937	134,883
Net Defined Contribution Pension Obligation	347,405	157,870		505,275	-
Net Defined Benefit Pension Liability	276,933,627	15,114,937		292,048,564	-
Net OPEB Obligation	8,948,194	1,477,106	-	10,425,300	-
Derivative Financial Instruments	23,726,238	1,628,802	-	25,355,040	-
<b>Total other liabilities</b>	316,384,238	18,378,715	1,260,194	333,502,759	528,844
<b>TOTAL GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES</b>	<b>\$ 589,812,187</b>	<b>\$ 97,130,964</b>	<b>\$ 56,492,816</b>	<b>\$ 630,450,335</b>	<b>\$ 11,826,157</b>
<b>BUSINESS TYPE ACTIVITIES</b>					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	3,321	-	823	2,498	-
Sick pay	190,279	-	58,571	131,708	-
Net Defined Benefit Pension Liability	9,464,507	516,569		9,981,076	-
Net OPEB Obligation	98,729	9,139	-	107,868	-
<b>TOTAL BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES</b>	<b>\$ 9,756,836</b>	<b>\$ 525,708</b>	<b>\$ 59,394</b>	<b>\$ 10,223,150</b>	<b>\$ -</b>



**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

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:

<b>GOVERNMENTAL ACTIVITIES:</b>	<b>EXPENSE</b>	<b>PAID</b>
General obligation debt	\$ 12,301,100	\$ 11,605,900
Lease debt	70,472	70,472
Short-term borrowings	-	-
<b>TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES</b>	<b>\$ 12,371,572</b>	<b>\$ 11,676,372</b>

**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, 2015, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ 8,555,000	\$ 265,625
2016-17	1,035,000	25,875
<b>SUB-TOTAL</b>	9,590,000	<b>\$ 291,500</b>
Unamortized Discount	(1,840)	
<b>TOTAL OUTSTANDING</b>	<b>\$ 9,588,160</b>	

**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.

On June 4, 2015 the District refunded a portion of the Series A of 2009 (\$8,420,000), with interest rates ranging from 3.00% to 5.00%, with new debt in the amount of \$9,580,000, with interest rates ranging from 2.868% to 4.114% also extending the payoff of the debt from October 15, 2023 to August 1, 2029.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

**SOURCES**

Proceeds of Bonds	\$ 9,580,000
Plus: Accrued Interest	-
Premium	-
Less: Original Issue Discount	-
Underwriter's Discount	(37,280)
<b>TOTAL SOURCES</b>	<b><u>\$ 9,542,720</u></b>

**USES**

Escrow Deposit	\$ 9,482,131
Issuance Costs	60,589
Sinking Fund Deposit	-
<b>TOTAL USES</b>	<b><u>\$ 9,542,720</u></b>

**DIFFERENCE IN CASH FLOW REQUIREMENTS**

Old Debt Service Cash Flows	\$ 9,986,294
Cash Flows from New Debt:	
New Debt Service Cash Flow	\$ 10,327,234
Less: Excess Funds Deposited in Sinking Fund	-
Net Cash Flows from New Debt	<u>10,327,234</u>
Net Difference in Cash Flows	<u>\$ (340,940)</u>

**ECONOMIC GAIN OR (LOSS)**

Present Value of Old Debt Service Cash Flows	\$ 8,804,762
Present Value of New Debt Service Cash Flows	\$ 9,482,131
Less: Excess Funds Deposited in Sinking Fund	-
Total	<u>9,482,131</u>

**Economic Gain or (Loss) \$ (677,369)**

The remaining outstanding debt service requirements at June 30, 2015, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ 1,180,000	\$ 2,312,769
2016-17	8,045,000	2,127,944
2017-18	9,005,000	1,763,819
2018-19	6,410,000	1,406,569
2019-20	3,435,000	1,160,444
2020-25	<u>23,870,000</u>	<u>1,555,689</u>
<b>SUB-TOTAL</b>	51,945,000	<b><u>\$ 10,327,234</u></b>
Unamortized Discount	(205,321)	
Unamortized Premium	<u>957,066</u>	
<b>TOTAL OUTSTANDING</b>	<b><u>\$ 52,696,745</u></b>	

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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**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, 2015, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ -	\$ 580,400
2016-17	-	580,400
2017-18	-	580,400
2018-19	3,000,000	523,400
2019-20	6,410,000	338,200
2020-21	5,000,000	105,000
<b>SUB-TOTAL</b>	14,410,000	<b>\$ 2,707,800</b>
Unamortized Discount	(129,424)	
<b>TOTAL OUTSTANDING</b>	<b>\$ 14,280,576</b>	

**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, 2015, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ 475,000	\$ 361,819
2016-17	495,000	346,526
2017-18	510,000	329,434
2018-19	530,000	310,438
2019-20	550,000	289,369
2020-25	3,085,000	1,064,513
2025-29	2,805,000	288,672
<b>SUB-TOTAL</b>	8,450,000	<b>\$ 2,990,771</b>
Unamortized Premium	3,432	
Unamortized Discount	(76,109)	
<b>TOTAL OUTSTANDING</b>	<b>\$ 8,377,323</b>	

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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**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, 2015, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ 15,000	\$ 1,388,400
2016-17	5,000	1,387,987
2017-18	5,000	1,387,837
2018-19	5,000	1,387,672
2019-20	5,000	1,387,498
2020-25	20,165,000	6,193,580
2025-26	8,605,000	451,762
<b>SUB-TOTAL</b>	<b>28,805,000</b>	<b>\$ 13,584,736</b>
Unamortized Discount	-	
Unamortized Premium	530,836	
<b>TOTAL OUTSTANDING</b>	<b>\$ 29,335,836</b>	

**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.

These Notes were refunded this past fiscal year with General Obligation Notes – Series of 2014.

**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.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

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 Position 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, 2015, for informational purposes only, using 0.6744% interest rate in effect at June 30, 2015:**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ 5,000	\$ 272,780
2016-17	5,000	272,746
2017-18	5,000	272,713
2018-19	5,000	272,679
2019-20	5,000	272,645
2020-25	4,610,000	1,307,599
2025-30	22,930,000	812,740
2030-32	12,885,000	51,990
<b>TOTAL</b>	<b>\$ 40,450,000</b>	<b>\$ 3,535,892</b>

**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 outstanding debt service obligations, at June 30, 2015, are as follows:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ 5,000	\$ 1,287,413
2016-17	5,000	1,287,336
2017-18	5,000	1,287,244
2018-19	5,000	1,287,137
2019-20	5,000	1,287,019
2020-25	12,150,000	5,850,181
2025-30	21,140,000	2,030,159
<b>Sub-Total</b>	<b>\$ 33,315,000</b>	<b>\$ 14,316,489</b>
<b>Unamortized Bond Discount</b>	<b>(103,639)</b>	
<b>Total Outstanding</b>	<b>\$ 33,211,361</b>	

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

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**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 Position 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, 2015, for informational purposes only, using 0.6744% interest rate in effect at June 30, 2015.**

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 5,000	\$ 202,183
2016-17	5,000	202,149
2017-18	5,000	202,116
2018-19	5,000	202,082
2019-20	5,000	202,048
2020-25	25,000	1,009,735
2025-30	2,150,000	1,002,920
2030-32	27,780,000	204,929
<b>TOTAL</b>	<b>\$ 29,980,000</b>	<b>\$ 3,228,162</b>

**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.

On June 4, 2015, the District refunded the Series of 2012 (\$3,470,000), with interest rates ranging from 1.75% to 3.0%, with new debt in the amount of \$3,725,000, with interest rates ranging from 3.255 to 3.75%.

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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**SOURCES**

Proceeds of Bonds	\$ 3,725,000
Plus: Accrued Interest	-
Premium	-
Less: Original Issue Discount	(89,258)
Underwriter's Discount	(17,539)

<b>TOTAL SOURCES</b>	<b><u>\$ 3,618,203</u></b>
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**USES**

Escrow Deposit	\$ 3,587,191
Issuance Costs	31,012
Sinking Fund Deposit	-

<b>TOTAL USES</b>	<b><u>\$ 3,618,203</u></b>
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**DIFFERENCE IN CASH FLOW REQUIREMENTS**

Old Debt Service Cash Flows	\$ 3,675,363
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Cash Flows from New Debt:

New Debt Service Cash Flow	\$ 5,636,770
Less: Excess Funds Deposited in Sinking Fund	-
Net Cash Flows from New Debt	<u>5,636,770</u>

Net Difference in Cash Flows	<u>\$ (1,961,407)</u>
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**ECONOMIC GAIN OR (LOSS)**

Present Value of Old Debt Service Cash Flows	\$ 3,364,551
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Present Value of New Debt Service Cash Flows	\$ 3,587,191
Less: Excess Funds Deposited in Sinking Fund	-
Total	<u>3,587,191</u>

<b>Economic Gain or (Loss)</b>	<b><u>\$ (222,640)</u></b>
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**General Obligation Notes of 2014**

On December 1, 2014, the District issued \$30,250,000 of General Obligation Bonds – Series of 2014. The proceeds will be used: (1) to currently refund a portion General Obligation Notes – Series of 2010 by transferring the liability to the BASD Authority; and (2) paying the cost of this issue. These Notes are issued to the BASD Authority to guarantee their issuance of the Series of 2014 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, 2015 to January 1, 2030. Interest rates are variable using the SIFMA 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.

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 Position 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, 2015, for informational purposes only, using 0.5581% interest rate in effect at June 30, 2015:**

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ 35,000	\$ 168,716
2016-17	35,000	168,521
2017-18	40,000	168,314
2018-19	40,000	168,090
2019-20	40,000	167,867
2020-25	200,000	835,987
2025-30	29,855,000	528,105
<b>TOTAL</b>	<b>\$ 30,245,000</b>	<b>\$ 2,205,600</b>

**General Obligation Bonds – Series A of 2015**

On June 4, 2015, the District issued \$30,000,000 in General Obligation Bonds - Series A of 2015. The proceeds will be used : (1) for capital projects including planning, designing, acquiring, construction and furnishing alterations and renovations to the Nitschmann Middle School and other public school facilities of the District, 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 August 1, 2025 to August 1, 2035. The bonds shall bear interest at 5.0%, with total interest indebtedness of \$28,080,750.

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ -	\$ 987,500
2016-17	-	1,500,000
2017-18	-	1,500,000
2018-19	-	1,500,000
2019-20	-	1,500,000
2020-25	-	7,500,000
2025-30	-	7,500,000
2030-35	21,930,000	5,891,500
3035-36	8,070,000	201,750
<b>Sub-Total</b>	<b>\$ 30,000,000</b>	<b>\$ 28,080,750</b>
<b>Unamortized Bond Premium</b>	<b>3,892,584</b>	
<b>Total Outstanding</b>	<b>\$ 33,892,584</b>	

**General Obligation Notes – Series B of 2015**

On June 4, 2015, the District issued \$3,470,000 of General Obligation Notes - Series B of 2015. The proceeds will be used: (1) to advance refund and restructure all of the Districts' General Obligation Bonds, Series of 2012 currently outstanding in the aggregate principal amount of \$3,470,000, 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 August 1, 2029, to August 1, 2031. The bonds bear interest from 3.25% to 3.37%, with total indebtedness of \$1,911,770. The outstanding debt service requirements at June30, 2015, are:



**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ -	\$ 82,098
2016-17	-	124,706
2017-18	-	124,706
2018-19	-	124,706
2019-20	-	124,706
2020-25	-	623,531
2025-30	810,000	610,370
2030-35	2,915,000	96,947
<b>Sub-Total</b>	<b>\$ 3,725,000</b>	<b>\$ 1,911,770</b>
<b>Unamortized Bond Discount</b>	(89,260)	
<b>Total Outstanding</b>	<b>\$ 3,635,740</b>	

**General Obligation Notes – Series C of 2015**

On June 4, 2015, the District issued \$9,580,000 of General Obligation Notes - Series C of 2015. The proceeds will be used: (1) to advance refund and restructure all of the Districts' General Obligation Bonds, Series A of 2009 currently outstanding in the aggregate principal amount of \$60,365,000, of which \$8,420,000 was refunded, 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 August 1, 2016, to August 1, 2029. The bonds bear interest from 2.868%% to 4.114%, with total indebtedness of \$3,656,622. This issue is considered federally taxable. The outstanding debt service requirements at June30, 2015, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ -	\$ 228,729
2016-17	5,000	347,364
2017-18	5,000	347,221
2018-19	5,000	347,078
2019-20	5,000	346,934
2020-25	3,770,000	1,553,402
2025-30	5,790,000	485,894
<b>Sub-Total</b>	<b>\$ 9,580,000</b>	<b>\$ 3,656,622</b>
<b>Unamortized Bond Discount</b>	-	
<b>Total Outstanding</b>	<b>\$ 9,580,000</b>	

**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. The issue was refunded during the 2014-15 fiscal year, along with the associated swaps, with Series 2014 Guaranteed Lease Revenue Bonds.

