

**REPORT ON  
BETHLEHEM AREA SCHOOL DISTRICT  
SINGLE AUDIT REPORT  
FISCAL YEAR ENDED JUNE 30, 2014**

# BETHLEHEM AREA SCHOOL DISTRICT

## Single Audit Report

For the Fiscal Year Ended June 30, 2014

### TABLE OF CONTENTS

---

	<u>PAGE (S)</u>
<b>Introductory Section</b>	
Transmittal Letter .....	1
Letter to Governance/Management.....	2 - 6
Report Distribution List .....	7
<b>Financial Section</b>	
Independent Auditor's Report .....	8 - 10
Management's Discussion and Analysis .....	11 - 22
<b>Basic Financial Statements</b>	
District-wide Financial Statements:	
Statement of Net Position .....	23
Statement of Activities .....	24
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	25
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	26
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	27
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	28 - 29
Statement of Fund Net Position - Proprietary Funds.....	30
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	31
Statement of Cash Flows - Proprietary Funds.....	32 - 33
Statement of Net Position - Fiduciary Funds .....	34
Statement of Changes in Net Position - Fiduciary Funds .....	35

**BETHLEHEM AREA SCHOOL DISTRICT**

**Single Audit Report**

**For the Fiscal Year Ended June 30, 2014**

**TABLE OF CONTENTS**

	<b><u>PAGE (S)</u></b>
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund.....	36
Notes to Basic Financial Statements.....	37 - 83
<b>Required Supplemental Information:</b>	
Schedule of Funding Progress .....	84
<b>Supplemental Information:</b>	
Combining Balance Statement – All Capital Project Funds.....	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – All Capital Project Funds .....	86
Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds .....	87 - 88
Schedule on Tax Collectors Receipts – General Fund .....	89
General Fund - Statement of Revenue, Expenditures, and Changes in .....	90 - 94
Capital Reserve Fund - Statement of Revenues and Expenditures .....	95
Special Revenue (Authority General Fund) Fund – Statement of Revenues and Expenditures .....	96
Capital Project Fund – Statement of Revenues and Expenditures.....	97
Food Service Fund – Statement of Revenues, Expenses, and Changes in Fund Net Position .....	98
Day Care Fund - Statement of Revenues, Expenses, and Changes in Fund Net Position .....	99
Self Insurance Fund - Statement of Changes in Fiduciary Net Position .....	100
<b>General Long-Term Debt:</b>	
Schedule on General Obligation Bonds – Series A of 2007 .....	101
Schedule on General Obligation Bonds – Series A of 2009.....	101
Schedule on General Obligation Bonds - Series AA of 2009 .....	101
Schedule on General Obligation Bonds – Series B of 2009.....	102

**BETHLEHEM AREA SCHOOL DISTRICT**

**Single Audit Report**

**For the Fiscal Year Ended June 30, 2014**

**TABLE OF CONTENTS**

---

	<b><u>PAGE (S)</u></b>
Schedule on General Obligation Bonds – Series of 2010 .....	102
Schedule on Guaranteed Revenue Bonds – Series of 2010 .....	103
Schedule on Guaranteed Revenue Bonds – Series of 2011 .....	103
Schedule on General Obligation Bonds – Series of 2011 .....	104
Schedule on Guaranteed Revenue Bonds – Series A of 2011 .....	104
Schedule on General Obligation Bonds – Series of 2012 .....	104
 <b>Single Audit Section</b>	
Schedule of Expenditures of Federal Awards .....	105 -106
Notes to the Schedule of Expenditures of Federal Awards .....	107
Independent Auditor's Report Under Government Auditing Standards .....	108 -109
Independent Auditor's Report Under OMB Circular A-133 .....	110 -111
Schedule of Findings and Questioned Costs .....	112 -113

## 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, 2014, 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 5, 2014



# 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, 2014, and have issued our report thereon dated December 5, 2014.

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

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matter on June 17, 2014.

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

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

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

We have requested certain representations from management that are included in the management representation letter provided to us on December 5, 2014. 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 2013-14 basic financial statements.

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

**A control deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.**

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

**A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.**

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

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



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

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

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

**CONTROL DEFICIENCIES**

**General Fund – State and Federal Grants**

During our review of state and federal (expenditure driven) grants, we discovered a number of grants that had more expenditures charged to the individual grant than the actual award amount the District was entitled to receive. Normally, when this occurs, management appropriately removes the excess costs charged in the system to non-grant expenditure categories. Unfortunately, this was not done during the course of the year.

However, management did correct this problem once we explained discovered the issue. In the future, we wish to remind management to remove any excess costs charged to any expenditure-driven grant at the time of submitting the final completion report for said grant.

**Minority Scholarship Account**

During our review of these scholarships, we discovered that District personnel assigns random names for the name of certain awards, yet the recipient name is correct. We do not understand the rationale to assign a random name to the award given, but we would like to suggest that all minority awards go into one account and appropriately assign the award recipients and submit their check from this one account. If the District wishes to recognize the achievements of past exemplary Americans, we recommend the award be titled “in memory of” or “in recognition of” the individual selected for remembrance.

**Activity Fund Issues**

During our testing of disbursements from the various student club accounts, we discovered several sport activity accounts were used to purchase equipment for use in the sport. Student activity clubs may include sports related clubs; however, these clubs must purchase items unaffiliated in the participation of the sport itself. In other words, any equipment or supplies used for the purpose of the sport, must be paid by the General Fund, and is not allowed to be paid by any Student Club.

In addition, all student clubs must have student officers and minutes of meetings to be constituted as a legitimate student club. This requirement also applies to Student Sport Clubs.

While testing disbursements in student activity accounts, we discovered checks written to various charities from money gathered during faculty dress down “Denim Days”. While we understand the good intentions of this type of activity, the money generated and donated from this event does not involve students. As such, this money cannot be deposited or spent in any student activity account. In addition, since the government is not entitled to make charitable donations, the money raised for this type of event cannot be deposited or paid from any governmental account.

During our testing of disbursements in the Class of 2014 club, we discovered \$5,000 was transferred to the Class of 2015 club. According to Student Activity regulations, this transfer is not allowed and the money should be returned to the Student Council Account, since the 2014 class has graduated. To reiterate the requirements of Class clubs, all funds must be expended for the benefit of the students of that specific class. You are not allowed to transfer excess funds from the graduating class, except to the General Fund or the Student Council Club.

### **OTHER RECOMMENDATIONS**

#### **Activity Fund**

During our testing of East Hills disbursements in the student activity clubs, we discovered physical education clothing was purchased for students. If it is the District's policy that all students must wear specific uniforms for Physical Education classes, then it is the responsibility of the General Fund or parents to purchase the uniforms. The student club cannot be used to purchase the uniforms.

#### **Scholarship Awards**

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.

#### **Food Service Operations**

During the past few audit seasons, we have noticed some clients are having problems associated with security in the handling of food purchases and maintenance of inventory in the food service departments. While these issues are not necessarily occurring within your District, we felt compelled to suggest certain criteria that should be evaluated by the Superintendent and business office.

In many Schools, the food service director or third party provider has unlimited access to delivery doors. There have been instances of theft occurring at various schools over the years with this access. We wish to recommend, if not already implemented, that access to any door within the facility should be limited to custodial use only after school hours. We also suggest management consider the consequences that can occur when hiring food service personnel that may own or manage outside food establishments. In some instances, with unfettered access, food inventory may be stolen to accommodate another food establishment.

We also wish to advise the District that PDE has recently announced there can be no bad debt expense in the food service fund. The reason for their determination is because the federal national school lunch program and donated commodity program regulations prohibit bad debt expense in a federal program. As such, any students owing money to the School District's food service fund, that remains uncollectible, should not be written off. The Food Service Fund should be reimbursed by the General Fund for any uncollectible amounts owed by students.

***OTHER INFORMATION***

We would be remised if we didn't keep the management and the Board of School Directors 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. 67, 68, 69, and 71, which 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. 68**

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

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

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

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

**GASB Statement No. 69**

This new accounting standard explains the proper accounting treatment of government mergers, acquisitions, transfer of operations, and disposals of government operations. In the current economic climate, there is much discussion on merging governments or transferring operations from one government entity to another. As a result, the Standards Board deliberated the proper financial recognition of assets, liabilities, deferred outflows or inflows of resources, and net position affected by such transactions. This standard takes effect in the 2014-15 fiscal year.

**GASB Statement No. 71**

This new accounting standard, which takes effect in the 2014-15 fiscal year, corrects a misinterpretation of paragraph 137 of Statement 68. In essence, any pension contributions made after the measurement date should be charged to deferred outflows of resources.

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

Respectively submitted,



December 5, 2014

***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**

Members of  
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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11-22, and the Schedule of Funding Progress, on page 84, 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 5, 2014, 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,

Norman Associates, P.C.

December 5, 2014



**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, 2014**

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, 2014. 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 2013-14.

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 \$856,975 offset by increased real estate transfer taxes of \$423,911 and charitable contributions from various local grants and support of Parent Teacher groups. Federal Title I allocations were also \$397,753 lower than anticipated. Overall operating revenues were \$220,240,722 for the 2013-14 school year, \$1,895,834 under budget.

Operating expenditures for the 2013-14 school year of \$221,160,803 were under budget by \$1,345,211. Transfers to other funds in the amount of \$925,811 resulted in total expenditures of \$222,086,614. While charter school tuition exceeded budget projections by \$2,029,975 due to increased enrollment monitored spending for savings in all other areas including salaries, healthcare, professional services and utilities offset this increased tuition.

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

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These events yielded a net General Fund surplus of \$1,845,892 for the year ended June 30, 2014. Together with the beginning fund balance of \$26,581,322, the BASD ended the fiscal year with a total general fund balance of \$24,735,430. This fund balance is reduced by a \$984,661 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 Trust Fund for recommended reserves to fund future employee benefit claims, \$1,000,000 assigned to mitigate upcoming increases in the state pension rates for school employees, \$2,517,670 allocated toward one time expenditures in the 2014-15 operating budget 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, 2014 will be \$17,155,765 or 7.72% 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.

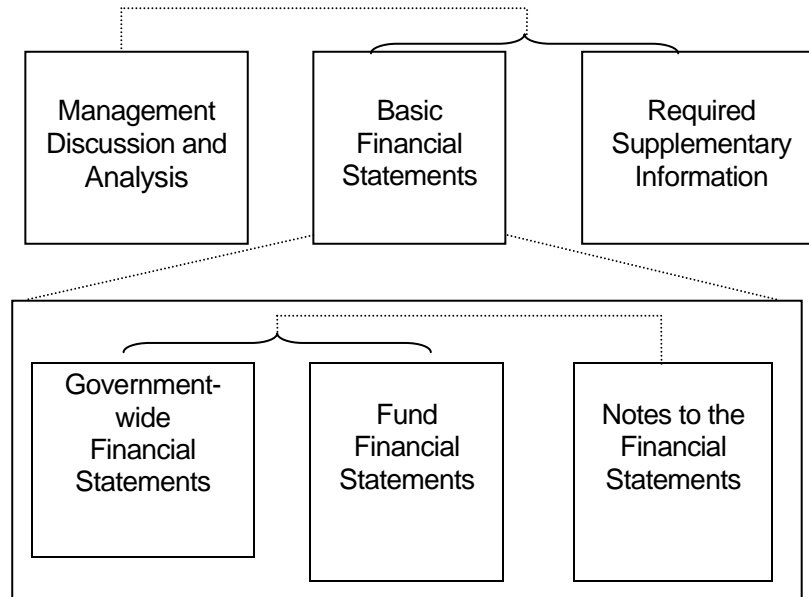
The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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 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**

*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 (\$24,039,318) at June 30, 2014. This is an decrease in net position of \$1,567,739 from the net position for the previous fiscal year.

**Table A-1  
Fiscal Year ended June 30, 2014  
Net Position (In Millions)**

	<u>2014</u>			<u>2013</u>		
	Govern- mental Activities	Business- Type Activities	Total Primary Government	Govern- mental Activities	Business- Type Activities	Total Primary Government
Current assets	\$ 57.7	\$ 1.6	\$ 59.3	\$ 56.2	\$ 1.2	\$ 57.4
Non-Current assets	227.9	0.1	228.0	233.8	0.1	233.9
Deferred Outflow of Resources	34.6	-	34.6	34.8	-	34.8
<b>Total Assets &amp; Deferred Outflow of Resources</b>	<b>\$ 320.2</b>	<b>\$ 1.7</b>	<b>\$ 321.9</b>	<b>\$ 324.8</b>	<b>\$ 1.3</b>	<b>\$ 326.1</b>
Current and other liabilities	\$ 37.8	\$ 0.3	\$ 38.1	\$ 32.4	\$ 0.3	\$ 32.7
Long-term liabilities	300.9	0.3	301.2	309.0	0.2	309.2
Deferred Inflow of Resources	6.6	-	6.6	6.7	-	6.7
<b>Total Liabilities &amp; Deferred Inflow of Resources</b>	<b>345.3</b>	<b>0.6</b>	<b>345.9</b>	<b>348.1</b>	<b>0.5</b>	<b>348.6</b>
<b>Net Position</b>						
Net Investment in Capital Assets	\$ -	\$ 0.1	\$ 0.1	\$ -	\$ 0.1	\$ 0.1
Retirement of Long-Term Debt	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Other Restrictions	-	-	-	-	-	-
Unrestricted	(25.1)	1.0	(24.1)	(23.3)	0.7	(22.6)
<b>Total Net Position</b>	<b>\$ (25.1)</b>	<b>\$ 1.1</b>	<b>\$ (24.0)</b>	<b>\$ (23.3)</b>	<b>\$ 0.8</b>	<b>\$ (22.5)</b>
<b>Total Liabilities, Deferred Inflow of Resources, &amp; Net Position</b>	<b>\$ 320.2</b>	<b>\$ 1.7</b>	<b>\$ 321.9</b>	<b>\$ 324.8</b>	<b>\$ 1.3</b>	<b>\$ 326.1</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, 2014  
Changes in Net Position (In Thousands)**

	<u>2014</u>			<u>2013</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	\$ 443	\$ 4,900	\$ 5,343	\$ 567	\$ 4,800	\$ 5,367
Operating grants and contributions	29,264	4,683	33,947	27,297	4,651	31,948
Capital grants and contributions	2,801	-	2,801	1,698	-	1,698
<i>General revenues</i>						
Property taxes	134,038	-	134,038	132,000	-	132,000
Other taxes	18,865	-	18,865	19,882	-	19,882
Grants, subsidies and contributions, unrestricted	32,550	-	32,550	31,814	-	31,814
Transfers In (Out)	(326)	326	-	-	-	-
Other	1,531	26	1,557	42	45	87
<b>TOTAL REVENUES</b>	<b>\$ 219,166</b>	<b>\$ 9,935</b>	<b>\$ 229,101</b>	<b>\$ 213,300</b>	<b>\$ 9,496</b>	<b>\$ 222,796</b>
<b><u>EXPENSES</u></b>						
Instruction	\$ 139,002	\$ -	\$ 139,002	\$ 130,824	\$ -	\$ 130,824
Instructional student support	16,891	-	16,891	15,546	-	15,546
Administrative and financial support	17,317	-	17,317	14,506	-	14,506
Operation and maintenance of plant	17,408	-	17,408	16,870	-	16,870
Pupil transportation	7,203	-	7,203	6,891	-	6,891
Student activities	2,499	-	2,499	2,155	-	2,155
Community services	247	2,537	2,784	276	2,452	2,728
Scholarships and Awards	-	-	-	-	-	-
Interest on long-term debt	12,938	-	12,938	13,237	-	13,237
Unallocated depreciation expense	7,458	-	7,458	8,064	-	8,064
Food Services	-	7,169	7,169	-	7,038	7,038
<b>TOTAL EXPENSES</b>	<b>220,963</b>	<b>9,706</b>	<b>230,669</b>	<b>208,369</b>	<b>9,490</b>	<b>217,859</b>
<b>Increase (decrease) in net position</b>	<b>\$ (1,797)</b>	<b>\$ 229</b>	<b>\$ (1,568)</b>	<b>\$ 4,931</b>	<b>\$ 6</b>	<b>\$ 4,937</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, 2014  
Governmental Activities (In Thousands)**

<b>Functions/Programs</b>	<b>2014</b>		<b>2013</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	\$ 139,002	\$ 117,344	\$ 130,824	\$ 110,237
Instructional student support	16,891	13,901	15,546	12,811
Administrative	17,317	16,203	14,506	13,585
Operation and maintenance	17,408	16,524	16,870	16,197
Pupil transportation	7,203	4,545	6,891	4,308
Student activities	2,499	2,117	2,155	1,814
Community services	247	227	276	251
	-	-	-	-
Interest on long-term debt	12,938	10,137	13,237	11,539
Unallocated depreciation expense	7,458	7,458	8,064	8,064
<b>Total governmental activities</b>	<b>\$ 220,963</b>	<b>\$ 188,456</b>	<b>\$ 208,369</b>	<b>\$ 178,806</b>
Less:				
Unrestricted grants, subsidies		32,550		31,814
<b>Total needs from local taxes and other revenues</b>		<b>\$ (155,906)</b>		<b>\$ (146,992)</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, 2014  
Business –Type Activities**

<b>Functions/Programs</b>	<b>2014</b>		<b>2013</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	\$ 7,169,076	\$ (429,390)	\$ 7,038,406	\$ (300,252)
Child Care	2,537,486	306,407	2,451,555	261,182
Less:				
Investment earnings & other misc.		351,828		44,902
<b>Total business-type activities</b>		<b>\$ 228,845</b>		<b>\$ 5,832</b>



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

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*DISTRICT FUNDS*

At June 30, 2014, the District governmental funds reported a combined fund balance of \$28,663,670, a decrease of \$3,587,401 from the previous year

General fund operating expenditures exceeded revenues by 1,845,892, which included the transfer of \$325,811 to supplement the food service fund operating expenses which resulted in the final General Fund net ending fund balance of \$24,735,430.

The Capital Projects Fund had a decrease in its fund balance of \$1,741,512 due to the General Fund transfer noted above and the completion of various capital projects including roof repairs, masonry repairs, boiler replacements, storm water improvements at several school buildings, parking lot reconstruction at the main administration building as well as architectural and engineering fees for the proposed Nitschmann Middle School resulting in a Capital Project fund balance of \$3,928,086 on June 30, 2014.

***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 mercantile and delinquent taxes of \$856,975 offset by increased real estate transfer taxes of \$423,911 and charitable contributions from various local grants and support of Parent Teacher groups. Federal Title I allocations were also \$397,753 lower than anticipated. Overall operating revenues were \$220,240,722 for the 2013-14 school year, \$1,895,834 under budget.

Charter school tuition for the 13-14 school year exceeded budgeted projections by \$2,029,975 due to increased enrollment. Salaries and benefits, which make up the largest portion of expenditures, were 1.5% lower than originally budgeted, driving the total expenditures (excluding fund transfers and budgetary reserve) to be \$1,345,211 lower than originally budgeted. Utility and maintenance costs were also \$292,682 lower than originally budgeted due to increased facility efficiencies and general utility savings along with ongoing conservative spending even though the district incurred several unanticipated repair projects at the onset of the school year. Further, positive economic conditions resulted in \$213,477 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.

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

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2014, the District had \$226,982,431 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 \$5,441,020, or 2.34% from last year.

**Table A-5  
Governmental Activities  
Fiscal Year Ended June 30, 2014  
Capital assets - net of depreciation**

	2014	2013
Land	\$ 75,410	\$ 75,410
Site Improvements	9,158,634	9,086,934
Buildings	321,703,732	320,726,956
Furniture & Equipment	62,945,987	62,602,346
Construction in Progress	1,429,336	214,579
Total Capital Assets	\$ 395,313,099	\$ 392,706,225
Less Accumulated Depreciation	(168,330,668)	(160,282,774)
Total Capital Assets Net of Accumulated Depreciation	<u><u>\$ 226,982,431</u></u>	<u><u>\$ 232,423,451</u></u>

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

**DEBT ADMINISTRATION**

As of July 1, 2013, the District had total outstanding debt of \$279,430,000. During the year, the District issued no additional debt, but retired and repaid \$10,075,000 resulting in ending outstanding debt as of June 30, 2014, of \$269,355,000:

**Table A-6  
Outstanding Debt**

	2014	2013
General Obligation Notes/Bonds:		
- Bonds, Series of 2012	\$ 3,975,000	\$ 4,475,000
- Bonds, Revenue Series A of 2011	29,985,000	29,990,000
- Bonds, Series of 2011	33,320,000	33,325,000
- Bonds, Revenue Series of 2011	40,455,000	40,460,000
- Bonds, Revenue Series of 2010	29,980,000	29,985,000
- Bonds, Series of 2010	28,815,000	28,825,000
- Bonds, Series B of 2009	8,915,000	9,365,000
- Bonds, Series AA of 2009	14,410,000	14,410,000
- Bonds, Series A of 2009	61,775,000	63,135,000
- Bonds, Series A of 2007	17,725,000	25,460,000
<b>TOTAL</b>	<u><u>\$ 269,355,000</u></u>	<u><u>\$ 279,430,000</u></u>

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

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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 is expected to commence in 2015 with completion in 2017. In summer 2014, the emergency generator was replaced at Asa Packer Elementary, roof repairs were made to Spring Garden Elementary, the Spark Early Learning Center and Liberty High School, parking lot reconstruction was completed at the main administration building and preliminary engineering, design and testing for the proposed Nitschmann Middle School was ongoing. 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 38%. 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 \$100,045,000; Series of 2010, 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, 2014 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 2014-2015 year of \$236,515,173 is supported by a 2.63 mil increase for Northampton County and a 0.36 mil increase for Lehigh County, or 4.99% real estate tax rate increase. With the passing of Act 1, the District was required to adopt a preliminary budget in January and get approval for increasing taxes above an allowed index or adopt a resolution stating that we would not exceed the index. For the 2014-2015 budget, this index was 2.6%, 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 less than 0.25% overall increase in expenditures excluding PSERS and charter school tuition costs. The only new educational initiative included in this budget is the Project Lead the Way pre-engineering and bio-engineering programs 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. While 2014-15 took several steps backward by postponing the school bus replacement cycle, computer replacement cycle, IT infrastructure improvements and eliminated the middle school after-school program due to financial pressures, 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.