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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**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 \$9,403,202 as of June 30, 2015. 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, 2015, 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, 2014. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2015, the SIFMA rate was 0.6744%, whereas 68% of LIBOR was 0.1244%.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

*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, 2015, 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, 2015, using the variable rate in effect at year end are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>Interest Rate Swaps, Net</b>	<b>TOTAL</b>
2015-16	\$ 5,000	\$ 272,780	\$ 1,458,458	\$ 1,736,238
2016-17	5,000	272,746	1,458,275	1,736,021
2017-18	5,000	272,713	1,458,093	1,735,806
2018-19	5,000	272,679	1,457,911	1,735,590
2019-20	5,000	272,645	1,457,728	1,735,373
2020-25	4,610,000	1,307,599	6,732,361	12,649,960
2025-30	22,930,000	812,740	3,605,328	27,348,068
2030-32	12,885,000	51,990	345,759	13,282,749
<b>SUB-TOTAL</b>	<b>40,450,000</b>	<b>\$ 3,535,892</b>	<b>\$ 17,973,913</b>	<b>\$ 61,959,805</b>
Unamortized Premium	-			
<b>TOTAL OUTSTANDING</b>	<b>\$ 40,450,000</b>			

**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, 2015**

*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 \$8,932,258 as of June 30, 2015. 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, 2015, 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, 2015. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2015, the SIFMA rate was 0.6744%, whereas 60% of LIBOR plus .346% was 0.4558%.

*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, 2015, 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:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>Interest Rate Swaps, Net</b>	<b>TOTAL</b>
2015-16	\$ 5,000	\$ 202,183	\$ 1,100,489	\$ 1,307,672
2016-17	5,000	202,149	1,100,489	1,307,638
2017-18	5,000	202,116	1,100,489	1,307,605
2018-19	5,000	202,082	1,100,489	1,307,571
2019-20	5,000	202,048	1,100,489	1,307,537
2020-25	25,000	1,009,735	5,502,445	6,537,180
2025-30	2,150,000	1,002,920	5,445,569	8,598,489
2030-32	27,780,000	204,929	1,055,572	29,040,501
<b>SUB-TOTAL</b>	<b>29,980,000</b>	<b>\$ 3,228,162</b>	<b>\$ 17,506,031</b>	<b>\$ 50,714,193</b>
Unamortized Premium	-			
<b>TOTAL OUTSTANDING</b>	<b>\$ 29,980,000</b>			

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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**Guaranteed Lease Revenue Bonds – Series of 2014**

On December 1, 2014, the Bethlehem Area School District Authority issued \$30,250,000 of Guaranteed Lease Revenue Bonds – Series of 2014. The purpose of this issue is (1) to currently refund the Guaranteed Lease Revenue Bonds – Series of 2010, which was used 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 December 1, 2014, the Bethlehem Area School District refunded its 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 Notes-Series of 2010 was transferred to the Authority's Guaranteed Lease Revenue Bonds- Series of 2014.

*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 – 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 \$7,019,580 as of June 30, 2015. 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, 2015, 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, 2015. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2014, the SIFMA rate was 0.5581%, whereas 60% of LIBOR plus 0.345% was 0.4548%.

*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

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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, 2015, 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, 2015, using the variable interest rate in effect at year end are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>Interest Rate Swaps, Net</b>	<b>TOTAL</b>
2015-16	\$ 35,000	\$ 168,716	\$ 1,020,813	\$ 1,224,529
2016-17	35,000	168,521	1,020,813	1,224,334
2017-18	40,000	168,314	1,020,813	1,229,127
2018-19	40,000	168,090	1,020,813	1,228,903
2019-20	40,000	167,867	1,020,813	1,228,680
2020-25	200,000	835,987	5,104,065	6,140,052
2025-30	29,855,000	528,105	3,217,789	33,600,894
<b>SUB-TOTAL</b>	<b>30,245,000</b>	<b>\$ 2,205,600</b>	<b>\$ 13,425,919</b>	<b>\$ 45,876,519</b>
Unamortized Premium	-			
<b>TOTAL OUTSTANDING</b>	<b>\$ 30,245,000</b>			

#### **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.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL RENTAL PAYMENT</b>
2015-16	\$ 538,706	\$ 123,916	\$ 662,622
2016-17	558,782	107,035	665,817
2017-18	578,858	88,682	667,540
2018-19	598,934	68,500	667,434
2019-20	622,356	46,200	668,556
2020-22	863,268	26,099	889,367
<b>TOTAL OUTSTANDING</b>	<b>\$ 3,760,904</b>	<b>\$ 460,432</b>	<b>\$ 4,221,336</b>

***Extended Term Financing Agreements***

During prior fiscal years, the District has entered into various capital leases with Daimler Financial, Sovereign Leasing, Apple Computer to purchase buses and computers for the District. During this past fiscal year, the District entered into a lease-purchase arrangement with Santander Leasing Co. to purchase six (72) passenger buses in the amount of \$480,606, with total interest indebtedness of \$39,379, with an effective interest rate of 2.1%. The District also entered into a lease-purchase arrangement with Daimler Truck Financial to purchase four (30) passenger buses at \$235,300, with an effective interest rate of 2.514% and total interest indebtedness of \$12,380. Finally, on July 2, 2013, the District entered into a lease-purchase arrangement with Apple Computer Co. to purchase 271 Macbook Air Laptop computers at \$257,000, with an effective interest rate of 2.79% with total interest indebtedness of \$10,703. The outstanding debt service requirements on these capital leases at June 30, 2015, are:

Daimler Lease - \$495,696

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ 99,085	\$ 4,752
2016-17	101,430	2,408
<b>TOTAL OUTSTANDING</b>	<b>\$ 200,515</b>	<b>\$ 7,160</b>

Sovereign Leasing - \$933,960

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ 186,781	\$ 8,123
2016-17	190,799	4,105
<b>TOTAL OUTSTANDING</b>	<b>\$ 377,580</b>	<b>\$ 12,228</b>

Apple Restructured Lease - \$2,279,986

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ 533,030	\$ 16,953
<b>TOTAL OUTSTANDING</b>	<b>\$ 533,030</b>	<b>\$ 16,953</b>

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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Santander Bus Leasing - \$480,608

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ 94,200	\$ 6,060
2016-17	96,179	4,081
2017-18	98,174	2,062
<b>TOTAL OUTSTANDING</b>	<b>\$ 288,553</b>	<b>\$ 12,203</b>

Daimler Truck Financial - \$235,300

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ 45,874	\$ 3,558
2016-17	47,031	2,401
2017-18	48,217	1,216
<b>TOTAL OUTSTANDING</b>	<b>\$ 141,122</b>	<b>\$ 7,175</b>

Additional Apple Lease – Laptops \$257,000

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2015-16	\$ 63,343	\$ 3,584
2016-17	65,108	1,817
<b>TOTAL OUTSTANDING</b>	<b>\$ 128,451</b>	<b>\$ 5,401</b>



**Bethlehem Area School District**  
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*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**

<b>FISCAL YEAR</b>	<b>G.O.B. SERIES A OF 2007</b>	<b>G.O.B. SERIES A OF 2009</b>	<b>G.O.B. SERIES AA OF 2009</b>	<b>G.O.B. SERIES B OF 2009</b>	<b>G.O.B. SERIES OF 2010</b>	<b>G.R.B. SERIES OF 2011</b>	<b>G.O.B. SERIES OF 2011</b>	<b>G.R.B. SERIES A OF 2011</b>	<b>G.R.B. SERIES OF 2014</b>	<b>G.O.B. SERIES A OF 2015</b>	<b>G.O.N. SERIES B OF 2015</b>	<b>G.O.N. SERIES C OF 2015</b>	<b>TOTAL PRINCIPAL PAYMENTS</b>
2015-16	\$ 8,555,000	\$ 1,180,000	\$ -	\$ 475,000	\$ 15,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 35,000	\$ -	\$ -	\$ -	\$ 10,275,000
2016-17	1,035,000	8,045,000	-	495,000	5,000	5,000	5,000	5,000	35,000	-	-	5,000	9,635,000
2017-18	-	9,005,000	-	510,000	5,000	5,000	5,000	5,000	40,000	-	-	5,000	9,580,000
2018-19	-	6,410,000	3,000,000	530,000	5,000	5,000	5,000	5,000	40,000	-	-	5,000	10,005,000
2019-20	-	3,435,000	6,410,000	550,000	5,000	5,000	5,000	5,000	40,000	-	-	5,000	10,460,000
2020-25	-	23,870,000	5,000,000	3,085,000	20,165,000	4,610,000	12,150,000	25,000	200,000	-	-	3,770,000	72,875,000
2025-30	-	-	-	2,805,000	8,605,000	22,930,000	21,140,000	2,150,000	29,855,000	-	810,000	5,790,000	94,085,000
2030-35	-	-	-	-	-	12,885,000	-	27,780,000	-	21,930,000	2,915,000	-	65,510,000
2035-36	-	-	-	-	-	-	-	-	-	8,070,000	-	-	8,070,000
<b>TOTAL</b>	<b>9,590,000</b>	<b>51,945,000</b>	<b>14,410,000</b>	<b>8,450,000</b>	<b>28,805,000</b>	<b>40,450,000</b>	<b>33,315,000</b>	<b>29,980,000</b>	<b>30,245,000</b>	<b>30,000,000</b>	<b>3,725,000</b>	<b>9,580,000</b>	<b>290,495,000</b>
LESS PAYABLE WITHIN ONE YEAR	8,555,000	1,180,000	-	475,000	15,000	5,000	5,000	5,000	35,000	-	-	-	10,275,000
<b>LONG-TERM PRINCIPAL DUE AFTER ONE YEAR</b>	<b>\$ 1,035,000</b>	<b>\$ 50,765,000</b>	<b>\$ 14,410,000</b>	<b>\$ 7,975,000</b>	<b>\$ 28,790,000</b>	<b>\$ 40,445,000</b>	<b>\$ 33,310,000</b>	<b>\$ 29,975,000</b>	<b>\$ 30,210,000</b>	<b>\$ 30,000,000</b>	<b>\$ 3,725,000</b>	<b>\$ 9,580,000</b>	<b>\$ 280,220,000</b>

**SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS**

<b>FISCAL YEAR</b>	<b>G.O.B. SERIES A OF 2007</b>	<b>G.O.B. SERIES A OF 2009</b>	<b>G.O.B. SERIES AA OF 2009</b>	<b>G.O.B. SERIES B OF 2009</b>	<b>G.O.B. SERIES OF 2010</b>	<b>G.R.B. SERIES OF 2011</b>	<b>G.O.B. SERIES OF 2011</b>	<b>G.R.B. SERIES A OF 2011</b>	<b>G.R.B. SERIES OF 2014</b>	<b>G.O.B. SERIES A OF 2015</b>	<b>G.O.N. SERIES B OF 2015</b>	<b>G.O.N. SERIES C OF 2015</b>	<b>TOTAL DEBT SVC. PAYMENTS</b>
2015-16	\$ 8,820,625	\$ 3,492,769	\$ 580,400	\$ 836,819	\$ 1,403,400	\$ 277,780	\$ 1,292,413	\$ 207,183	\$ 203,716	\$ 987,500	\$ 82,098	\$ 228,729	\$ 18,413,432
2016-17	1,060,875	10,172,944	580,400	841,526	1,392,987	277,746	1,292,336	207,149	203,521	1,500,000	124,706	352,364	18,006,554
2017-18	-	10,768,819	580,400	839,434	1,392,837	277,713	1,292,244	207,116	208,314	1,500,000	124,706	352,221	17,543,804
2018-19	-	7,816,569	3,523,400	840,438	1,392,672	277,679	1,292,137	207,082	208,090	1,500,000	124,706	352,078	17,534,851
2019-20	-	4,595,444	6,748,200	839,369	1,392,498	277,645	1,292,019	207,048	207,867	1,500,000	124,706	351,934	17,536,730
2020-25	-	25,425,689	5,105,000	4,149,513	26,358,580	5,917,599	18,000,181	1,034,735	1,035,987	7,500,000	623,531	5,323,402	100,474,217
2025-30	-	-	-	3,093,672	9,056,762	23,742,740	23,170,159	3,152,920	30,383,105	7,500,000	1,420,370	6,275,894	107,795,622
2030-35	-	-	-	-	-	12,936,990	-	27,984,929	-	27,821,500	3,011,947	-	71,755,366
2035-36	-	-	-	-	-	-	-	-	-	8,271,750	-	-	8,271,750
<b>TOTAL</b>	<b>\$ 9,881,500</b>	<b>\$ 62,272,234</b>	<b>\$ 17,117,800</b>	<b>\$ 11,440,771</b>	<b>\$ 42,389,736</b>	<b>\$ 43,985,892</b>	<b>\$ 47,631,489</b>	<b>\$ 33,208,162</b>	<b>\$ 32,450,600</b>	<b>\$ 58,080,750</b>	<b>\$ 5,636,770</b>	<b>\$ 13,236,622</b>	<b>\$ 377,332,326</b>

**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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***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 2014, 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 2014 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 2014 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 \$7,019,580, at June 30, 2015.

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 \$9,403,202, at June 30, 2015.

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 \$8,932,258, at June 30, 2015.

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 Position. 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 2014, 2011, and 2011A Revenue Bonds are hedging derivative financial instruments. As such, its fair values of \$7,019,580, \$9,403,202, and \$8,932,258, respectively are shown on the Statement of Net Position as deferred outflows of resources offset by the long-term liability. The portion of these swaps fair value that is "at the market" is (\$20,613), (\$4,436,031), and ( \$35,998) respectively, and is recorded as deferred outflows of resources on

**Bethlehem Area School District  
Notes To Basic Financial Statements  
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the negative values. Any positive "at the market" amount would be shown as a Derivative Instrument Asset. The portion of the fair value \$1,876,985, 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 \$4,492,641, in deferred outflows of resources.

### ***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.

**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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**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**

**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, \$131,708 and \$-0- 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, 2015. This amount is also included as a long-term liability in the business type activity column of the government-wide statements of net position. The amount recorded in the General Fund for governmental employees, which will use currently available financial resources, is \$134,883, 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 position. The remaining sick leave termination benefit of \$3,963,054, 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 position.

#### **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, 2015, that will use currently available financial resources is \$393,961, 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 position (The Day Care) Fund and (Food Service Fund) has recorded \$2,498, and \$-0-, 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 position. The remaining vacation pay earned at June 30, 2015, of \$676,682, 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 position.

#### **Defined Benefit Pension Plan**

The Government Accounting Standards Board (GASB) requires that state and local governmental employers disclose in their notes to financial statements, certain information about the public employee retirement systems to which they contribute.

#### ***General Information about the Pension Plan***

**Bethlehem Area School District  
Notes To Basic Financial Statements  
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*Plan Description*

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

*Benefits provided*

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

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

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

*Contributions*

Member Contributions:

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

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

**Bethlehem Area School District  
Notes To Basic Financial Statements  
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Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership 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%.

**Employer Contributions:**

The school districts' contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$19,577,629 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$302,029,640 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, with rolling forward the System's total pension liability as of June 30, 2014.. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.7642 percent, which was an increase of 0.0263 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$28,939,194. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Sources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience.	\$ -	\$ -
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	21,624,001
Changes in proportion of the Net Pension Liability	8,676,000	-
Change in Projected vs Actual Contributions		359,688
District contributions subsequent to the measurement date	19,577,629	-
<b>Total</b>	<b>\$ 28,253,629</b>	<b>\$ 21,983,689</b>

**Bethlehem Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

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\$19,577,629 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	<b><u>Amount</u></b>
2015	\$ (3,228,328)
2016	(3,228,328)
2017	(3,228,328)
2018	(3,228,328)
2019	400,672
Thereafter	<u>13,001</u>
<b>Total</b>	<b>\$ (12,499,640)</b>

**Actuarial assumptions**

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method - Entry Age Normal – level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disable Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

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

**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.98%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate, using the net pension liability reported by PSERS before adjusting for differences on projected vs actual contributions made.



**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

	<b>1% Decrease 6.50%</b>	<b>Current Discount Rate 7.50%</b>	<b>1% Increase 8.50%</b>
Net Pension Liability	\$ 377,297,000	\$ 302,476,000	\$ 238,599,000

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued Public School Employees' Retirement System's *Comprehensive Annual Financial Report* (CAFR) that includes financial statements and required supplementary information for the plan, which can be found at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**Defined Contributions Pension Plan**

*Retirement Severance Benefits*

The benefits explained for Administrators under OPEB, Administrators are eligible for service time incentive benefits.

In accordance with the Government Accounting Standards Board Statement No. 68, this benefit is considered a pension plan. The following is a summary of plan provisions.

**Employer Contributions:**

The school district pays this benefit on a pay-as-you-go basis. It does not accumulate funds into any trust for future benefits. There were no contributions to the pension plan from the District for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$505,275 for its share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2013, with rolling forward the System's total pension liability as of June 30, 2015.

For the year ended June 30, 2015, the District recognized pension expense of \$157,870. At June 30, 2015, the District did not have any reported deferred outflows of resources and deferred inflows of resources related to the defined contribution pension. The following table reflects the changes to the pension obligation during the year.

**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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<b>Contribution Rates:</b>	
	<b>Years of Service Actuarially Determined</b>
Interest Rate	4.5%
Plan Members	61
Covered payroll	\$ 6,087,311
Annual Required Contribution	\$ 157,870
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual Pension cost	157,870
Contributions made	-
Increase in net pension obligation	157,870
Net Pension obligation - beginning of year	347,405
Net Pension obligation - end of year	<b>\$ 505,275</b>

*Actuarial assumptions*

The total pension liability as of June 30, 2015 was determined by the actuarial valuation on January 1, 2013, with rolling forward the System's total pension liability using the following actuarial assumptions, applied to all periods included in the measurement

- Actuarial cost method - Entry Age Normal – level % of pay
- Investment return - 4.50%
- Salary increases – Composed of a 2.5% cost of living adjustment, 1% real wage, and for administrators a merit increase which varies with age from 0.25% to 2.75%.
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disable Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that conducted by the actuary, including the assumed retirement rates based on PSERS plan experience vary by age, service, and gender.

**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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***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.

***Other Post Employment Benefits***

*Plan Description.* Bethlehem Area School District has one single employer other post-employment defined benefit plans.

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, 2015**

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION										
I. ADMINISTRATORS	Age 52 with 8 years of service with the district or ACT 110/43.	<ul style="list-style-type: none"><li>Coverage: Medical, Prescription Drug, and Dental.</li><li>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.</li><li>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.</li><li>Dependents: Spouses included.</li></ul>	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"><li>Coverage: Medical, Prescription Drug, and Dental</li><li>Premium 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.</li></ul> <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, 2015**

<b>GROUP</b>	<b>ELIGIBILITY</b>	<b>COVERAGE AND PREMIUM SHARING</b>	<b>DURATION</b>
<b>II. TEACHERS (CONT'D)</b>		<ul style="list-style-type: none"> <li>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.</li> <li>Dependents: Spouses included.</li> </ul>	
<b>III. CUSTODIAL MANITENANCE</b>	25 years of service with the district and superannuation retirement or ACT 110/43	<ul style="list-style-type: none"> <li>Coverage: Medical, Prescription Drug, and Dental</li> <li>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</li> <li>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.</li> <li>Dependents: Spouses included</li> </ul>	Same as I
<b>IV. FOOD SERVICE</b>	10 years of service with the district with age plus service greater than 65 or ACT 110/43.	<ul style="list-style-type: none"> <li>ACT 110/43</li> </ul>	Same as I

**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

<b>GROUP</b>	<b>ELIGIBILITY</b>	<b>COVERAGE AND PREMIUM SHARING</b>	<b>DURATION</b>
<b>V. TEACHER ASSISTANTS AND AIDES</b>	11 years of service with the district with age plus service greater than 70, or ACT 110/43.	<ul style="list-style-type: none"> <li>• ACT 110/43</li> </ul>	Same as I
<b>VI. ALL OTHER SUPPORT STAFF</b>	Age 52 with 10 years of service with the district or ACT 110/43.	<ul style="list-style-type: none"> <li>• ACT110/43</li> </ul>	Same as I

**Notes:** Act 110/43 Benefit: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

Act 110/43 Coverage and Premium Sharing: 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.

PSERS Superannuation Retirement:

- 1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement; upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.
- 2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.

Coordination with Medicare benefits: Medicare pays primary. Medicare pays secondary for retiree with special contract referred to in Section I.

**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 68 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 68 and are contained in the Appendix.