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

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

**Table A-7  
BUDGETED REVENUES**

	<b>2014-2015</b>	<b>2013-2014</b>
Local	70.3%	69.4%
State	26.3%	26.5%
Federal/Other	3.4%	4.1%

**BUDGETED EXPENDITURES**

	<b>2014-2015</b>	<b>2013-2014</b>
Instruction	62.3%	61.7%
Support Services	25.1%	25.2%
Non-Instruction/Community	1.3%	1.3%
Fund Transfers/Debt	11.4%	11.8%

**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, 2014**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 15,610,999	\$ 868,352	\$ 16,479,351
Investments	30,000,000	-	30,000,000
Receivables, net	5,733,735	-	5,733,735
Internal Balances	-	136,895	- (1)
Due From Other Governments	5,230,351	150,350	5,380,701
Other Receivables, net	137,030	337,068	474,098
Inventories	774,010	84,946	858,956
Prepaid Expenses	182,796	-	182,796
Other Current Assets	19,515	-	19,515
<b>Total Current Assets</b>	<b>57,688,436</b>	<b>1,577,611</b>	<b>59,129,152</b>
<b>Non-Current Assets:</b>			
Restricted Cash and Cash Equivalents	-	-	-
Land	75,410	-	75,410
Site Improvements (net of depreciation)	1,929,835	-	1,929,835
Building and Bldg. Improvements (net of depreciation)	218,932,526	-	218,932,526
Furniture and Equipment (net of depreciation)	4,615,324	93,055	4,708,379
Construction in Progress	1,429,336	-	1,429,336
Derivative Instrument Asset	945,376	-	945,376
<b>Total Non-Current Assets</b>	<b>227,927,807</b>	<b>93,055</b>	<b>228,020,862</b>
<b>TOTAL ASSETS</b>	<b>\$ 285,616,243</b>	<b>\$ 1,670,666</b>	<b>\$ 287,150,014</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow of Resources - Derivatives	6,597,752	-	6,597,752
Deferred Charges on Bond Refundings, net	17,452,647	-	17,452,647
Deferred Cost on Refundings - Derivatives	10,551,434	-	10,551,434
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 320,218,076</b>	<b>\$ 1,670,666</b>	<b>\$ 321,751,847</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Internal Balances	\$ 136,895	\$ -	\$ - (1)
Due to other governments	849,018	-	849,018
Accounts Payable	5,801,936	187,562	5,989,498
Current Portion of Long-Term Obligations	11,993,737	-	11,993,737
Accrued Salaries and Benefits	9,715,244	16,472	9,731,716
Payroll Deductions and Withholdings	6,452,946	36,226	6,489,172
Prepayments	-	83,095	83,095
Other Current Liabilities	2,898,195	3,826	2,902,021
<b>Total Current Liabilities</b>	<b>37,847,971</b>	<b>327,181</b>	<b>38,038,257</b>
<b>Non-Current Liabilities:</b>			
Bonds and Notes Payable	260,218,828	-	260,218,828
Derivative Financial Instrument Liability	23,726,238	-	23,726,238
Lease Purchase Obligations	1,669,251	-	1,669,251
Long-Term Portion of Compensated Absences	5,974,907	193,600	6,168,507
Net OPEB and Pension Obligation	9,295,599	98,729	9,394,328
<b>TOTAL LIABILITIES</b>	<b>338,732,794</b>	<b>619,510</b>	<b>339,215,409</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Gain on Refundings	6,556,274	-	6,556,274
Unearned Revenue	19,482	-	19,482
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>345,308,550</b>	<b>619,510</b>	<b>345,791,165</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	93,055	93,055
<b>Restricted For:</b>			
Retirement of Long-Term Debt	-	-	-
Capital Projects	-	-	-
Other Restrictions	-	-	-
Unrestricted (deficit)	(25,090,474)	958,101	(24,132,373)
<b>TOTAL NET POSITION</b>	<b>(25,090,474)</b>	<b>1,051,156</b>	<b>(24,039,318)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 320,218,076</b>	<b>\$ 1,670,666</b>	<b>\$ 321,751,847</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, 2014

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	\$ 139,002,271	\$ 199,927	\$ 21,458,743	\$ -	\$ (117,343,601)	\$ -	\$ (117,343,601)
Instructional Student Support	16,890,082	-	2,989,101	-	(13,900,981)	-	(13,900,981)
Admin. & Fin'l Support Services	17,317,428	-	1,114,560	-	(16,202,868)	-	(16,202,868)
Oper. & Maint. of Plant Svcs.	17,408,051	-	884,425	-	(16,523,626)	-	(16,523,626)
Pupil Transportation	7,202,898	-	2,657,961	-	(4,544,937)	-	(4,544,937)
Student activities	2,499,458	239,024	143,078	-	(2,117,356)	-	(2,117,356)
Community Services	246,858	3,800	16,058	-	(227,000)	-	(227,000)
Scholarships and Awards	299				(299)		(299)
Interest on Long-Term Debt	12,937,689	-	-	2,800,864	(10,136,825)	-	(10,136,825)
Unallocated Depreciation Expense	7,457,609	-	-	-	(7,457,609)	-	(7,457,609)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>220,962,643</b>	<b>442,751</b>	<b>29,263,926</b>	<b>2,800,864</b>	<b>(188,455,102)</b>	<b>-</b>	<b>(188,455,102)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Food Services	7,169,076	2,307,987	4,431,699	-	-	(429,390)	(429,390)
Day Care	2,537,486	2,592,182	251,711	-	-	306,407	306,407
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 230,669,205</b>	<b>\$ 5,342,920</b>	<b>\$ 33,947,336</b>	<b>\$ 2,800,864</b>	<b>\$ (188,455,102)</b>	<b>\$ (122,983)</b>	<b>\$ (188,578,085)</b>
<b>GENERAL REVENUES:</b>							
Property taxes. Levied for general purposes, net					\$ 134,038,404	\$ -	\$ 134,038,404
Taxes levied for specific purposes					18,864,524	-	18,864,524
Grants, subsidies, & contributions not restricted					32,550,116	-	32,550,116
Investment Earnings					85,994	90	86,084
Miscellaneous Income					1,412,780	1,153	1,413,933
Special item - Gain (Loss) on sale of capital assets					32,511	24,774	57,285
Extraordinary Items					-	-	-
Transfers					(325,811)	325,811	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS</b>					<b>186,658,518</b>	<b>351,828</b>	<b>187,010,346</b>
<b>CHANGES IN NET POSITION</b>					<b>(1,796,584)</b>	<b>228,845</b>	<b>(1,567,739)</b>
<b>NET POSITION - BEGINNING</b>					<b>(23,293,890)</b>	<b>822,311</b>	<b>(22,471,579)</b>
<b>NET POSITION - ENDING</b>					<b>\$ (25,090,474)</b>	<b>\$ 1,051,156</b>	<b>\$ (24,039,318)</b>

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

**Bethlehem Area School District  
Balance Sheet  
Governmental Funds  
As of June 30, 2014**

	<b>GENERAL</b>	<b>CAPITAL PROJECTS</b>	<b>NON-MAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 14,561,718	\$ 63,010	\$ 986,271	\$ 15,610,999
Investments	26,000,000	4,000,000	-	30,000,000
Taxes Receivable, net	5,733,735	-	-	5,733,735
Due from other funds	30,615	-	-	30,615
Due from Primary Government	-	-	-	-
Due from Other Governments	5,230,351	-	-	5,230,351
Due from Component Unit	-	-	-	-
Other Receivables	125,352	-	-	125,352
Inventories	774,010	-	-	774,010
Prepaid Expenditures	182,796	-	-	182,796
Other Current Assets	19,515	-	-	19,515
<b>TOTAL ASSETS</b>	<b>\$ 52,658,092</b>	<b>\$ 4,063,010</b>	<b>\$ 986,271</b>	<b>\$ 57,707,373</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred Charges on Refundings, net	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 52,658,092</b>	<b>\$ 4,063,010</b>	<b>\$ 986,271</b>	<b>\$ 57,707,373</b>
<b><u>LIABILITIES</u></b>				
Due to Other Funds	\$ 4,309,497	\$ -	\$ -	\$ 4,309,497
Due to Other Governments	849,018	-	-	849,018
Due to Primary Government	-	-	-	-
Due to Component Unit	-	-	-	-
Accounts Payable	1,513,792	134,924	-	1,648,716
Current Portion of Long-Term Debt	453,867	-	5,000	458,867
Accrued Salaries and Benefits	9,715,244	-	-	9,715,244
Payroll Deductions and Withholdings	6,452,946	-	-	6,452,946
Prepayments	-	-	-	-
Other Current Liabilities	10,590	-	981,117	991,707
<b>TOTAL LIABILITIES</b>	<b>23,304,954</b>	<b>134,924</b>	<b>986,117</b>	<b>24,425,995</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unearned/Unavailable Property Taxes and Grants	4,617,708	-	-	4,617,708
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>27,922,662</b>	<b>134,924</b>	<b>986,117</b>	<b>29,043,703</b>
<b><u>FUND BALANCES:</u></b>				
Nonspendable Fund Balance	956,806	-	-	956,806
Restricted Fund Balance	27,855	3,928,086	-	3,955,941
Committed Fund Balance	2,000,000	-	-	2,000,000
Assigned Fund Balance	4,595,004	-	154	4,595,158
Unassigned Fund Balance	17,155,765	-	-	17,155,765
<b>TOTAL FUND BALANCES</b>	<b>24,735,430</b>	<b>3,928,086</b>	<b>154</b>	<b>28,663,670</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 52,658,092</b>	<b>\$ 4,063,010</b>	<b>\$ 986,271</b>	<b>\$ 57,707,373</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, 2014**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 28,663,670

**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 \$395,313,099 and the accumulated depreciation is \$168,330,668. 226,982,431

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. 444

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. 11,538,288

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. 4,598,226

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. 17,452,647

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. -

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	\$ (270,758,828)	
Accrued interest on the bonds	(1,906,487)	
Intergovernmental Payable	-	
Compensated absences	(5,974,907)	
Derivative Instrument Liability	(23,726,238)	
Net OPEB Obligation	(9,295,599)	
Lease Purchase Obligations	(2,664,121)	(314,326,180)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** \$ (25,090,474)

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, 2014**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>				
Local Sources	\$ 156,344,168	\$ 7,797	\$ 4,468,657	\$ 160,820,622
State Sources	57,697,682	-	-	57,697,682
Federal Sources	5,189,071	-	-	5,189,071
<b>TOTAL REVENUES</b>	<u>219,230,921</u>	<u>7,797</u>	<u>4,468,657</u>	<u>223,707,375</u>
<b>EXPENDITURES</b>				
Instruction	137,304,440	-	-	137,304,440
Support Services	57,796,656	2,768	500	57,799,924
Operation of Non-Instructional Services	2,618,871	-	-	2,618,871
Capital Outlay	8,998	1,746,541	-	1,755,539
Debt Service	23,431,838	-	4,468,154	27,899,992
<b>TOTAL EXPENDITURES</b>	<u>221,160,803</u>	<u>1,749,309</u>	<u>4,468,654</u>	<u>227,378,766</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,929,882)</u>	<u>(1,741,512)</u>	<u>3</u>	<u>(3,671,391)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Bond Issues	-	-	-	-
Proceeds from Refunded Bond Issues	-	-	-	-
Proceeds from Extended Term Financing	972,906	-	-	972,906
Bond Premiums	-	-	-	-
Refund of Prior Year Expenditures	-	-	-	-
Interfund Transfers In	-	-	-	-
Sale/Compensation for Fixed Assets	36,895	-	-	36,895
Payment to bond refunding escrow agent	-	-	-	-
Swap Termination Fee	-	-	-	-
Bond Discounts	-	-	-	-
Operating Transfers Out	(925,811)	-	-	(925,811)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>83,990</u>	<u>-</u>	<u>-</u>	<u>83,990</u>
<b>SPECIAL/EXTRAORDINARY ITEMS</b>				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,845,892)</u>	<u>(1,741,512)</u>	<u>3</u>	<u>(3,587,401)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>26,581,322</u>	<u>5,669,598</u>	<u>151</u>	<u>32,251,071</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 24,735,430</u>	<u>\$ 3,928,086</u>	<u>\$ 154</u>	<u>\$ 28,663,670</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, 2014**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ (3,587,401)

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	\$ 9,354,250	
less - capital outlays	<u>3,378,056</u>	(5,976,194)

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. 535,175

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. 150,019

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. 11,066,653

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. (2,505,160)

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. 65,735

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING** **(251,173)**

**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, 2014**

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

\$ (251,173)

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.