**Bethlehem Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2015**

*Funding Policy and Annual OPEB Cost.* The first benefit is state mandated via the School Code statute. 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:

<b>Contribution Rates:</b>	
	<b>OPEB Benefit Actuarially Determined</b>
Interest Rate	4.5%
Plan Members	1,760
Annual Required Contribution	\$ 4,239,603
Interest on net OPEB obligation	407,112
Adjustment to annual required contribution	(555,404)
Annual OPEB cost	4,091,311
Contributions made	(2,605,066)
Increase in net OPEB obligation	1,486,245
Net OPEB obligation - beginning of year	9,046,923
Net OPEB obligation - end of year	<b>\$ 10,533,168</b>

The following table shows the two plans segregated by fund:

<b>Actuarial Valuation by Fund</b>				
	<b>Other Post Employment Benefit Plan</b>			
	<b>General Fund</b>	<b>Fd. Service Fd.</b>	<b>Daycare Fund</b>	<b>Total</b>
<b>Demographic Information:</b>				
Active Participants	\$ 1,509	44	41	1,594
Retired Participants	166	-	-	166
Total	<u>\$ 1,675</u>	<u>\$ 44</u>	<u>\$ 41</u>	<u>\$ 1,760</u>
Annual Payroll of Active Participants	\$ 87,282,700	\$ 734,115	\$ 964,568	\$ 88,981,383
Annual Required Contributions	\$ 4,226,470	6,762	6,371	4,239,603
Interest on Net OPEB Obligation	402,669	1,858	2,585	407,112
Adjustment to Annual Required Contribution	(549,343)	(2,534)	(3,527)	(555,404)
Annual OPEB Cost	4,079,796	6,086	5,429	4,091,311
Contributions made	(2,602,690)	(1,429)	(947)	(2,605,066)
Increase in Net OPEB Obligation	1,477,106	4,657	4,482	1,486,245
Net OPEB Obligation - beginning of year	8,948,194	41,281	57,448	9,046,923
Net OPEB Obligation - end of year	<b>\$ 10,425,300</b>	<b>\$ 45,938</b>	<b>\$ 61,930</b>	<b>\$ 10,533,168</b>

**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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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 30<sup>th</sup>, for the benefits were as follows:

<b>Year ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
<b>6/30/2015</b>	\$ 4,091,311	63.7%	\$ 10,533,168
<b>6/30/2014</b>	4,113,783	66.7%	9,046,923
<b>6/30/2013</b>	4,358,319	72.0%	7,675,875
<b>6/30/2012</b>	4,382,170	66.8%	6,457,554
<b>6/30/2011</b>	3,674,488	82.2%	5,002,474

Funded Status and Funding Process. The funded status of the benefits as of June 30, 2015, was as follows:

	<b>State-mandated Healthcare Benefit</b>
Actuarial accrued liability (a)	\$ 41,107,681
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 41,107,681</u>
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 88,981,383
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	46.2%

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, 2015**

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	<b>State-mandated Healthcare Benefit</b>
Actuarial Valuation Date	7/1/2013
Actuarial Cost Method	Entry Age Normal
	Level dollar method over a 30 year period
Amortization Method	
Remaining amortization period	16.2889 years
Asset Valuation Method	pay as you go basis
Actuarial Assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.75% to 6.25%
Healthcare inflation rate	
2014	6.5%
2015	6.0%
2016	5.5%
2017-2089	5.3% to 4.2%

**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 \$325,004, in nonspendable fund balance at June 30, 2015, comprised of \$228,307, of inventories on hand at year-end and \$96,697, 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 \$3,117,761 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 \$32,600,589, in fund balance at year end within this fund is considered restricted. The General Fund's \$6,743, 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.

**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2015**

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**Committed Fund Balance**

The School Board has committed \$2,000,000 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 \$6,449,684 of the General Fund's fund balance for balancing the 2015-16 budget (\$2,367,350) for future retirement rate increases in their retirement contributions (\$3,000,000), and (\$1,000,000) for contributions to the Self-Insurance Employee Benefit Trust, (\$77,334) for Alternative Education Funds owed to PA, and \$5,000 for Nitschmann Middle School Budget Reserve. The fund balance of \$3, in the Non-Major Funds is assigned for the purpose of the Non-Major funds.

**Note 8 –Prior Period Adjustment**

During the 2014-15 fiscal year, the District implemented GASB Statement No. 68 associated with Pensions. As such, the beginning Net Position for governmental activities and business-type activities has been modified below to reflect the prior period adjustment to record the Net Pension Liability at June 30, 2014. In addition, a prior period adjustment needed to be made in the General Fund for adjustments to changes in inventory and additional retirement revenue, as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Net Position - June 30, 2014 (as reported)	\$ (25,090,474)	\$ 1,051,156	\$ (24,039,318)
Prior Period Adjustment - Inventory	(464,847)		(464,847)
Prior Period Adjustment - Retirement Revenue	415,143		415,143
Prior Period Adjustment - Pensions	<u>(276,933,627)</u>	<u>(9,464,507)</u>	<u>(286,398,134)</u>
Net Position - June 30, 2014 (as restated)	<u>\$ (302,073,805)</u>	<u>\$ (8,413,351)</u>	<u>\$ (310,487,156)</u>

**Note 9 - Net Position Restrictions**

The net position for governmental activities, shown on the government-wide statement of net position has an overall deficit of \$304,377,476. The business-type activities column reflects a deficit of \$8,373,576, with \$164,190 invested in capital assets with no related debt.

**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, 2015.

**Litigation**

In accordance with management, there are no legal matters that could materially affect the financial position of the District as of June 30, 2015.

**REQUIRED  
SUPPLEMENTAL INFORMATION**

**Bethlehem Area School District  
Schedule of Funding Progress  
Fiscal Year Ended June 30, 2015**

<b><u>State mandated healthcare benefit</u></b>						
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)
7/1/2013	-	\$ 41,107,681	\$ 41,107,681	0.0%	\$ 88,981,383	46.20%
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%
 <b><u>Years of Service Increment</u></b>						
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)
7/1/2013	-	\$ 505,275	\$ 505,275	0.0%	\$ 6,087,311	8.30%
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%

**BETHLEHEM AREA SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
CUMULATIVE TEN FISCAL YEARS REPORT  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b><u>2014-15</u></b>
District's proportion of the net pension liability (asset)	0.7642%
District's proportionate share of the net pension liability (asset)	\$ 302,476,000
District's covered employee payroll	\$ 97,519,819
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	32.24%
Plan fiduciary net position as a percentage of the total pension liability	57.24%

BETHLEHEM AREA SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
CUMULATIVE TEN FISCAL YEARS REPORT  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Contractually required contribution	\$ 19,577,629	15,280,818	10,663,125	7,041,216	4,399,461	3,857,806	3,836,012	5,948,208	5,045,335	3,417,319
Contributions in relation to the contractually required contribution	<u>19,577,629</u>	<u>15,280,818</u>	<u>10,663,125</u>	<u>7,041,216</u>	<u>4,399,461</u>	<u>3,857,806</u>	<u>3,836,012</u>	<u>5,948,208</u>	<u>5,045,335</u>	<u>3,417,319</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 95,500,630	\$ 95,505,113	\$ 92,722,828	\$ 88,015,195	\$ 87,989,215	\$ 96,445,160	\$ 95,900,300	\$ 92,363,471	\$ 88,205,156	\$ 85,432,982
Contributions as a percentage of covered employee payroll	20.50%	16.00%	11.50%	8.00%	5.00%	4.00%	4.00%	6.44%	5.72%	4.00%

**Bethlehem Area School District  
Notes to Required Supplementary Information  
Fiscal Year Ended June 30, 2015**

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**Public School Employees' Retirement System**

*Changes of benefit terms*

None

*Changes in assumptions*

None

*Methods and assumptions used in calculations of actuarially determined contributions*

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. The following methods and assumptions were used to determine contribution rates reported:

- Investment return – 7.50%, includes inflation at 3.00%.
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real growth rate of 1%, and merit or seniority increases of 1.50%.
- Benefit payments – no postretirement benefit increases assumed in the future.
- Multiple decrement tables – mortality, vesting, retirement age, and withdrawal estimates are based upon tables provided by the actuary.

*Proportionate Share of the Net Pension Liability*

The amount reported as the District's proportionate share of the net pension liability (asset) does not include the adjustment for the difference between projected vs actual contributions made.

**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, 2015**

	<b>CAPITAL RESERVE FUND</b>	<b>CAPITAL PROJECT FUND</b>	<b>TOTAL CAPITAL PROJECT FUNDS</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,668,191	\$ 12,671,018	\$ 16,339,209
Restricted Cash	-	96,195	96,195
Investments	-	21,000,000	21,000,000
Restricted Investments	-	3,500,000	3,500,000
Other Receivables	10,155	-	10,155
Due from other funds	-	-	-
Due from Primary Government	-	-	-
Receivables from other governments	-	-	-
Other Recoverable Disbursements	-	-	-
Prepaid Expenditures	-	-	-
Inventories	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,678,346</b>	<b>\$ 37,267,213</b>	<b>\$ 40,945,559</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Charges on Refundings, net	-	-	-
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,678,346</b>	<b>\$ 37,267,213</b>	<b>\$ 40,945,559</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 560,585	\$ 1,070,429	\$ 1,631,014
Due to other funds	-	3,596,195	3,596,195
Due to Primary Government	-	-	-
Interest Payable	-	-	-
Current Portion of Long-Term Debt	-	-	-
Accrued Salaries and Benefits	-	-	-
Payable to other governments	-	-	-
Prepayments	-	-	-
Compensated Absences	-	-	-
<b>TOTAL LIABILITIES</b>	<b>560,585</b>	<b>4,666,624</b>	<b>5,227,209</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unearned/Unavailable Revenue	-	-	-
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>560,585</b>	<b>4,666,624</b>	<b>5,227,209</b>
<b><u>FUND BALANCES:</u></b>			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	3,117,761	32,600,589	35,718,350
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>3,117,761</b>	<b>32,600,589</b>	<b>35,718,350</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,678,346</b>	<b>\$ 37,267,213</b>	<b>\$ 40,945,559</b>

**Bethlehem Area School District**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**All Capital Project Funds**  
**For the Year Ended June 30, 2015**

	<b>CAPITAL RESERVE FUND</b>	<b>CAPITAL PROJECT FUND</b>	<b>TOTAL CAPITAL PROJECT FUNDS</b>
<b>REVENUES</b>			
Local Sources	\$ 2,782	\$ 7	\$ 2,789
State Sources	-	-	-
Federal Sources	-	-	-
<b>TOTAL REVENUES</b>	<u>2,782</u>	<u>7</u>	<u>2,789</u>
	-----	-----	-----
<b>EXPENDITURES</b>			
Instruction	-	-	-
Support Services	12,582	247,063	259,645
Operation of Non-Instructional Services	-	-	-
Capital Outlay	2,775,034	1,070,430	3,845,464
Debt Service	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>2,787,616</u>	<u>1,317,493</u>	<u>4,105,109</u>
	-----	-----	-----
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,784,834)</u>	<u>(1,317,486)</u>	<u>(4,102,320)</u>
	-----	-----	-----
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Bond Issues	-	30,000,000	30,000,000
Bond Premium	-	3,892,584	3,892,584
Transfer from Primary Government	-	-	-
Payment to bond refunding escrow agent	-	-	-
Bond Discount	-	-	-
Swap Termination Fee	-	-	-
Sale/Compensation for Fixed Assets	-	-	-
Transfers in	2,000,000	-	2,000,000
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<u>2,000,000</u>	<u>33,892,584</u>	<u>35,892,584</u>
	-----	-----	-----
<b>NET CHANGE IN FUND BALANCES</b>	(784,834)	32,575,098	31,790,264
<b>FUND BALANCES - BEGINNING</b>	<u>3,902,595</u>	<u>25,491</u>	<u>3,928,086</u>
	-----	-----	-----
<b>FUND BALANCES - ENDING</b>	<u><b>\$ 3,117,761</b></u>	<u><b>\$ 32,600,589</b></u>	<u><b>\$ 35,718,350</b></u>

Bethlehem Area School District  
Combining Balance Sheet  
All Non-Major Governmental Funds  
As of June 30, 2015

	<u>DEBT SERVICE FUNDS</u>		<u>SPECIAL REVENUE FUND</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
	<u>2015 B BOND FUND</u>	<u>2015 C BOND FUND</u>	<u>AUTHORITY GENERAL FUND</u>	
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ -	\$ -	\$ 3	\$ 3
Investments	-	-	-	-
Other Receivables	-	-	-	-
Due from other funds	-	-	-	-
Due from Primary Government			981,592	981,592
Prepaid Expenditures	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 981,595</b>	<b>\$ 981,595</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred Charges on Refundings, net	-	-	-	-
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 981,595</b>	<b>\$ 981,595</b>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Current Portion of Long-Term Debt			5,000	5,000
Due to other funds	-	-	-	-
Interest Payable	-	-	-	-
Other current liabilities	-	-	976,592	976,592
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>981,592</b>	<b>981,592</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unearned/Unavailable Revenue	-	-	-	-
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>981,592</b>	<b>981,592</b>
<b><u>FUND BALANCES:</u></b>				
Nonspendable Fund Balance	-	-	-	-
Restricted Fund Balance	-	-	-	-
Committed Fund Balance	-	-	-	-
Assigned Fund Balance	-	-	3	3
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>3</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 981,595</b>	<b>\$ 981,595</b>

**Bethlehem Area School District**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**All Non-Major Governmental Funds**  
**For the Year Ended June 30, 2015**

	<b>DEBT SERVICE FUNDS</b>		<b>SPECIAL REVENUE FUND</b>	<b>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</b>
	<b>2015 B BOND FUND</b>	<b>2015 C BOND FUND</b>	<b>AUTHORITY GENERAL FUND</b>	
<b>REVENUES</b>				
Local Sources	\$ -	\$ -	\$ 4,287,750	\$ 4,287,750
State Sources	-	-	-	-
Federal Sources	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	4,287,750	4,287,750
	-----	-----	-----	-----
<b>EXPENDITURES</b>				
Instruction	-	-	-	-
Support Services	48,551	97,869	266,503	412,923
Operation of Non-Instructional Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	4,291,398	4,291,398
<b>TOTAL EXPENDITURES</b>	48,551	97,869	4,557,901	4,704,321
	-----	-----	-----	-----
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(48,551)	(97,869)	(270,151)	(416,571)
	-----	-----	-----	-----
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Refunding Bond Issues	3,725,000	9,580,000	30,250,000	43,555,000
Bond Premium	-	-	-	-
Payment to bond refunding escrow agent	3,587,191	9,482,131	29,980,000	43,049,322
Bond Discount	89,258	-	-	89,258
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	48,551	97,869	270,000	416,420
	-----	-----	-----	-----
<b>NET CHANGE IN FUND BALANCES</b>	-	-	(151)	(151)
	-----	-----	-----	-----
<b>FUND BALANCES - BEGINNING</b>	-	-	154	154
	-----	-----	-----	-----
<b>FUND BALANCES - ENDING</b>	\$ -	\$ -	\$ 3	\$ 3
	-----	-----	-----	-----

**Bethlehem Area School District**  
**Combining Statement of Changes In Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**For the Year Ended June 30, 2015**

<b>SCHOLARSHIP/AWARD</b>	<b>7/1/14 NET POSITION</b>	<b>CONTRIBUTIONS</b>	<b>INTEREST</b>	<b>AWARDS</b>	<b>6/30/15 NET POSITION</b>
<b>Minority Scholarships/Awards:</b>					
General Scholarships	\$ 35,014	\$ 17,844	\$ -	\$ 29,105	\$ 23,753
Lee Mae Segal - Minority Affairs	42,586	-	-	1,000	41,586
<b>Freedom High School Scholarships:</b>					
180 Degree Class of 2011	6,231	-		750	5,481
Charlotte L. Jay	-	500		500	-
Donley Award for Excellence	-	500		500	-
Elizabeth Bette Ann Rinker	1,691	-		100	1,591
Elizabeth Shine	12	-		-	12
Ethel Mae Bunny	463	-		50	413
Freedon Athletic-Charles Dubbs-SS	248	-		100	148
Janet Mack	1	-		-	1
Lee Mae Segal	9	-		-	9
Margaret "Peggy" Fluck Business	-	25		25	-
Marion B. Goodman-SS	986	-		100	886
Mary Ann Orlando Memorial	100	100		100	100
Mary Catherine Anthony	-	100		100	-
NorthEast TreeWorx	-	1,545		1,500	45
Ray Salabsky	-	100		100	-
Robert J. Whirl	-	600		600	-
Webster Koehler Math Fund	479	-		25	454
William M. Calloway Attendance	-	100		100	-
<b>Liberty High School Scholarships:</b>					
Al Senivitis	6,972	-	-	500	6,472
Capt. Donald Kilpatrick Memorial	515	-	-	-	515
Carlton Weaver	51	25	-	75	1
Charles Klein Memorial	6,147	300	-	700	5,747
Class of 1941	17	-	-	-	17
Class of 2014	-	9,755	-	1,000	8,755
Daniel Tomanio	-	500	-	500	-
Donald Snider	51	25	-	75	1
Donley Awards for Excellence	-	500	-	500	-
Elly Vasquez	570	300	-	-	870
Ginny Rohn	3,282	710	-	250	3,742
James Delgrosso Scholarship	9,008	-	-	1,000	8,008
James Diefenderfer Scholarship	601	-	-	601	-
James Krasley Scholarship	675	-	-	600	75
John Priestas Scholarship	1,349	2,000	-	1,000	2,349
Kraig E. Yurchak Memorial	726	-	-	75	651
Mabel Keichner Memorial	14,699	-	-	1,000	13,699
Martha Schaedler Schabhuetti Scholarship	114,238	-	-	4,000	110,238
Ronald P. Sherry	-	250	-	250	-
Ruth Metzger	-	100	-	100	-
Trevor Van Akeren	1,475	-	-	600	875
Walter Batt, Jr. Memorial	1,142	-	-	250	892
<b>Miscellaneous Scholarships:</b>					
MSS	1,297	-	-	-	1,297
Natalie Merkin Scholarship	600	-	-	-	600
<b>TOTAL</b>	<b>\$ 251,235</b>	<b>\$ 35,879</b>	<b>\$ -</b>	<b>\$ 47,831</b>	<b>\$ 239,283</b>

**Bethlehem Area School District  
General Fund  
Schedule on Tax Collectors' Receipts  
For the Year Ended June 30, 2015**

	<b>Bethlehem Township</b>	<b>Freemansburg</b>	<b>Fountain Hill</b>	<b>Hanover Township</b>	<b>City of Bethlehem Lehigh</b>	<b>Northampton</b>	<b>Total</b>
<b><u>Current Real Estate Taxes</u></b>							
Assessed Value	\$ 818,097,800	\$ 44,084,900	\$ 236,468,400	\$ 508,853,200	\$ 1,395,454,600	\$ 1,116,034,000	\$ 4,118,992,900
Millage Rate	0.05099	0.05099	0.01577	0.05099	0.01577	0.05099	Avg.
Total Tax to be Collected	41,714,807	2,247,889	3,729,107	25,946,425	22,006,319	56,906,577	152,551,124
Less: Act 1 Deduction	1,285,365	107,221	194,463	630,111	792,002	1,716,438	4,725,600
Total Taxable Duplicate	40,429,442	2,140,668	3,534,643	25,316,314	21,214,317	55,190,139	147,825,523
Plus:							
Additions	-	-	-	-	-	-	-
Overpayments	(1,554)	(3,631)	122	(11,218)	5,010	13,037	1,766
Penalties	108,670	3,727	7,411	28,342	52,269	114,211	314,630
Total Taxes to be Collected	40,536,558	2,140,764	3,542,176	25,333,438	21,271,596	55,317,387	148,141,919
Less -							
Discounts	637,093	33,231	55,274	417,275	324,491	850,668	2,318,032
Reductions	9,600	1,807	-	9,770	4,641	14,223	40,041
Refunds	61,621	813	195	7	23,332	24,890	110,858
TIFF Payments	12,144	-	634	-	93	4,566,169	4,579,040
Taxes Held in Escrow	-	-	-	-	-	-	-
Returned to County	1,085,959	84,349	167,761	313,873	549,968	2,143,993	4,345,903
Outstanding	-	-	-	-	-	-	-
<b>Net Current Real Estate Taxes Collected</b>	<b>\$ 38,730,141</b>	<b>\$ 2,020,564</b>	<b>\$ 3,318,312</b>	<b>\$ 24,592,513</b>	<b>\$ 20,369,071</b>	<b>\$ 47,717,444</b>	<b>\$ 136,748,045</b>
<b><u>Current Interim Real Estate Taxes Collected</u></b>	<b>\$ 297,021</b>	<b>\$ 348</b>	<b>\$ 923</b>	<b>\$ 371,178</b>	<b>\$ 61,945</b>	<b>\$ 522,117</b>	<b>\$ 1,253,532</b>
<b><u>Current Per Capita Taxes</u></b>						<b><u>Combined</u></b>	
No. of Persons Assessed	16,553	1,827	2,076	9,471	-	45,359	75,286
Tax Rate	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
Taxable Valuation	\$ 165,530	\$ 18,270	\$ 20,760	\$ 94,710	\$ -	\$ 453,590	\$ 752,860
Plus -							
Additions	3,170	590	1,520	2,350	-	7,030	14,660
Adjustments	30	2	4	16	-	63	115
Penalties	629	72	99	319	-	1,392	2,511
Collections made by the District	-	-	-	-	-	-	-
<b>Taxes to be Collected</b>	<b>169,359</b>	<b>18,934</b>	<b>22,383</b>	<b>97,395</b>	<b>-</b>	<b>462,075</b>	<b>770,146</b>
Less -							
Discounts	2,020	138	161	1,170	-	4,026	7,515
Exonerations	2,990	110	140	1,790	-	9,170	14,200
Refunds	-	-	-	-	-	-	-
Returned to Delinquent Tax Collector	37,800	7,820	8,930	20,280	-	172,360	247,190
Outstanding	-	-	-	-	-	-	-
Reductions	7,550	2,220	2,430	6,930	-	32,750	51,880
<b>Net Current Per Capita Taxes Collected</b>	<b>\$ 118,999</b>	<b>\$ 8,646</b>	<b>\$ 10,722</b>	<b>\$ 67,225</b>	<b>\$ -</b>	<b>\$ 243,769</b>	<b>\$ 449,361</b>

**Bethlehem Area School District**  
**General Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2015**

**REVENUES**

**LOCAL SOURCES:**

Current Real Estate Taxes	\$ 136,748,045	
Interim Real Estate Taxes	1,253,532	
Public Utility	191,077	
Payment in Lieu of Taxes	244,186	
Current Per Capita Taxes - 511	224,680	
Current Per Capita Taxes - 679	224,681	
Local Services Tax	313,142	
Earned Income Tax	13,079,004	
Real Estate Transfer Tax	2,194,972	
Act 511 Mercantile Taxes	3,310,721	
Delinquent Real Estate Taxes	4,731,639	
Delinquent Per Capita Taxes	75,908	
Delinquent Mercantile Taxes	606,132	
Interest	71,612	
Special Functions	-	
Admissions	128,795	
Other Student Activity Income	6,238	
Fees	88,590	
Revenue from Local Governmental Units	64,250	
State Revenue from Other Sources	-	
Federal Revenue from Local Sources	1,863,363	
Federal ARRA Revenue from Local Sources	-	
Rentals	241,314	
Contributions	367,945	
Regular Day School Tuition	-	
Summer School	118,367	
Adult Education Tuition	-	
Receipts from Other LEA's - Education	158,456	
Other Tuition From Patrons	-	
Services provided to Other Funds	-	
All Other Services Provided Other Governments	-	
Revenue from Community Services	2,025	
Miscellaneous	308,270	
Energy Efficient Revenues	-	
Refunds of Prior Yr. Expenditures	109,487	
<b>TOTAL LOCAL SOURCE REVENUE</b>	<b>109,487</b>	<b>\$ 166,726,431</b>

**STATE SOURCES:**

Basic Subsidy - ESBE	27,927,942	
Read to Succeed	-	
Charter Schools	-	
Nonpublic Transfers	-	
Orphan Tuition	225,828	
<b>SUB-TOTAL</b>	<b>28,153,770</b>	