(572,505)

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.

(972,906)

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.

-

**CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

**\$ (1,796,584)**

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, 2014**

	<b>FOOD SERVICE</b>	<b>NON-MAJOR FUNDS</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 3,929	\$ 864,423	\$ 868,352
Investments	-	-	-
Due from other funds	1,002	156,277	157,279
Due From Other Governments	150,350	-	150,350
Other Receivables (net)	264,482	71,584	336,066
Inventories	84,946	-	84,946
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>504,709</b>	<b>1,092,284</b>	<b>1,596,993</b>
<b>NON-CURRENT ASSETS:</b>			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	93,055	-	93,055
Other Long-Term Receivables	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>93,055</b>	<b>-</b>	<b>93,055</b>
<b>TOTAL ASSETS</b>	<b>\$ 597,764</b>	<b>\$ 1,092,284</b>	<b>\$ 1,690,048</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Charges on Refundings, net	-	-	-
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 597,764</b>	<b>\$ 1,092,284</b>	<b>\$ 1,690,048</b>
<b><u>LIABILITIES</u></b>			
<b>CURRENT LIABILITIES:</b>			
Due to Other Funds	\$ 82,775	\$ 55,931	\$ 138,706
Due to Other Governments	-	-	-
Accounts Payable	67,278	960	68,238
Compensated Absences	-	-	-
Accrued Salaries and Benefits	16,472	-	16,472
Payroll Deductions and Withholdings	-	36,226	36,226
Other Current Liabilities	3,826	-	3,826
Prepayments	52,249	30,846	83,095
<b>TOTAL CURRENT LIABILITIES</b>	<b>222,600</b>	<b>123,963</b>	<b>346,563</b>
<b>NON-CURRENT LIABILITIES:</b>			
Long-Term Portion of Compensated Absences	184,672	8,928	193,600
Net OPEB Obligation	57,448	41,281	98,729
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>242,120</b>	<b>50,209</b>	<b>292,329</b>
<b>TOTAL LIABILITIES</b>	<b>464,720</b>	<b>174,172</b>	<b>638,892</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unearned Revenue	-	-	-
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>464,720</b>	<b>174,172</b>	<b>638,892</b>
<b><u>FUND NET POSITION</u></b>			
Net Investment in Capital Assets	93,055	-	93,055
Restricted for Legal Purposes	-	-	-
Unrestricted	39,989	918,112	958,101
<b>TOTAL FUND NET POSITION</b>	<b>133,044</b>	<b>918,112</b>	<b>1,051,156</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, &amp; FUND NET POSITION</b>	<b>\$ 597,764</b>	<b>\$ 1,092,284</b>	<b>\$ 1,690,048</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, 2014**

	<b>FOOD SERVICE</b>	<b>NON-MAJOR FUNDS</b>	<b>TOTAL</b>
<b>OPERATING REVENUES:</b>			
Food Service Revenue	\$ 2,307,200	\$ -	\$ 2,307,200
Charges for Services	-	1,949,243	1,949,243
Other Operating Revenues	890	643,989	644,879
<b>TOTAL OPERATING REVENUES</b>	2,308,090	2,593,232	4,901,322
	-----	-----	-----
<b>OPERATING EXPENSES:</b>			
Salaries	2,020,662	1,327,783	3,348,445
Employee Benefits	1,262,421	1,043,677	2,306,098
Purchased Professional and Technical Services	221	3,388	3,609
Purchased Property Service	101,993	-	101,993
Other Purchased Services	3,422,637	16,383	3,439,020
Supplies	291,586	111,789	403,375
Depreciation	12,477	-	12,477
Dues and Fees	5,192	16,168	21,360
Claims and Judgments	-	-	-
Other Operating Expenses	51,887	18,298	70,185
<b>TOTAL OPERATING EXPENSES</b>	7,169,076	2,537,486	9,706,562
<b>OPERATING INCOME (LOSS)</b>	(4,860,986)	55,746	(4,805,240)
	-----	-----	-----
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Earnings on investments	20	70	90
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	24,774	-	24,774
State Sources	432,607	251,711	684,318
Federal Sources	3,999,092	-	3,999,092
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	4,456,493	251,781	4,708,274
	-----	-----	-----
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	(404,493)	307,527	(96,966)
Capital Contributions	-	-	-
Transfers in (out)	325,811	-	325,811
<b>CHANGES IN FUND NET POSITION</b>	(78,682)	307,527	228,845
	-----	-----	-----
<b>FUND NET POSITION - BEGINNING</b>	211,726	610,585	822,311
	-----	-----	-----
<b>FUND NET POSITION - ENDING</b>	\$ 133,044	\$ 918,112	\$ 1,051,156
	-----	-----	-----

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, 2014**

	<b>FOOD SERVICE</b>	<b>NON-MAJOR FUNDS</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Users	\$ 2,368,057	\$ 1,914,045	\$ 4,282,102
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	890	643,989	644,879
Cash Payments to Employees for Services	(3,217,169)	(2,369,568)	(5,586,737)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(3,498,269)	(130,612)	(3,628,881)
Cash Payments to Other Operating Expenses	(56,571)	(18,441)	(75,012)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	(4,403,062)	39,413	(4,363,649)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Local Sources	-	-	-
State Sources	430,618	251,711	682,329
Federal Sources	3,673,875	-	3,673,875
Notes and Loans Received	-	-	-
Contributions and Donations	-	-	-
Operating Transfers In (Out)	325,811	-	325,811
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	4,430,304	251,711	4,682,015
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Equipment	(72,000)	-	(72,000)
Gain/Loss on Sale of Fixed Assets (Proceeds)	46,198	-	46,198
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(25,802)	-	(25,802)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Earnings on Investments	20	70	90
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>	20	70	90
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,460	291,194	292,654
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	2,469	573,229	575,698
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 3,929</b>	<b>\$ 864,423</b>	<b>\$ 868,352</b>

**Bethlehem Area School District**  
**Statement of Cash Flows - Proprietary Funds**  
**As of June 30, 2014**

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

	<b>FOOD SERVICE</b>	<b>NON-MAJOR FUNDS</b>	<b>TOTAL</b>
<b>OPERATING INCOME (LOSS)</b>	\$ (4,860,986)	\$ 55,746	(4,805,240)
	-----	-----	-----
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>			
Depreciation and Net Amortization	12,477	-	12,477
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	274,826	-	274,826
<b>CHANGE IN ASSETS AND LIABILITIES:</b>			
(Increase) Decrease in Accounts Receivable	61,377	(35,198)	26,179
(Increase) Decrease in Advances to Other Funds	(520)	-	(520)
(Increase) Decrease in Inventories	62,194	-	62,194
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Other Current Assets	-	-	-
Increase (Decrease) in Accounts Payable	(16,526)	(1,329)	(17,855)
Increase (Decrease) in Accrued Salaries and Benefits	65,914	1,892	67,806
Increase (Decrease) in Advances from Other Funds	3,782	54,000	57,782
Increase (Decrease) in Other Current Liabilities	(5,600)	(35,698)	(41,298)
<b>TOTAL ADJUSTMENTS</b>	<u>457,924</u>	<u>(16,333)</u>	<u>441,591</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u><u>\$ (4,403,062)</u></u>	<u><u>\$ 39,413</u></u>	<u><u>\$ (4,363,649)</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, 2014**

	<b>PRIVATE PURPOSE TRUST</b>	<b>PENSION AND OTHER EMPLOYEE BENEFIT TRUST</b>	<b>AGENCY FUNDS</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 268,568	\$ 5,863,973	\$ 642,484
Restricted Cash	-	-	-
Investments	1,897	4,500,000	-
Due from Other Funds	-	4,272,543	-
Other Receivables	500	45,955	13,883
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 270,965</b>	<b>\$ 14,682,471</b>	<b>\$ 656,367</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charges on Refundings, net	-	-	-
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 270,965</b>	<b>\$ 14,682,471</b>	<b>\$ 656,367</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 19,730	\$ 1,974,722	\$ 21,982
Due to Other Funds	-	1,582	10,652
Due to Student Clubs	-	-	623,733
Other Current Liabilities	-	76,770	-
<b>TOTAL LIABILITIES</b>	<b>19,730</b>	<b>2,053,074</b>	<b>656,367</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned Revenue	-	-	-
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>19,730</b>	<b>2,053,074</b>	<b>656,367</b>
<b>NET POSITION</b>			
Restricted	-	-	-
Unrestricted	251,235	12,629,397	-
<b>TOTAL NET POSITION</b>	<b>\$ 251,235</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, 2014**

	<b>PRIVATE-PURPOSE TRUST FUND</b>	<b>PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS</b>
<b>ADDITIONS</b>		
Contributions	\$ 24,087	\$ 31,684,253
Transfers from other funds	-	600,000
Rebates		128,192
<b>INVESTMENT EARNINGS:</b>		
Interest and Dividends	30	10,276
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
<b>TOTAL ADDITIONS</b>	<u>24,117</u>	<u>32,422,721</u>
	-----	-----
<b>DEDUCTIONS</b>		
Transfers to other funds	-	-
PA Trust - Stop Loss Ins.		380,462
Medical and Dental Claims		28,229,346
Unemployment Costs		34,838
Workers Compensation Costs		115,148
Administrative charges	-	20,947
Scholarships	<u>35,255</u>	<u>-</u>
<b>TOTAL DEDUCTIONS</b>	<u>35,255</u>	<u>28,780,741</u>
	-----	-----
<b>CHANGES IN NET POSITION</b>	(11,138)	3,641,980
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>262,373</u>	<u>8,987,417</u>
	-----	-----
<b>NET POSITION - END OF YEAR</b>	<u>\$ 251,235</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, 2014**