**Bethlehem Area School District**  
**General Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2015**

**REVENUE (CONT'D)**

<b>SUB-TOTAL (CARRIED FORWARD)</b>	\$ 28,153,770	
School Improvement	-	
Vocational Education	643	
Driver Education	-	
Special Education	6,740,906	
Additional Educational Program	-	
Pre-K Counts	604,160	
Other Program Revenues	-	
Transportation	2,352,373	
Rentals	1,825,749	
Health Services	328,091	
State Property Tax Reduction Allocation	4,743,763	
Safe Schools	24,534	
Migratory Children	1,106	
Ready to Learn Grant	1,399,034	
Dual Enrollment	-	
Project 720 - High School Reform	-	
FICA Revenue	3,325,885	
Retirement Revenue	9,889,432	
Classrooms for the Future	-	
Other State Grants	95,817	
<b>TOTAL STATE SOURCE REVENUE</b>	<u>                    </u>	\$ 59,485,263

**FEDERAL SOURCES:**

Payments for Federally Impacted Areas	56,617	
Title I	3,610,598	
Title I - ARRA	-	
Title I - Improvement - ARRA	-	
Title IIA, IID	698,163	
Title III	246,068	
Title IV	142,442	
Education Jobs Fund	-	
Child Care Grants	115,897	
Unrestricted Grants-In-Aid from the Federal Government	-	
Medical Assistance	101,573	
Medical Access	294,658	
<b>TOTAL FEDERAL SOURCE REVENUE</b>	<u>                    </u>	5,266,016
<b>TOTAL REVENUE</b>		<b>231,477,710</b>

**EXPENDITURES**

Regular Programs - Elem./Secondary	98,862,968
Federally Funded Regular Programs	<u>3,634,873</u>
<b>SUB-TOTAL</b>	<b>102,497,841</b>



**Bethlehem Area School District**  
**General Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2015**

<b>SUB-TOTAL (CARRIED FORWARD)</b>	\$ 102,497,841
Life Skills Support	-
Life Skills Support - Public	1,857,890
Life Skills Support - PRRI	-
Deaf or Hearing Impaired Support	465,789
Blind or Visually Impaired Support	46,193
Speech & Language Impaired	1,565,161
Emotional Support	3,956,626
Autistic Support	2,057,953
Learning Support - Public	12,964,056
Gifted Support	856,497
Other Support	-
Physical Support	784,428
Multi-Handicapped Support	632,574
Development Delay Support	-
Early Intervention Support	29,473
Other Support	4,471,476
Home Economics	-
Consumer and Homemaking Education	-
Industrial Arts Education	-
Business Education	-
Other Vocational Education Programs	6,669,727
Drivers' Education	-
Summer School	340,412
Homebound Instruction	237,538
Adjudicated/Court Placed Programs	152,641
Alternative Education Program	505,143
Instructional Programs Outside Established Schools	101,040
Additional Other Instructional Program	-
Nonpublic School Programs	24,742
Other Adult Education Programs	-
Community College Programs	2,294,708
Pre-Kindergarten	661,837
Supervision of Pupil Personnel Services	268,635
Guidance Services	5,695,122
Placement Services	-
Attendance Services	305,897
Psychological Services	1,426,875
Speech Pathology Services	-
Social Work Services	482,475
Student Accounting Services	304,280
Other Pupil Personnel Services	46,850
Support Services - Instructional Staff	-
<b>SUB-TOTAL</b>	<b>151,703,879</b>

**Bethlehem Area School District**  
**General Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2015**

<b>SUB-TOTAL (CARRIED FORWARD)</b>	\$ 151,703,879
Technology Support Services	438,920
Computer Assisted Instruction Services	526,694
School Library Services	1,767,477
Instructional & Curriculum Dev. Service	2,050,814
Instructional Staff Development Services	548,266
Nonpublic Support Services	120,420
Board Services	339,148
Tax Assessment & Collection Service	804,008
Staff Relations	16,061
Legal Services	386,852
Office of the Superintendent Services	441,543
Community Relations Services	95,528
Office of the Principal Services	8,671,856
Other Administration Services	58,930
Medical Services	4,610
Dental Services	9,142
Nursing Services	1,857,654
Non-Public Health Services	231,199
Supervision of Fiscal Services	303,990
Budgeting Services	4
Receiving and Disbursing Funds Services	244,207
Payroll Services	282,652
Internal Auditing Services	84,012
Other Fiscal Services	254,977
Purchasing Services	80,073
Warehousing and Distributing Services	170,145
Printing, Publishing and Duplicating Services	399,750
Supervision of Operation and Maintenance of Plant	127,547
Supervision of Operation and Maintenance of Plant	436,248
Operation of Building Services	13,964,040
Care and Upkeep of Grounds Services	665,724
Care and Upkeep of Equipment Services	1,209
Vehicle Operation and Maint. Services	109,357
Security Services	1,015,071
Supervision of Student Transportation Services	249,867
Supervision of Student Transportation Services	237,904
Vehicle Operation Services	4,347,051
Monitoring Services	431,444
Vehicle Servicing and Maintenance Services	1,659,527
Nonpublic Transportation	-
System Wide Technology Services	2,421,668
Information Services	330
Supervision of Information Services	128,031
<b>SUB-TOTAL</b>	<u>197,687,829</u>

**Bethlehem Area School District**  
**General Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2015**

<b>SUB-TOTAL (CARRIED FORWARD)</b>	\$ 197,687,829	
Public Information Services	20,492	
Supervision of Staff Services	245,633	
Staff Services	157,630	
Staff Accounting Services	438,982	
Staff Development Services	27,007	
Health Services	399,757	
Staff Development-Non-Instruction	54,926	
Data Processing Services	1,154,977	
State and Federal Agency Liaison Services	328,681	
Management Services	-	
Other Support Services	105,711	
Support Services not listed elsewhere	1,730	
Pass-Thru Funds	-	
School Sponsored Student Activities	494,855	
School Sponsored Athletics	2,089,993	
Community Services	66,112	
Scholarships and Awards	231	
Existing Site Improvement Services	-	
Architecture and Engineering Services	-	
Existing Building Improvement Services	-	
Debt Service	23,072,906	
Short-Term Borrowing Costs	-	
Refund of Prior Yr. Receipts	143,336	
<b>TOTAL EXPENDITURES</b>		<u>226,490,788</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>		
<b>OVER EXPENDITURES (CARRIED FORWARD)</b>		<b>\$ 4,986,922</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Extended Term Financing	-	
Sale of or Compensation for Loss of Fixed Assets	367,850	
Capital Projects Funds Transfers Out	(2,000,000)	
Transfers to Component Unit (Self Insurance Fund)	(190,000)	
Food Service Fund Transfers Out	-	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(1,822,150)	
<b>Special Items</b>	-	
<b>Extraordinary Items - Insurance Recoveries</b>	<u>5,326</u>	<u>(1,816,824)</u>
<b>NET CHANGE IN FUND BALANCE</b>		3,170,098
<b>FUND BALANCE - JULY 1, 2014</b>		24,735,430
<b>Prior Period Adjustment</b>		<u>(49,704)</u>
<b>FUND BALANCE - JUNE 30, 2015</b>		<b><u>\$ 27,855,824</u></b>

**Bethlehem Area School District  
Capital Reserve Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2015**

**FUND BALANCE - JULY 1, 2014** \$ 3,902,595

**REVENUES AND OTHER FINANCING SOURCES**

Interest	\$ 2,782	
Transfer from General Fund	2,000,000	2,002,782
<b>TOTAL FUNDS AVAILABLE</b>		<b>5,905,377</b>

**EXPENDITURES**

**INSTRUCTIONAL SERVICES:**

Equipment	-	
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**SUPPORT SERVICES:**

Professional Services	10,149	
Repairs and Maintenance	-	
Legal & Accounting	2,433	
Admin. Software and Fees	-	
Dues and Fees	-	
Equipment	-	

**CAPITAL OUTLAY:**

Professional Services	1,489,309	
Other Purchased Services	61,850	
Land Improvements	217,564	
Construction Services	913,569	
Architect & Engineering	41,245	
Building Acquisition	51,093	
Dues and Fees	404	

**Other Financing Uses:**

Transfer to General Fund	-	2,787,616
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**FUND BALANCE - JUNE 30, 2015** **\$ 3,117,761**

**Bethlehem Area School District  
Special Revenue (Authority General Fund) Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2015**

**FUND BALANCE - JULY 1, 2014** \$ 154

**REVENUES AND OTHER FINANCING SOURCES**

Proceeds from Refunding Bond Issues	\$ 30,250,000	
Transfer from General Fund	-	
Interest Earnings	4,287,750	34,537,750
<b>TOTAL FUNDS AVAILABLE</b>		<b>34,537,904</b>

**EXPENDITURES AND OTHER FINANCING USES**

**SUPPORT SERVICES:**

Professional Services	264,404	
Advertising	-	
Printing	2,099	
Dues and Fees	-	

**NON-INSTRUCTIONAL SERVICES:**

Equipment	-	
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**DEBT SERVICE:**

Bond Principal	15,000	
Bond Interest	4,276,398	

**OTHER FINANCING USES:**

Payment to Refunding Bond Issue Escrow Agent	29,980,000	34,537,901
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**FUND BALANCE - JUNE 30, 2015** **\$ 3**

**Bethlehem Area School District  
Capital Project Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2015**

**FUND BALANCE - JULY 1, 2014** \$ 25,491

**REVENUES AND OTHER FINANCING SOURCES**

Proceeds from Bond Issues	\$ 30,000,000	
Gain (Loss) on Sale of Investments	-	
Bond Premium	3,892,584	
Interest Earnings	<u>7</u>	<u>33,892,591</u>
<b>TOTAL FUNDS AVAILABLE</b>		<b>33,918,082</b>

**EXPENDITURES AND OTHER FINANCING USES**

**INSTRUCTIONAL:**

Supplies	-	
Equipment	-	

**SUPPORT SERVICES:**

Salaries	-	
Benefits	-	
Professional Services	200,941	
Repairs and Maintenance	-	
Printing	1,400	
Property and Liability Insurance	44,722	
Disposal Services	-	
Utilities	-	
Telecommunication Services	-	
Supplies	-	
Technology Infrastructure	-	
Equipment	-	
Dues and Fees	-	

**NON-INSTRUCTIONAL SERVICES:**

Equipment	-	
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**CAPITAL OUTLAY:**

Professional Services	68,415	
Existing Site Improvements	-	
Construction Services	1,001,759	
Rentals	-	
Equipment	-	
Other Purchased Services	-	
Dues and Fees	256	
Technology Infrastructure	-	

**DEBT SERVICE:**

Bond Discount	-	
Transfer to General Fund	<u>-</u>	<u>1,317,493</u>

**FUND BALANCE - JUNE 30, 2015** **\$ 32,600,589**

**Bethlehem Area School District**  
**Food Service Fund**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Year Ended June 30, 2015**

**REVENUES**

Sales	\$ 1,447,011	
Donated Commodities	367,579	
Special Events	722,251	
Federal Equipment Grant	77,564	
State Subsidies	455,390	
Federal Subsidies	3,911,848	
Gain (Loss) on Sale of Fixed Assets	-	
Interest earnings	29	
Rentals	49	
Transfers from General Fund	-	
Miscellaneous	3,296	
Contributions	85,000	
<b>TOTAL REVENUES</b>		\$ 7,070,017

**COST OF COMMODITIES**

Beginning Inventory	84,946	
Food Service Management - Food	2,640,009	
Donated Commodities	367,579	
Ending Inventory	(128,139)	
<b>TOTAL COST OF COMMODITIES SOLD</b>		<u>2,964,395</u>
<b>GROSS PROFIT</b>		<u>4,105,622</u>
		-----