	<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	\$ 157,413,092	\$ 157,413,092	\$ 156,344,168	\$ (1,068,924)	\$ -	\$ 156,344,168
State Sources	58,772,434	58,772,434	57,697,682	(1,074,752)	-	57,697,682
Federal Sources	5,921,030	5,921,030	5,189,071	(731,959)	-	5,189,071
<b>TOTAL REVENUES</b>	<b>222,106,556</b>	<b>222,106,556</b>	<b>219,230,921</b>	<b>(2,875,635)</b>	<b>-</b>	<b>219,230,921</b>
<b>EXPENDITURES</b>						
Regular Instruction	97,913,795	95,084,750	95,055,209	29,541	-	95,055,209
Special Programs	25,224,255	28,068,742	28,058,771	9,971	-	28,058,771
Vocational Programs	10,382,749	9,964,235	9,952,176	12,059	-	9,952,176
Other Instructional Programs	2,342,296	1,313,358	1,307,404	5,954	-	1,307,404
Nonpublic School Programs	25,199	26,845	26,517	328	-	26,517
Adult Education Programs	7,364	557	556	1	-	556
Community/Junior College Ed. Programs	2,213,907	2,213,907	2,212,907	1,000	-	2,212,907
Pre-Kindergarten	793,271	704,547	690,900	13,647	-	690,900
Pupil Personnel Services	8,346,351	8,782,624	8,717,775	64,849	-	8,717,775
Instructional Staff Services	6,213,118	5,945,421	5,821,559	123,862	-	5,821,559
Administrative Services	10,355,221	10,476,514	10,421,080	55,434	-	10,421,080
Pupil Health	2,064,992	2,151,377	2,128,148	23,229	-	2,128,148
Business Services	1,899,357	1,655,407	1,644,809	10,598	-	1,644,809
Operation & Maintenance of Plant Services	17,753,522	18,069,657	17,460,840	608,817	-	17,460,840
Student Transportation Services	6,474,909	7,328,322	7,317,530	10,792	-	7,317,530
Central Support Services	3,582,443	4,310,003	4,182,374	127,629	-	4,182,374
Other Support Services	102,003	102,541	102,541	-	-	102,541
Student Activities	2,353,416	2,446,983	2,371,893	75,090	-	2,371,893
Community Services	496,518	384,239	246,679	137,560	-	246,679
Scholarships and Awards	-	299	299	-	-	299
Facilities, Acquisition and Construction	-	8,998	8,998	-	-	8,998
Debt Service	23,645,315	23,466,688	23,431,838	34,850	-	23,431,838
<b>TOTAL EXPENDITURES</b>	<b>222,190,001</b>	<b>222,506,014</b>	<b>221,160,803</b>	<b>1,345,211</b>	<b>-</b>	<b>221,160,803</b>
Excess (deficiency) of revenues over expenditures	(83,445)	(399,458)	(1,929,882)	(1,530,424)	-	(1,929,882)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds From Extended Term Financing	-	-	972,906	972,906	-	972,906
Interfund Transfers In	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	30,000	30,000	36,895	6,895	-	36,895
Fund Transfers Out	(84,000)	(926,000)	(925,811)	189	-	(925,811)
Budgetary Reserve	(3,000,000)	(1,841,987)	-	1,841,987	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,054,000)</b>	<b>(2,737,987)</b>	<b>83,990</b>	<b>2,821,977</b>	<b>-</b>	<b>83,990</b>
Special Items	-	-	-	-	-	-
Extraordinary Items	10,000	10,000	-	(10,000)	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,127,445)</b>	<b>(3,127,445)</b>	<b>(1,845,892)</b>	<b>1,281,553</b>	<b>-</b>	<b>(1,845,892)</b>
<b>FUND BALANCE - JULY 1, 2013</b>	<b>23,756,597</b>	<b>23,756,597</b>	<b>26,581,322</b>	<b>2,824,725</b>	<b>\$ -</b>	<b>\$ 26,581,322</b>
<b>FUND BALANCE - JUNE 30, 2014</b>	<b>\$ 20,629,152</b>	<b>\$ 20,629,152</b>	<b>\$ 24,735,430</b>	<b>\$ 4,106,278</b>	<b>\$ -</b>	<b>\$ 24,735,430</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, 2014**

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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, 2014**

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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 2013-14 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 2013-14 was \$5,824,677.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

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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 2013-14 was \$2,212,907.

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, 2014**

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

b) Capital Reserve Fund

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

**Proprietary Funds** Proprietary funds focus on the determination of changes in net 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.

### ***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 2013-14 budget transfers.

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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***F. Use of Estimates***

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

***G. Assets, Liabilities, and Net 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.

***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, 2014, 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, 2014, the inventory shown in the governmental activities column of the government-wide statement of net position is \$774,010 and \$84,946, is shown as inventory in the business-type activities column of the government-wide statement of net position.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

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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 \$774,010, taken as of June 30, 2014; 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, 2014, consist of:

Purchased Food	\$	44,300
Donated Commodities		16,490
Purchased Supplies		<u>24,156</u>
Total	\$	<u><b>84,946</b></u>

*Prepaid Expenses*

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

*Capital Assets*

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

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*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.

*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, 2014, 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.

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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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.

*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.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

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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.

**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 \$314,326,180 differences are:

Bonds payable	\$ 269,350,000
Less: Issuance discount (to be amortized as interest expense)	(653,611)
Add: Issuance premium (to be amortized as a contra to interest expense)	2,062,439
Derivative Instrument Liability	23,726,238
Lease Purchase Obligations	2,664,121
Accrued interest payable	1,906,487
Net OPEB Obligation	9,295,599
Compensated absences	<u>5,974,907</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	<u><b>\$ 314,326,180</b></u>

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

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

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

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- 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, 2014**

	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	\$ 133,943,047	\$ 95,357	\$ -	\$ -	\$ 134,038,404
Taxes levied for specific purposes	18,809,861	54,663	-	-	18,864,524
Interest and investment earnings	4,554,394	(246)	-	(4,468,154)	85,994
Miscellaneous	995,034	65,979	-	-	1,061,013
Contributions and Donations	351,767	-	-	-	351,767
Charges for Services	442,751	-	-	-	442,751
Grants, subsidies & contributions not restricted	32,550,116	-	-	-	32,550,116
<b>INTERMEDIATE SOURCES:</b>					
Charges for Services	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
<b>STATE SOURCES:</b>					
Operating & Capital grants and contributions	25,147,566	-	-	-	25,147,566
<b>FEDERAL SOURCES:</b>					
Operating & Capital grants and contributions	6,917,224	-	-	-	6,917,224
<b>SPECIAL AND EXTRAORDINARY SOURCES:</b>					
Proceeds from Bond Issues	-	-	-	-	-
Bond Premiums	-	-	-	-	-
Proceeds from Extended Term Financing	972,906	-	-	(972,906)	-
Extraordinary Item - Insurance Recoveries	-	-	-	-	-
Gain or (Loss) on disposal of assets	32,511	-	-	-	32,511
<b>TOTAL REVENUES</b>	<b>224,717,177</b>	<b>215,753</b>	<b>-</b>	<b>(5,441,060)</b>	<b>219,491,870</b>
<b>EXPENDITURES/EXPENSES</b>					
Instruction	137,696,671	1,188,451	117,149	-	139,002,271
Instructional Student Support	16,729,796	150,789	9,497	-	16,890,082
Admin. & Fin'l Support Services	16,413,650	952,217	(48,439)	-	17,317,428
Oper. & Maint. Of Plant Svcs.	17,562,037	153,567	(307,553)	-	17,408,051
Pupil Transportation	7,346,228	41,275	(184,605)	-	7,202,898
Student activities	2,373,418	18,859	107,181	-	2,499,458
Community Services	246,679	-	179	-	246,858
Scholarships & Awards	299	-	-	-	299
Capital Outlay	1,709,999	-	(1,709,999)	-	-
Debt Service	27,899,990	-	-	(14,962,301)	12,937,689
Transfers Out	325,811	-	-	-	325,811
Depreciation - unallocated	-	-	7,457,609	-	7,457,609
Special Item - Derivative Termination Fee	-	-	-	-	-
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>228,304,578</b>	<b>2,505,158</b>	<b>5,441,019</b>	<b>(14,962,301)</b>	<b>221,288,454</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ (3,587,401)</b>	<b>\$ (2,289,405)</b>	<b>\$ (5,441,019)</b>	<b>\$ 9,521,241</b>	<b>\$ (1,796,584)</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, 2014, except the governmental activities has a \$25,090,474 in deficit net position.

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

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

**D. Budgetary compliance**

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2014.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

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, 2014, \$34,881,243 of the District's bank balance of \$35,633,821 was exposed to custodial credit risk as follows:

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	34,881,243
<b>TOTAL</b>	<b>\$ 34,881,243</b>

*Reconciliation to Financial Statements*

Uncollateralized Amount above	\$ 34,881,243
Plus: Insured Amount	752,578
Less: Outstanding Checks	(569)
Carrying Amount - Cash Balances	35,633,252
Plus: Petty Cash	2,366
Deposit in Pooled Investments Considered Cash Equivalents	22,120,655
Less: Certificates of Deposit considered Investments by School Code	(34,501,897)
<b>TOTAL CASH PER FINANCIAL STATEMENTS</b>	<b>\$ 23,254,376</b>

**Investments**

As of June 30, 2014, the District had the following investments:

<i>Investment</i>	<b>Maturities</b>	<b>Fair Value</b>
PSDLAF/PSDMAX	\$	18,042,566
PA Treasurer's Invest Program		2,208,937
PLGIT Class		1,869,152
Lafayette Ambassador Bank -CD		600
KNBT -CD's		1,297
PSDLAF -CD's		34,500,000
<b>TOTAL</b>	<b>\$</b>	<b>56,622,552</b>

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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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, 2014, the District's investment in PLGIT and PSDLAF were rated AAA by Standard & Poor's. The District's investment in the PA Treasurer's Invest Program was rated AAA by Standard & Poor's and Moodys.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. The General Fund has 64.14% of investments in Certificates of Deposits with PSDLAF. As for the Governmental Activities, the District has 64.10% of investments in Certificates of Deposits with PSDLAF. Of the investments held entity wide, 54.07% are held in Certificates of Deposit with PSDLAF.

Reconciliation to Financial Statements

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Total Investments Above	\$ 56,622,552
Less: Deposits in Investment Pool Considered Cash Equivalents	(22,120,655)
<b>Total Investments Per Financial Statements</b>	<b><u>\$ 34,501,897</u></b>

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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 \$4,099,821,700. In accordance with Act I of 2006, the District receives \$4,773,948 in property tax reduction funds for the 2013-14 fiscal year. The tax rate for the Northampton and Lehigh Counties was \$4.836 and \$1.541, respectively per \$100 of assessed valuation or 48.36 mills and 15.41, respectively.