**OPERATING EXPENSES**

Salaries	1,761,932	
Self-Insured Medical Benefits	488,217	
Self-Insured Dental Benefits	4,908	
Self-Insured Prescriptions	21,259	
Fica Tax	136,218	
Retirement Contributions	585,438	
Other Benefits	27,606	
Tech & Other Services	697	
Refuse	54,561	
Repairs and Maintenance	41,929	
Electricity	90,897	
Rentals	5,224	
Communications	5,298	
Food Service Management Costs	587,137	
Travel	1,346	
Supplies	21,681	
Admin. Software	22,865	
Small Tools	15,999	
Depreciation	22,828	
Dues and Fees	5,165	
<b>TOTAL EXPENSES</b>		<u>3,901,205</u>
		<u>3,901,205</u>

**CHANGES IN FUND NET POSITION** 204,417

**FUND NET POSITION - JULY 1, 2014** 133,044

**Prior Period Adjustment** (5,614,987)

**FUND NET POSITION - JUNE 30, 2015** \$ (5,277,526)

**Bethlehem Area School District  
Day Care Fund  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Year Ended June 30, 2015**

**REVENUES**

Regular Day School Tuition	\$ 1,807,524	
Revenue from Community Service Activities	696,811	
State Revenue	86,479	
Fica Revenue	48,837	
Retirement Revenue	136,744	
Donations	417	
Child Care and Development grant	-	
Miscellaneous	4,339	
Earnings on Investments	93	
<b>TOTAL REVENUES</b>	<u>          </u>	\$ 2,781,244

**OPERATING EXPENSES**

Salaries	1,429,988	
Self-ins. Medical Benefits	505,993	
Self-ins. Dental Benefits	38,675	
Self-ins. Prescriptions	167,578	
Fica Tax	115,053	
Retirement Contributions	456,281	
Workers Compensation	11,664	
Other Benefits	11,601	
Professional Services	3,391	
Disposal	21,720	
Lawn Care Services	1,679	
Electricity	13,614	
Utilities	5,440	
Water/Sewage	2,521	
Small Equipment	23,761	
Communications	7,290	
Travel	1,693	
Field Trips	-	
Repairs and Maintenance	637	
Supplies	29,826	
Meals/Refreshments	75,345	
Depreciation	-	
Miscellaneous	1,072	
Dues and Fees	6,949	
Bad Debt Expense	14,115	
<b>TOTAL EXPENSES</b>	<u>          </u>	<u>2,945,886</u>
<b>CHANGES IN FUND NET POSITION</b>		(164,642)
<b>FUND NET POSITION - JULY 1, 2014</b>		918,112
<b>Prior Period Adjustment</b>		<u>(3,849,520)</u>
<b>FUND NET POSITION - JUNE 30, 2015</b>		<u><u>\$ (3,096,050)</u></u>



**Bethlehem Area School District  
Self-Insurance Fund (Component Unit)  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2015**

**ADDITIONS**

Contributions from Other Funds	\$ 28,622,590	
Cobra and Co-Pay Payments	1,379,411	
Caremark Rebates	181,951	
Transfers from General Fund (Primary Government)	190,000	
Interest Earnings	4,995	
Other Misc. Revenue	<u>72,763</u>	
<b>TOTAL REVENUES</b>		<b>\$ 30,451,710</b>

**DEDUCTIONS**

Health Benefit Costs	21,241,271	
Dental Costs	1,385,068	
Drug Costs	6,934,970	
Unemployment	104,772	
PA Trust - Stop Loss Insurance	461,908	
Workers Compensation	80,456	
Dues and Fees	217,437	
Professional Services	<u>25,828</u>	
<b>TOTAL EXPENSES</b>		<b><u>30,451,710</u></b>

**CHANGES IN NET POSITION**

-

**NET POSITION - JULY 1, 2014**

12,629,397

**NET POSITION - JUNE 30, 2015**

**\$ 12,629,397**

**Bethlehem Area School District  
2015 B Bond Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2015**

<b>FUND BALANCE - JULY 1, 2014</b>		\$ -
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Proceeds from Refunding Bond Issues	\$ 3,725,000	
Bond Premium	-	
Interest Earnings	-	3,725,000
<b>TOTAL FUNDS AVAILABLE</b>		<u>3,725,000</u>
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>INSTRUCTIONAL:</b>		
Supplies	-	
<b>SUPPORT SERVICES:</b>		
Professional Services	44,030	
Insurance	4,341	
Printing	180	
<b>NON-INSTRUCTIONAL SERVICES:</b>		
Equipment	-	
<b>CAPITAL OUTLAY:</b>		
Professional Services	-	
<b>DEBT SERVICE AND OTHER FINANCING USES:</b>		
Payment to Refunded Bonds Escrow Agent	3,587,191	
Bond Discount	89,258	3,725,000
<b>FUND BALANCE - JUNE 30, 2015</b>		<u><u>\$ -</u></u>

**2015 C Bond Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2015**

<b>FUND BALANCE - JULY 1, 2014</b>		\$ -
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Proceeds from Refunding Bond Issues	\$ 9,580,000	
Bond Premium	-	
Interest Earnings	-	9,580,000
<b>TOTAL FUNDS AVAILABLE</b>		<u>9,580,000</u>
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>INSTRUCTIONAL:</b>		
Supplies	-	
<b>SUPPORT SERVICES:</b>		
Professional Services	87,257	
Insurance	10,192	
Printing	420	
<b>NON-INSTRUCTIONAL SERVICES:</b>		
Equipment	-	
<b>CAPITAL OUTLAY:</b>		
Professional Services	-	
<b>DEBT SERVICE AND OTHER FINANCING USES:</b>		
Payment to Refunded Bonds Escrow Agent	9,482,131	
Bond Discount	-	9,580,000
<b>FUND BALANCE - JUNE 30, 2015</b>		<u><u>\$ -</u></u>

**Bethlehem Area School District**  
**Schedule on General Obligation Bonds - Series A of 2007**  
**For the Year Ended June 30, 2015**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2015-16	\$ 265,625	\$ 8,555,000
2016-17	25,875	1,035,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 291,500</b>	<b>\$ 9,590,000</b>

**Schedule on General Obligation Bonds - Series A of 2009**  
**For the Year Ended June 30, 2015**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2015-16	\$ 2,312,769	\$ 1,180,000
2016-17	2,127,944	8,045,000
2017-18	1,763,819	9,005,000
2018-19	1,406,569	6,410,000
2019-20	1,160,444	3,435,000
2020-21	914,943	6,385,000
2021-22	469,081	13,470,000
2022-23	131,544	2,280,000
2023-24	40,121	1,735,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 10,327,234</b>	<b>\$ 51,945,000</b>

**Schedule on General Obligation Bonds - Series AA of 2009**  
**For the Year Ended June 30, 2015**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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
<b>TOTAL OUTSTANDING</b>	<b>\$ 2,707,800</b>	<b>\$ 14,410,000</b>

**Bethlehem Area School District**  
**Schedule on General Obligation Bonds - Series B of 2009**  
**For the Year Ended June 30, 2015**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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
<b>TOTAL OUTSTANDING</b>	<b>\$ 2,990,771</b>	<b>\$ 8,450,000</b>

**Schedule on General Obligation Bonds - Series of 2010**  
**For the Year Ended June 30, 2015**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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
<b>TOTAL OUTSTANDING</b>	<b>\$ 13,584,736</b>	<b>\$ 28,805,000</b>

**Bethlehem Area School District**  
**Schedule on Guaranteed Revenue Bonds - Series of 2011**  
**For the Year Ended June 30, 2015**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2015-16	\$ 272,780	\$ 5,000
2016-17	272,746	5,000
2017-18	272,713	5,000
2018-19	272,679	5,000
2019-20	272,645	5,000
2020-21	272,611	5,000
2021-22	272,578	5,000
2022-23	264,476	1,310,000
2023-24	255,301	1,365,000
2024-25	242,633	1,925,000
2025-26	229,124	2,010,000
2026-27	198,474	4,775,000
2027-28	164,940	4,990,000
2028-29	129,956	5,205,000
2029-30	90,246	5,950,000
2030-31	48,262	6,250,000
2031-32	3,728	6,635,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 3,535,892</b>	<b>\$ 40,450,000</b>

**Schedule on General Obligation Bonds - Series of 2011**  
**For the Year Ended June 30, 2015**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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
<b>TOTAL OUTSTANDING</b>	<b>\$ 14,316,489</b>	<b>\$ 33,315,000</b>

**Bethlehem Area School District**  
**Schedule on Guaranteed Revenue Bonds - Series A of 2011**  
**For the Year Ended June 30, 2015**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2015-16	\$ 202,183	\$ 5,000
2016-17	202,149	5,000
2017-18	202,116	5,000
2018-19	202,082	5,000
2019-20	202,048	5,000
2020-21	202,014	5,000
2021-22	201,981	5,000
2022-23	201,947	5,000
2023-24	201,913	5,000
2024-25	201,880	5,000
2025-26	201,846	5,000
2026-27	201,812	5,000
2027-28	201,778	5,000
2028-29	201,745	5,000
2029-30	195,739	2,130,000
2030-31	149,141	13,600,000
2031-32	55,788	14,180,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 3,228,162</b>	<b>\$ 29,980,000</b>

**Schedule on Guaranteed Revenue Bonds - Series of 2014**  
**For the Year Ended June 30, 2015**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2015-16	\$ 168,716	\$ 35,000
2016-17	168,521	35,000
2017-18	168,314	40,000
2018-19	168,090	40,000
2019-20	167,867	40,000
2020-21	167,644	40,000
2021-22	167,421	40,000
2022-23	167,197	40,000
2023-24	166,974	40,000
2024-25	166,751	40,000
2025-26	166,528	40,000
2026-27	150,747	6,730,000
2027-28	112,234	7,140,000
2028-29	71,362	7,580,000
2029-30	27,234	8,365,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 2,205,600</b>	<b>\$ 30,245,000</b>

**Bethlehem Area School District**  
**Schedule on General Obligation Bonds - Series A of 2015**  
**For the Year Ended June 30, 2015**

<b><u>FISCAL YEAR</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>
2015-16	\$ 987,500	\$ -
2016-17	1,500,000	-
2017-18	1,500,000	-
2018-19	1,500,000	-
2019-20	1,500,000	-
2020-21	1,500,000	-
2021-22	1,500,000	-
2022-23	1,500,000	-
2023-24	1,500,000	-
2024-25	1,500,000	-
2025-26	1,500,000	-
2026-27	1,500,000	-
2027-28	1,500,000	-
2028-29	1,500,000	-
2029-30	1,500,000	-
2030-31	1,500,000	-
2031-32	1,500,000	-
2032-33	1,326,250	6,950,000
2033-34	969,875	7,305,000
2034-35	595,375	7,675,000
2035-36	201,750	8,070,000
<b>TOTAL OUTSTANDING</b>	<b><u>\$ 28,080,750</u></b>	<b><u>\$ 30,000,000</u></b>

**Schedule on General Obligation Notes - Series B of 2015**  
**For the Year Ended June 30, 2015**

<b><u>FISCAL YEAR</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>
2015-16	\$ 82,098	\$ -
2016-17	124,706	-
2017-18	124,706	-
2018-19	124,706	-
2019-20	124,706	-
2020-21	124,707	-
2021-22	124,706	-
2022-23	124,706	-
2023-24	124,706	-
2024-25	124,706	-
2025-26	124,706	-
2026-27	124,707	-
2027-28	124,706	-
2028-29	124,706	-
2029-30	111,545	810,000
2030-31	73,069	1,500,000
2031-32	23,878	1,415,000
<b>TOTAL OUTSTANDING</b>	<b><u>\$ 1,911,770</u></b>	<b><u>\$ 3,725,000</u></b>

**Bethlehem Area School District**  
**Schedule on General Obligation Notes - Series C of 2015**  
**For the Year Ended June 30, 2015**