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. |

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

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

*Receivables*

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

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
<b>RECEIVABLES:</b>						
Interest	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 500
Taxes	5,733,735	-	-	-	-	5,733,735
Accounts	125,352	-	264,482	96,945	59,838	546,617
Intergovernmental	5,230,351	-	150,350	-	-	5,380,701
<b>GROSS RECEIVABLES</b>	<b>11,089,438</b>	<b>-</b>	<b>414,832</b>	<b>96,945</b>	<b>60,338</b>	<b>11,661,553</b>
Less: Allowance for Uncollectibles	-	-	-	(25,361)	-	(25,361)
<b>NET RECEIVABLES</b>	<b>\$ 11,089,438</b>	<b>\$ -</b>	<b>\$ 414,832</b>	<b>\$ 71,584</b>	<b>\$ 60,338</b>	<b>\$ 11,636,192</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:

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Delinquent Property Taxes - General Fund	\$ 4,598,226	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	19,482
<b>TOTAL</b>	<b>\$ 4,598,226</b>	<b>\$ 19,482</b>

*Capital Assets*

Capital asset balances and activity for the year ending June 30, 2014, were:

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

	<b>BEGINNING BALANCE</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>ENDING BALANCE</b>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital Assets not being depreciated:				
Land	\$ 75,410	\$ -	\$ -	\$ 75,410
Construction in Progress	214,579	2,389,644	(1,174,887)	1,429,336
Total Capital Assets not being depreciated	289,989	2,389,644	(1,174,887)	1,504,746
Capital Assets being depreciated:				-
Site Improvements	9,086,934	71,700	-	9,158,634
Buildings and Improvements	320,726,956	976,776	-	321,703,732
Furniture and Equipment	62,602,346	1,114,822	(771,181)	62,945,987
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>392,416,236</b>	<b>2,163,298</b>	<b>(771,181)</b>	<b>393,808,353</b>
Less accumulated depreciation for:				
Site Improvements	(6,913,384)	(343,067)	27,652	(7,228,799)
Buildings and Improvements	(94,765,492)	(8,005,714)	-	(102,771,206)
Furniture and Equipment	(58,603,898)	(1,005,469)	1,278,704	(58,330,663)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(160,282,774)</b>	<b>(9,354,250)</b>	<b>1,306,356</b>	<b>(168,330,668)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION</b>	<b>232,133,462</b>	<b>(7,190,952)</b>	<b>535,175</b>	<b>225,477,685</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION</b>	<b>\$ 232,423,451</b>	<b>\$ (4,801,308)</b>	<b>\$ (639,712)</b>	<b>\$ 226,982,431</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 1,866,045	\$ 72,000	\$ (37,502)	\$ 1,900,543
Less accumulated depreciation	(1,811,089)	(12,477)	16,078	(1,807,488)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION</b>	<b>\$ 54,956</b>	<b>\$ 59,523</b>	<b>\$ (21,424)</b>	<b>\$ 93,055</b>

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

Regular Instruction	\$ 109,958
Special Instruction	1,726
Vocational Instruction	3,424
Other Instruction	1,933
Adult Instruction	-
Community College Instruction	-
Pre-Kindergarten	108
Pupil Services	-
Instructional Staff Svcs.	9,103
Administrative Services	1,669
Health Services	394
Business Services	4,353
Operation & Maintenance of Plant Svcs.	560,196
Pupil Transportation	535,275
Central Services	25,967
Other Support Services	-
Student Activities	107,181
Community Services	179
Depreciation - unallocated	7,992,784
<b>TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES</b>	<b>\$ 9,354,250</b>

The governmental activities disposed of \$771,181 in fully depreciated capital assets during the year, showing a gain of disposition of \$32,511. The business-type activities disposed of \$37,502, with accumulated depreciation of \$16,078, reflecting a \$24,774 gain on disposition.

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

**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 6/30/14</b>	<b>OUTSTANDING COMMITMENTS</b>
<b><u>Nitschmann Middle School</u></b>			
D'Huy Engineering, Inc	\$ 1,680,000	\$ 210,000	\$ 1,470,000
B.R.F. Architects	2,250,000	860,192	1,389,808
<b>SUB-TOTAL</b>	<b>3,930,000</b>	<b>1,070,192</b>	<b>2,859,808</b>
<b><u>Roof Repairs - Spark, Spring Garden, &amp; Liberty</u></b>			
D'Huy Engineering, Inc	14,957	12,713	2,244
Procom Roofing	230,100	193,895	36,205
<b>SUB-TOTAL</b>	<b>245,057</b>	<b>206,608</b>	<b>38,449</b>
<b><u>Asa Packer Emergency Generator Replacement</u></b>			
D'Huy Engineering, Inc	5,323	4,525	798
Albarell Electric	81,899	-	81,899
<b>SUB-TOTAL</b>	<b>87,222</b>	<b>4,525</b>	<b>82,697</b>
<b><u>Masonry Repairs - Donegan and East Hills</u></b>			
Spotts Brothers	141,168	27,755	113,413
<b><u>Security Cameras Upgrade - Liberty HS</u></b>			
D'Huy Engineering, Inc	13,000	3,960	9,040
Albarell Electric	70,688	-	70,688
Communication Systems	146,440	-	146,440
<b>SUB-TOTAL</b>	<b>230,128</b>	<b>3,960</b>	<b>226,168</b>
<b><u>Parking Lot Reconstruction - Education Center</u></b>			
D'Huy Engineering, Inc	13,828	8,998	4,830
Barker & Barker	212,734	-	212,734
<b>SUB-TOTAL</b>	<b>226,562</b>	<b>8,998</b>	<b>217,564</b>
<b>GRAND TOTAL</b>	<b>\$ 4,860,137</b>	<b>\$ 1,322,038</b>	<b>\$ 3,538,099</b>

**Short-term debt**

*Interfund receivables and payables*

The following interfund receivables and payables were in existence on June 30, 2014:

	<b>INTERFUND RECEIVABLES</b>	<b>INTERFUND PAYABLES</b>
General Fund	\$ 30,615	\$ 4,309,497
Enterprise (Food Service) Fund	1,002	82,775
Enterprise (Day Care) Fund	156,277	55,931
Self - Insurance Trust Fund (Blended Component Unit)	4,272,543	1,582
Agency (Activity) Fund	-	10,652
<b>TOTAL</b>	<b>\$ 4,460,437</b>	<b>\$ 4,460,437</b>

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

The District also made the following interfund transfers during the fiscal year ended June 30, 2014:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ -	\$ 925,811
Capital Projects (Capital Reserve) Fund	-	-
Self - Insurance Trust Fund (Blended Component Unit)	600,000	-
Enterprise (Food Service) Fund	325,811	-
<b>TOTAL</b>	<b>\$ 925,811</b>	<b>\$ 925,811</b>

*Long-Term Liabilities*

Long-term liability balances and activity for the year ended June 30, 2014, were:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 281,065,273	\$ 109,905	\$ 10,411,350	\$ 270,763,828	\$ 10,545,000
Capital Leases	2,682,869	972,905	991,653	2,664,121	994,870
<b>Total general obligation debt</b>	<b>283,748,142</b>	<b>1,082,810</b>	<b>11,403,003</b>	<b>273,427,949</b>	<b>11,539,870</b>
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	1,398,755	163,981	-	1,562,736	290,054
Sick pay	3,910,949	955,089	-	4,866,038	163,813
Net Pension Obligation	293,666	53,739	-	347,405	-
Net OPEB Obligation	7,588,852	1,359,342	-	8,948,194	-
Derivative Financial Instruments	23,255,008	471,230	-	23,726,238	-
<b>Total other liabilities</b>	<b>36,447,230</b>	<b>3,003,381</b>	<b>-</b>	<b>39,450,611</b>	<b>453,867</b>
<b>TOTAL GOVERNMENTAL ACTIVITY</b>					
<b>LONG-TERM LIABILITIES</b>	<b>\$ 320,195,372</b>	<b>\$ 4,086,191</b>	<b>\$ 11,403,003</b>	<b>\$ 312,878,560</b>	<b>\$ 11,993,737</b>
 <b><u>BUSINESS TYPE ACTIVITIES</u></b>					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	2,495	826	-	3,321	-
Sick pay	135,278	55,001	-	190,279	-
Net OPEB Obligation	87,023	11,706	-	98,729	-
<b>TOTAL BUSINESS-TYPE ACTIVITY</b>					
<b>LONG-TERM LIABILITIES</b>	<b>\$ 224,796</b>	<b>\$ 67,533</b>	<b>\$ -</b>	<b>\$ 292,329</b>	<b>\$ -</b>

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>	<u>EXPENSE</u>	<u>PAID</u>
General obligation debt	\$ 12,864,000	\$ 12,321,496
Lease debt	73,689	73,689
Short-term borrowings	-	-
<b>TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES</b>	<b>\$ 12,937,689</b>	<b>\$ 12,395,185</b>

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

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**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, 2014, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 8,135,000	\$ 682,875
2015-16	8,555,000	265,625
2016-17	1,035,000	25,875
<b>SUB-TOTAL</b>	<b>17,725,000</b>	<b>\$ 974,375</b>
Unamortized Discount	(6,151)	
<b>TOTAL OUTSTANDING</b>	<b>\$ 17,718,849</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. The outstanding debt service requirements at June 30, 2014, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 1,410,000	\$ 2,777,106
2015-16	1,465,000	2,724,932
2016-17	8,985,000	2,510,331
2017-18	10,415,000	2,087,456
2018-19	7,905,000	1,657,581
2019-24	31,595,000	2,913,227
<b>SUB-TOTAL</b>	<b>61,775,000</b>	<b>\$ 14,670,633</b>
Unamortized Discount	(291,674)	
Unamortized Premium	1,359,586	
<b>TOTAL OUTSTANDING</b>	<b>\$ 62,842,912</b>	



**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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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, 2014, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ -	\$ 580,400
2015-16	-	580,400
2016-17	-	580,400
2017-18	-	580,400
2018-19		523,400
2019-21	14,410,000	443,200
<b>SUB-TOTAL</b>	14,410,000	<b>\$ 3,288,200</b>
Unamortized Discount	(157,166)	
<b>TOTAL OUTSTANDING</b>	<b>\$ 14,252,834</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, 2014, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 465,000	\$ 375,338
2015-16	475,000	361,819
2016-17	495,000	346,526
2017-18	510,000	329,434
2018-19	530,000	310,438
2019-24	2,985,000	1,198,113
2024-29	3,455,000	444,441
<b>SUB-TOTAL</b>	8,915,000	<b>\$ 3,366,109</b>
Unamortized Premium	3,863	
Unamortized Discount	(85,661)	
<b>TOTAL OUTSTANDING</b>	<b>\$ 8,833,202</b>	

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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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, 2014, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 10,000	\$ 1,388,650
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
2019-24	12,035,000	6,702,228
2024-26	16,740,000	1,330,612
<b>SUB-TOTAL</b>	28,815,000	<b>\$ 14,973,386</b>
Unamortized Discount	-	
Unamortized Premium	585,098	
<b>TOTAL OUTSTANDING</b>	<b>\$ 29,400,098</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.

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, 2014, for informational purposes only, using 0.94% interest rate in effect at June 30, 2014:**

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 5,000	\$ 281,789
2015-16	5,000	281,742
2016-17	5,000	281,695
2017-18	5,000	281,648
2018-19	5,000	281,601
2019-24	25,000	1,407,300
2024-29	21,485,000	1,112,139
2029-30	8,445,000	39,692
<b>TOTAL</b>	<b>\$ 29,980,000</b>	<b>\$ 3,967,606</b>

**General Obligation Notes – Series of 2011**

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

Since this Note is between the School District and its component unit (Bethlehem Area School District Authority), it is not shown on the government-wide Statement of Net 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, 2014, for informational purposes only, using 0.6527% interest rate in effect at June 30, 2014:**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 5,000	\$ 264,012
2015-16	5,000	263,979
2016-17	5,000	263,947
2017-18	5,000	263,914
2018-19	5,000	263,881
2019-24	2,690,000	1,294,455
2024-29	18,905,000	933,987
2029-32	18,835,000	137,648
<b>TOTAL</b>	<b>\$ 40,455,000</b>	<b>\$ 3,685,823</b>

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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**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, 2014, are as follows:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 5,000	\$ 1,287,476
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
2019-24	7,965,000	6,182,381
2024-29	22,445,000	2,925,475
2029-30	2,885,000	59,503
<b>Sub-Total</b>	<b>\$ 33,320,000</b>	<b>\$ 15,603,965</b>
<b>Unamortized Bond Discount</b>	<b>(112,959)</b>	
<b>Total Outstanding</b>	<b>\$ 33,207,041</b>	

**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, 2014, for informational purposes only, using 0.6527% interest rate in effect at June 30, 2014.**

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 5,000	\$ 195,693
2015-16	5,000	195,660
2016-17	5,000	195,627
2017-18	5,000	195,595
2018-19	5,000	195,562
2019-24	25,000	977,320
2024-29	25,000	976,505
2029-32	29,910,000	387,741
<b>Sub-Total</b>	<b>\$ 29,985,000</b>	<b>\$ 3,319,703</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. The outstanding debt service obligations at June 30, 2014, are as follows:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 505,000	\$ 96,538
2015-16	520,000	81,387
2016-17	930,000	65,787
2017-18	1,005,000	37,888
2018-19	1,015,000	20,300
<b>SUB-TOTAL</b>	<b>\$ 3,975,000</b>	<b>\$ 301,900</b>
Unamortized Bond Premium	<b>56,031</b>	
<b>TOTAL OUTSTANDING</b>	<b>\$ 4,031,031</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.

**Interest Rate Swap**

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

**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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Bonds – Series of 2005 was transferred to the Authority's Guaranteed Lease Revenue Bonds – Series of 2010.

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

*Terms.* The bonds and the related swap agreement mature on January 1, 2030, and the swap's original notional amount was \$55,000,000. The swap was entered into on December 8, 2003. Subsequently, \$25,350,000 of the original notional amount was terminated leaving a remaining notional amount of \$29,650,000. Under the swap, the School District receives the lesser of 60% of LIBOR (monthly rate) plus 0.345% from the Counterparty (JP Morgan Chase Bank) in exchange for a fixed rate of 3.90%. The variable rate paid on the Authority's Guaranteed Revenue Bonds – 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 \$6,599,623 as of June 30, 2014. 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, 2014, 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, 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, 2014, the SIFMA rate was 0.94%, whereas 60% of LIBOR was 0.4356%.

*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, 2014, 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, 2014, using the variable interest rate in effect at year end are:

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>Interest Rate Swaps, Net</b>	<b>TOTAL</b>
2014-15	\$ 5,000	\$ 281,789	\$ 1,026,502	\$ 1,313,291
2015-16	5,000	281,742	1,026,502	1,313,244
2016-17	5,000	281,695	1,026,502	1,313,197
2017-18	5,000	281,648	1,026,502	1,313,150
2018-19	5,000	281,601	1,026,502	1,313,103
2019-24	25,000	1,407,300	5,132,510	6,564,810
2024-29	21,485,000	1,112,139	4,038,539	26,635,678
2029-30	8,445,000	39,692	138,143	8,622,835
<b>SUB-TOTAL</b>	<b>29,980,000</b>	<b>\$ 3,967,606</b>	<b>\$ 14,441,702</b>	<b>\$ 48,389,308</b>
Unamortized Premium	57,861			
<b>TOTAL OUTSTANDING</b>	<b>\$ 30,037,861</b>			

**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.



**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

*Fair Value.* The interest rate swap has a negative fair value of \$8,885,369 as of June 30, 2014. 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, 2014, 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, 2014, the SIFMA rate was 0.6527%, whereas 68% of LIBOR was 0.1027%.

*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, 2014, 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, 2014, 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>
2014-15	\$ 5,000	\$ 264,012	\$ 1,467,337	\$ 1,736,349
2015-16	5,000	263,979	1,467,154	1,736,133
2016-17	5,000	263,947	1,466,970	1,735,917
2017-18	5,000	263,914	1,466,786	1,735,700
2018-19	5,000	263,881	1,466,603	1,735,484
2019-24	2,690,000	1,294,455	7,086,269	11,070,724
2024-29	18,905,000	933,987	4,354,729	24,193,716
2029-32	18,835,000	137,648	768,822	19,741,470
<b>SUB-TOTAL</b>	<b>40,455,000</b>	<b>\$ 3,685,823</b>	<b>\$ 19,544,670</b>	<b>\$ 63,685,493</b>
Unamortized Premium	-			
<b>TOTAL OUTSTANDING</b>	<b>\$ 40,455,000</b>			



**Bethlehem Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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***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.

*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 \$8,241,246 as of June 30, 2014. 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, 2014, 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, 2013. 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 0.6527%, whereas 60% of LIBOR plus .346 was 0.4366%.

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

*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, 2014, 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>
2014-15	\$ 5,000	\$ 195,693	\$ 1,106,216	\$ 1,306,909
2015-16	5,000	195,660	1,106,216	1,306,876
2016-17	5,000	195,627	1,106,216	1,306,843
2017-18	5,000	195,595	1,106,216	1,306,811
2018-19	5,000	195,562	1,106,216	1,306,778
2019-24	25,000	977,320	5,531,080	6,533,400
2024-29	25,000	976,505	5,531,080	6,532,585
2029-32	29,910,000	387,741	2,110,110	32,407,851
<b>SUB-TOTAL</b>	29,985,000	<b>\$ 3,319,703</b>	<b>\$ 18,703,350</b>	<b>\$ 52,008,053</b>
Unamortized Premium	-			
<b>TOTAL OUTSTANDING</b>	<b>\$ 29,985,000</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, 2014**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL RENTAL PAYMENT</b>
2014-15	\$ 508,445	\$ 134,111	\$ 642,556
2015-16	521,399	119,935	641,333
2016-17	540,830	103,596	644,425
2017-18	560,261	85,833	646,094
2018-19	579,692	66,299	645,991
2019-22	1,437,894	69,976	1,507,870
<b>TOTAL OUTSTANDING</b>	<b>\$ 4,148,519</b>	<b>\$ 579,750</b>	<b>\$ 4,728,269</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, 2014, are:

Daimier Lease - \$495,696

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 96,790	\$ 7,046
2015-16	99,085	4,752
2016-17	101,430	2,408
<b>TOTAL OUTSTANDING</b>	<b>\$ 297,305</b>	<b>\$ 14,206</b>

Sovereign Leasing - \$933,960

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 182,848	\$ 12,056
2015-16	186,781	8,123
2016-17	190,799	4,105
<b>TOTAL OUTSTANDING</b>	<b>\$ 560,428</b>	<b>\$ 24,284</b>

Apple Restructured Lease - \$2,279,986

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 516,600	\$ 33,383
2015-16	533,030	16,953
<b>TOTAL OUTSTANDING</b>	<b>\$ 1,049,630</b>	<b>\$ 50,336</b>

**Bethlehem Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

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Santander Bus Leasing - \$480,608

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 92,263	\$ 7,997
2015-16	94,200	6,060
2016-17	96,179	4,081
2017-18	98,174	2,062
<b>TOTAL OUTSTANDING</b>	<b><u>\$ 380,816</u></b>	<b><u>\$ 20,200</u></b>

Daimier Truck Financial - \$235,300

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 44,746	\$ 4,686
2015-16	45,874	3,558
2016-17	47,031	2,401
2017-18	48,217	1,216
<b>TOTAL OUTSTANDING</b>	<b><u>\$ 185,868</u></b>	<b><u>\$ 11,861</u></b>

Additional Apple Lease – Laptops \$257,000

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2014-15	\$ 61,623	\$ 5,303
2015-16	63,342	3,584
2016-17	65,109	1,817
<b>TOTAL OUTSTANDING</b>	<b><u>\$ 190,074</u></b>	<b><u>\$ 10,704</u></b>

**Bethlehem Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

*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 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.O.B. SERIES OF 2012</b>	<b>TOTAL PRINCIPAL PAYMENTS</b>
2014-15	\$ 8,135,000	\$ 1,410,000	\$ -	\$ 465,000	\$ 10,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 505,000	\$ 10,545,000
2015-16	8,555,000	1,465,000	-	475,000	15,000	5,000	5,000	5,000	5,000	520,000	11,050,000
2016-17	1,035,000	8,985,000	-	495,000	5,000	5,000	5,000	5,000	5,000	930,000	11,470,000
2017-18	-	10,415,000	-	510,000	5,000	5,000	5,000	5,000	5,000	1,005,000	11,955,000
2018-19	-	7,905,000	3,000,000	530,000	5,000	5,000	5,000	5,000	5,000	1,015,000	12,475,000
2019-24	-	31,595,000	11,410,000	2,985,000	12,035,000	25,000	2,690,000	7,965,000	25,000	-	68,730,000
2024-29	-	-	-	3,455,000	16,740,000	21,485,000	18,905,000	22,445,000	25,000	-	83,055,000
2029-34	-	-	-	-	-	8,445,000	18,835,000	2,885,000	29,910,000	-	60,075,000
2034-35	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>17,725,000</b>	<b>61,775,000</b>	<b>14,410,000</b>	<b>8,915,000</b>	<b>28,815,000</b>	<b>29,980,000</b>	<b>40,455,000</b>	<b>33,320,000</b>	<b>29,985,000</b>	<b>3,975,000</b>	<b>269,355,000</b>
LESS PAYABLE WITHIN ONE YEAR	<u>8,135,000</u>	<u>1,410,000</u>	<u>-</u>	<u>465,000</u>	<u>10,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>505,000</u>	<u>10,545,000</u>
<b>LONG-TERM PRINCIPAL DUE AFTER ONE YEAR</b>	<b>\$ 9,590,000</b>	<b>\$ 60,365,000</b>	<b>\$ 14,410,000</b>	<b>\$ 8,450,000</b>	<b>\$ 28,805,000</b>	<b>\$ 29,975,000</b>	<b>\$ 40,450,000</b>	<b>\$ 33,315,000</b>	<b>\$ 29,980,000</b>	<b>\$ 3,470,000</b>	<b>\$ 258,810,000</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 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.O.B. SERIES OF 2012</b>	<b>TOTAL DEBT SVC. PAYMENTS</b>
2014-15	\$ 8,817,875	\$ 4,187,106	\$ 580,400	\$ 840,338	\$ 1,398,650	\$ 286,789	\$ 269,012	\$ 1,292,476	\$ 200,693	\$ 601,538	\$ 18,474,877
2015-16	8,820,625	4,189,932	580,400	836,819	1,403,400	286,742	268,979	1,292,413	200,660	601,387	18,481,357
2016-17	1,060,875	11,495,331	580,400	841,526	1,392,987	286,695	268,947	1,292,336	200,627	995,787	18,415,511
2017-18	-	12,502,456	580,400	839,434	1,392,837	286,648	268,914	1,292,244	200,595	1,042,888	18,406,416
2018-19	-	9,562,581	3,523,400	840,438	1,392,672	286,601	268,881	1,292,137	200,562	1,035,300	18,402,572
2019-24	-	34,508,227	11,853,200	4,183,113	18,737,228	1,432,300	3,984,455	14,147,381	1,002,320	-	89,848,224
2024-29	-	-	-	3,899,441	18,070,612	22,597,139	19,838,987	25,370,475	1,001,505	-	90,778,159
2029-34	-	-	-	-	-	8,484,692	18,972,648	2,944,503	30,297,741	-	60,699,584
2034-35	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 18,699,375</b>	<b>\$ 76,445,633</b>	<b>\$ 17,698,200</b>	<b>\$ 12,281,109</b>	<b>\$ 43,788,386</b>	<b>\$ 33,947,606</b>	<b>\$ 44,140,823</b>	<b>\$ 48,923,965</b>	<b>\$ 33,304,703</b>	<b>\$ 4,276,900</b>	<b>\$ 333,506,700</b>

**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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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 2010, one associated with its Guaranteed Lease Revenue Bonds – Series of 2011, and one associated with its Guaranteed Lease Revenue Bonds – Series A of 2011.