<b><u>FISCAL YEAR</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>
2015-16	\$ 228,729	\$ -
2016-17	347,364	5,000
2017-18	347,221	5,000
2018-19	347,078	5,000
2019-20	346,934	5,000
2020-21	346,790	5,000
2021-22	346,647	5,000
2022-23	327,634	1,215,000
2023-24	287,731	1,265,000
2024-25	244,600	1,280,000
2025-26	197,675	1,370,000
2026-27	146,759	1,390,000
2027-28	93,886	1,365,000
2028-29	40,581	1,325,000
2029-30	6,993	340,000
<b>TOTAL OUTSTANDING</b>	<b><u>\$ 3,656,622</u></b>	<b><u>\$ 9,580,000</u></b>



## **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, 2015**

FEDERAL GRANTOR/ PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/14	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/15	FOOTNOTES
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>											
IMPACT AID PUBLIC LAW 81-874	D	84.041	N/A	7/1/14-6/30/15	\$ 56,617	\$ 53,955	\$ 491	\$ 56,617	\$ 56,617	\$ 3,153	
TOTAL IMPACT AID CLUSTER						53,955	491	56,617	56,617	3,153	
						-----	-----	-----	-----	-----	
<b><u>PASSED THROUGH THE PDE</u></b>											
TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-14-0034	7/1/13-9/30/14	\$ 3,181,292	1,053,240	631,434	421,806	421,806	-	2
TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-15-0034 A	7/1/14-9/30/15	\$ 3,613,781	2,374,579	-	3,010,937	3,010,937	636,358	
TITLE I SCHOOL IMPROVEMENT SET ASIDE - BASE	I	84.010	042-13-0034	7/1/12-9/30/13	\$ 191,612	79,858	(19,482)	99,340	99,340	-	
TITLE I SCHOOL INTERVENTION	I	84.010	042-14-0034	7/1/14-9/30/15	\$ 79,552	53,133	-	78,516	78,516	25,383	
TOTAL TITLE I CLUSTER						3,560,810	611,952	3,610,599	3,610,599	661,741	
						-----	-----	-----	-----	-----	
<b><u>PASSED THROUGH THE PDE</u></b>											
TITLE IIA IMPROVING TEACHER QUALITY	I	84.367	020-14-0034	7/1/13-9/30/14	\$ 685,110	170,306	155,724	14,582	14,582	-	2
TITLE IIA IMPROVING TEACHER QUALITY	I	84.367	020-15-0034 A	7/1/14-9/30/15	\$ 685,633	588,391	-	683,581	683,581	95,190	
TOTAL TITLE IIA PROGRAM						758,697	155,724	698,163	698,163	95,190	
						-----	-----	-----	-----	-----	
<b><u>PASSED THROUGH THE PDE</u></b>											
TITLE III LEP / IMMIGRANT STUDENTS	I	84.365	010-14-0034	7/1/13-9/30/14	\$ 251,238	-	-	-	-	-	2
TITLE III LEP / IMMIGRANT STUDENTS	I	84.365	010-15-0034 A	7/1/14-9/30/15	\$ 256,916	220,214	-	246,068	246,068	25,854	
TOTAL TITLE III PROGRAM						220,214	-	246,068	246,068	25,854	
						-----	-----	-----	-----	-----	
<b><u>PASSED THROUGH THE PDE</u></b>											
21st CENTURY COMMUNITY LEARNING CENTERS	I	84.287	4100058678	7/1/12-9/30/13	\$ 500,000	299,468	157,026	142,442	142,442	-	2
TOTAL TITLE IV PROGRAM						-----	-----	-----	-----	-----	
<b><u>PASSED THROUGH THE COLONIAL I.U. #20</u></b>											
IDEA	I	84.027	N/A	7/1/13-6/30/14	\$ 1,718,650	395,633	395,633	-	-	-	2
IDEA	I	84.027	N/A	7/1/14-6/30/15	\$ 1,848,555	1,848,555	-	1,848,555	1,848,555	-	1
IDEA - SECTION 619A	I	84.173	N/A	7/1/14-6/30/15	\$ 14,808	-	-	14,808	14,808	14,808	1
TOTAL IDEA CLUSTER						2,244,188	395,633	1,863,363	1,863,363	14,808	
						-----	-----	-----	-----	-----	
TOTAL U.S. DEPARTMENT OF EDUCATION						\$ 7,137,332	\$ 1,320,826	\$ 6,617,252	\$ 6,617,252	\$ 800,746	
						-----	-----	-----	-----	-----	

**BETHLEHEM AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

CHILD CARE MANDATORY/MATCH FUNDS	I	93.556	SAP 4100057287	7/1/13-6/30/14	\$	162,152	127,488	127,488	-	-	-
CHILD CARE MANDATORY/MATCH FUNDS	I	93.556	SAP 4100057287	7/1/14-6/30/15	\$	162,152	70,226	-	114,257	114,257	44,031
CHILD CARE MANDATORY/MATCH FUNDS	I	93.590	SAP 4100057287	7/1/13-6/30/14	\$	2,429	-	-	-	-	-
CHILD CARE MANDATORY/MATCH FUNDS	I	93.590	SAP 4100057287	7/1/14-6/30/15	\$	2,429	580	-	1,641	1,641	1,061
<b>TOTAL CHILD CARE CLUSTER</b>							<u>198,294</u>	<u>127,488</u>	<u>115,898</u>	<u>115,898</u>	<u>45,092</u>

ESEA - TITLE 19 MEDICAID REIMBURSEMENT	I	93.778	N/A	7/1/14-6/30/15	N/A		<u>121,434</u>	<u>37,324</u>	<u>101,573</u>	<u>101,573</u>	<u>17,463</u>
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<b>TOTAL U.S. DEPT. OF HEALTH AND HUMAN SERVICES</b>						<b>\$</b>	<b>319,728</b>	<b>\$</b>	<b>164,812</b>	<b>\$</b>	<b>217,471</b>	<b>\$</b>	<b>217,471</b>	<b>\$</b>	<b>62,555</b>
							-----		-----		-----		-----		-----

**U. S. DEPT. OF AGRICULTURE**  
**PASSED THROUGH THE PA.**  
**DEPT OF EDUCATION**

2

NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/13 - 6/30/14	N/A		51,856	51,856	-	-	-
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/14 - 6/30/15	N/A		2,612,521	-	3,012,711	3,012,711	400,190
BREAKFAST PROGRAM	I	10.553	N/A	7/1/13 - 6/30/14	N/A		133	133	-	-	-
BREAKFAST PROGRAM	I	10.553	N/A	7/1/14 - 6/30/15	N/A		1,456	-	1,624	1,624	168
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/13 - 6/30/14	N/A		12,614	12,614	-	-	-
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/14 - 6/30/15	N/A		488,983	-	566,737	566,737	77,754
AFTER SCHOOL SNACK	I	10.555	N/A	7/1/13 - 6/30/14	N/A		-	-	-	-	-
AFTER SCHOOL SNACK	I	10.555	N/A	7/1/14 - 6/30/15	N/A		17,873	-	19,626	19,626	1,753
SPECIAL MILK	I	10.556	N/A	7/1/13 - 6/30/14	N/A		-	-	-	-	-
SPECIAL MILK	I	10.556	N/A	7/1/14 - 6/30/15	N/A		1,385	-	1,598	1,598	213
SUMMER FOOD	I	10.559	N/A	7/1/13 - 6/30/14	N/A		51,686	51,686	-	-	-
SUMMER FOOD	I	10.559	N/A	7/1/14 - 6/30/15	N/A		109,460	-	160,407	160,407	50,947
FRESH FRUIT AND VEGETABLE PROGRAM	I	10.582	N/A	7/1/14 - 6/30/15	N/A		142,440	-	149,146	149,146	6,706
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	I	10.579	146-000059	7/1/14 - 6/30/15	\$	77,564	77,564	-	77,564	77,564	-

**PASSED THROUGH THE PA**  
**DEPARTMENT OF AGRICULTURE**

2

USDA COMMODITIES	I	10.555	N/A	7/1/14 - 6/30/15	N/A		<u>367,579</u>	<u>(16,489)</u>	<u>367,844</u>	<u>367,844</u>	<u>(16,224)</u>
<b>TOTAL CHILD NUTRITION CLUSTER</b>							<u>3,935,550</u>	<u>99,800</u>	<u>4,357,257</u>	<u>4,357,257</u>	<u>521,507</u>

3,4

<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>							<u>3,935,550</u>	<u>99,800</u>	<u>4,357,257</u>	<u>4,357,257</u>	<u>521,507</u>
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<b>TOTAL FEDERAL FINANCIAL AWARDS</b>						<b>\$</b>	<b>11,392,610</b>	<b>\$</b>	<b>1,585,438</b>	<b>\$</b>	<b>11,191,980</b>	<b>\$</b>	<b>11,191,980</b>	<b>\$</b>	<b>1,384,808</b>
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SOURCE: D-DIRECT; I-INDIRECT

**Bethlehem Area School District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

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**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 2.95% of its total general fund revenue in federal awards, and 44.23% of its total enterprise fund revenue.

**Note 3 - Program Disclosure – Footnotes**

1. The federal awards passed through the Colonial I.U. 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 Federal Grants were passed through the following entities in the totals below:

<u>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Department of Education	\$ 9,522,698	\$ 8,686,685
PA Department of Public Welfare	329,162	217,471
Colonial I.U. #20	3,582,013	1,863,363
PA Department of Agriculture	N/A	367,844
<b>Totals</b>	<b>\$ 13,433,873</b>	<b>\$ 11,135,363</b>

3. The District received non-monetary assistance of \$367,579 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2014-15 fiscal year, the District used \$367,844 in commodities and established a year-end inventory of \$16,224 at June 30, 2015.
4. 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.

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**FINANCIAL STATEMENT RECONCILIATION**

General Fund Federal Source Revenues	\$ 5,266,016
Federal Grants in Local Sources	1,863,363
Food Service Fund Federal Revenue	<u>4,356,992</u>
<b>Total Federal Revenue, per financial statements</b>	11,486,371
Less - Medical Access Reimbursement	(294,656)
Plus: Change in Donated Commodities	<u>265</u>
<b>Total Federal Revenue Reported on SEFA</b>	<b><u>\$ 11,191,980</u></b>

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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

## INDEPENDENT AUDITOR'S REPORT UNDER GOVERNMENT AUDITING STANDARDS

Board of School Directors  
Bethlehem Area School District  
1516 Sycamore Street  
Bethlehem, PA 18017-6099

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement of the general fund of the Bethlehem Area School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Bethlehem Area School District's basic financial statements, and have issued our report thereon dated December 10, 2015.

### Internal Control over Financial Reporting

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,

Norman & Associates, P.C.

December 10, 2015



**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

**INDEPENDENT AUDITOR'S REPORT  
UNDER OMB CIRCULAR A-133**

Board of School Directors  
Bethlehem Area School District  
1516 Sycamore Street  
Bethlehem, PA 18017-6099

**Report on Compliance for Each Major Federal Program**

We have audited Bethlehem Area School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Bethlehem Area School District's major federal programs for the year ended June 30, 2015*. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Bethlehem Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Bethlehem Area School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Bethlehem Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control over Compliance

Management of Bethlehem Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bethlehem Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Bethlehem Area School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



December 10, 2015



**Bethlehem Area School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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**Section I - Summary of Auditor Results**

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**Financial Statements**

Type of auditor's report issued: Unmodified

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: Unmodified

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	Title I Program
84.367	Title II Program

Percentage of programs tested to total awards 38.5%

Dollar threshold used to distinguish between type A and type B program: \$335,759

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

**Bethlehem Area School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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**Section II – Financial Statement Findings**

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There were no findings discovered, relating to the financial statements, which are required to be reported in accordance with generally accepted government

**Section III – Findings and Questioned Costs for Federal Awards**

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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 not perform any follow-up procedures on prior year findings, since no prior year findings existed.