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

The fixed payor swap on the Series of 2010 Revenue Bonds is designed to create a synthetic fixed rate on the variable rate bond issue by paying the counterparty a fixed rate of 3.90% and receiving 60% of one month LIBOR, plus 0.345%. The value of this derivative instrument embedded into the swap is a negative \$6,599,623, at June 30, 2014.

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 \$8,885,369, at June 30, 2014.

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 \$8,241,246, at June 30, 2014.

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 2010, 2011, and 2011A Revenue Bonds are hedging derivative financial instruments. As such, its fair values of \$6,599,623, \$8,885,369, and \$8,241,246, 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 (\$2,972,864), (\$3,624,888), and \$945,376 respectively, and is recorded as deferred outflows of resources on the negative values. The positive "at the market" amount on the Series A of 2011 issue is

**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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shown as a Derivative Instrument Asset. The portion of the fair value \$6,556,274, 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 \$17,452,647, in deferred charges on refundings.

***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, 2014**

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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, \$184,671 and \$5,608 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, 2014. 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 \$163,813, 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 \$4,702,225, 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, 2014, that will use currently available financial resources is \$290,054, 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 \$3,321, 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, 2014, of \$1,272,682, 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.

#### **Pension Plan Disclosure Information**

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. PSERS is providing the following information in accordance with GASB requirements to assist the employers in the preparation of their annual financial statements.



**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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Plan Description

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

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

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

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

Annual Financial Report: The System issues a *Comprehensive Annual Financial Report* (CAFR) that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 N. 5<sup>th</sup> Street, Harrisburg, PA 17101-1905 or by emailing Beth at bgirman@pa.gov. The report is also available in the publications section of the PSERS website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Funding Policy

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

Contribution Rates

Member Contributions:

Active members, who joined the System prior to July 22, 1983, contributed at 5.25 percent (Membership Class 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.

Members who joined the System after June 30, 2001, 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%.

**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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**Employer Contributions:**

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2014, the rate of employer contribution was 16.93 percent of covered payroll. The 16.93 percent rate is comprised of a pension contribution rate of 16.00 percent for pension benefits and 0.93 for healthcare

The employer's current year covered payroll was \$97,251,048 and total payroll was \$98,867,726.

The total employee and employer contributions for this current year were \$7,281,166 and \$16,658,678, respectively.

***Other Employee Benefits***

**Hospitalization/Medical/Dental/Prescription Drug Benefits**

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

***Other Post Employment Benefits***

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

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

**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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, 2014**

<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, 2014**

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

**Bethlehem Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

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

<b>Contribution Rates:</b>		
	<b>OPEB Benefit Actuarially Determined</b>	<b>Years of Service Actuarially Determined</b>
Interest Rate	4.5%	4.5%
Plan Members	1,760	61
Annual Required Contribution	\$ 4,239,603	\$ 53,739
Interest on net OPEB obligation	345,414	-
Adjustment to annual required contribution	(471,234)	-
Annual OPEB cost	4,113,783	53,739
Contributions made	(2,742,735)	-
Increase in net OPEB obligation	1,371,048	53,739
Net OPEB obligation - beginning of year	7,675,875	293,666
Net OPEB obligation - end of year	<b>\$ 9,046,923</b>	<b>\$ 347,405</b>

The following table shows the two plans segregated by fund:

	<b>Actuarial Valuation by Fund</b>				<b>Years of Service Plan</b>
	<b>Other Post Employment Benefit Plan</b>				<b>General Fund</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	61
Retired Participants	166	-	-	166	-
Total	<u>\$ 1,675</u>	<u>\$ 44</u>	<u>\$ 41</u>	<u>\$ 1,760</u>	<u>\$ 61</u>
Annual Payroll of Active Participants	\$ 87,282,700	\$ 734,115	\$ 964,568	\$ 88,981,383	\$ 6,087,311
Annual Required Contributions	\$ 4,226,470	6,762	6,371	4,239,603	53,739
Interest on Net OPEB Obligation	341,498	1,579	2,337	345,414	-
Adjustment to Annual Required Contribution	(465,891)	(2,155)	(3,188)	(471,234)	-
Annual OPEB Cost	4,102,077	6,186	5,520	4,113,783	53,739
Contributions made	(2,742,735)	-	-	(2,742,735)	-
Increase in Net OPEB Obligation	1,359,342	6,186	5,520	1,371,048	53,739
Net OPEB Obligation - beginning of year	7,588,852	35,095	51,928	7,675,875	293,666
Net OPEB Obligation - end of year	<b>\$ 8,948,194</b>	<b>\$ 41,281</b>	<b>\$ 57,448</b>	<b>\$ 9,046,923</b>	<b>\$ 347,405</b>

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:

**Bethlehem Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2014**

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<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
<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
<b>6/30/2010</b>	3,695,260	65.7%	4,349,893

Funded Status and Funding Process. The funded status of the benefits as of June 30, 2014, was as follows:

	<u>State-mandated Healthcare Benefit</u>	<u>Years of Service Increment Benefit</u>
Actuarial accrued liability (a)	\$ 41,107,681	\$ 505,275
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 41,107,681</u>	<u>\$ 505,275</u>
Funded Ratio (b) / (a)	0.0%	0.0%
Covered payroll	\$ 88,981,383	\$ 6,087,311
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	46.2%	8.3%

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, 2014**

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

#### **Note 6 - Risk Management**

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

#### **Note 7 – Fund Balance Allocations**

##### *Nonspendable Fund Balance*

The General Fund had \$956,806, in nonspendable fund balance at June 30, 2014, comprised of \$774,010, of inventories on hand at year-end and \$182,796, 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 \$3,902,595 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 \$25,491, in fund balance at year end within this fund is considered restricted.



**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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The General Fund's \$27,855, in fund balance, is restricted as a result of outside contributions that have not been spent for specific purposes designated by the donor at year end.

**Committed Fund Balance**

The School Board has committed \$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 \$4,595,004 of the General Fund's fund balance for balancing the 2014-15 budget (\$2,517,670) for future retirement rate increases in their retirement contributions (\$1,000,000), and (\$1,000,000) for contributions to the Self-Insurance Employee Benefit Trust, and (\$77,334) for Alternative Education Funds owed to PA.

The fund balance of \$154, in the Non-Major Funds is assigned for the purpose of the Non-Major funds.

**Note 8 - Net Position Restrictions**

The net position for governmental activities, shown on the government-wide statement of net position has an overall deficit of \$25,090,474. The business-type activities column reflects \$93,055 invested in capital assets with no related debt.

**Note 9 - 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, 2014.

**Litigation**

In accordance with management, there are no legal matters that could materially affect the financial position of the District as of June 30, 2014.

**Note 10 – Subsequent Events**

**Sale of Monocacy School Building**

On November 17, 2014, the School Board approved the sale of the Monocacy School Building, located at 1816 Main Street, Bethlehem, Pennsylvania for \$395,000.

**Bethlehem Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2014**

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*General Obligation Notes – Series of 2014*

On December 1, 2014, the District issued \$30,250,000 of General Obligation Notes – 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 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, 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 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 future debt service requirements at June 30, 2014, for informational purposes only using 1.05% interest rate in effect at December 1, 2014.

FISCAL YEAR	PRINCIPAL	INTEREST	INTEREST RATE	TOTAL
			SWAPS, NET	
2014-15	\$ 5,000	\$ 185,763	\$ 481,182	\$ 666,945
2015-16	35,000	317,389	\$ 1,016,339	1,333,728
2016-17	35,000	317,021	\$ 1,016,340	1,333,361
2017-18	40,000	316,628	\$ 1,016,345	1,332,972
2018-19	40,000	316,208	\$ 1,016,345	1,332,552
2019-24	200,000	1,574,738	\$ 5,081,723	6,656,460
2024-29	21,530,000	1,237,215	\$ 4,079,173	5,316,388
2029-30	<u>8,365,000</u>	<u>43,916</u>	<u>\$ 166,886</u>	<u>210,802</u>
<b>TOTAL</b>	<u>\$ 30,250,000</u>	<u>\$ 4,308,876</u>	<u>\$ 13,874,332</u>	<u>\$ 18,183,208</u>

**REQUIRED  
SUPPLEMENTAL INFORMATION**

**Bethlehem Area School District  
Schedule of Funding Progress  
Fiscal Year Ended June 30, 2014**

**State mandated healthcare benefit**

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%

**Years of Service Increment**

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%

**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, 2014**

	<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	\$ 37,519	\$ 25,491	\$ 63,010
Investments	4,000,000	-	4,000,000
Other Receivables	-	-	-
Due from other funds	-	-	-
Due from Primary Government	-	-	-
Receivables from other governments	-	-	-
Other Recoverable Disbursements	-	-	-
Prepaid Expenditures	-	-	-
Inventories	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 4,037,519</b>	<b>\$ 25,491</b>	<b>\$ 4,063,010</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Charges on Refundings, net	-	-	-
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,037,519</b>	<b>\$ 25,491</b>	<b>\$ 4,063,010</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 134,924	\$ -	\$ 134,924
Due to other funds	-	-	-
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>134,924</b>	<b>-</b>	<b>134,924</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unearned/Unavailable Revenue	-	-	-
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>134,924</b>	<b>-</b>	<b>134,924</b>
<b><u>FUND BALANCES:</u></b>			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	3,902,595	25,491	3,928,086
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>3,902,595</b>	<b>25,491</b>	<b>3,928,086</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 4,037,519</b>	<b>\$ 25,491</b>	<b>\$ 4,063,010</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, 2014**

	<b>CAPITAL RESERVE FUND</b>	<b>CAPITAL PROJECT FUND</b>	<b>TOTAL CAPITAL PROJECT FUNDS</b>
<b>REVENUES</b>			
Local Sources	\$ 7,792	\$ 5	\$ 7,797
State Sources	-	-	-
Federal Sources	-	-	-
<b>TOTAL REVENUES</b>	<u>7,792</u>	<u>5</u>	<u>7,797</u>
	-----	-----	-----
<b>EXPENDITURES</b>			
Instruction	-	-	-
Support Services	2,768	-	2,768
Operation of Non-Instructional Services	-	-	-
Capital Outlay	1,706,641	39,900	1,746,541
Debt Service	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>1,709,409</u>	<u>39,900</u>	<u>1,749,309</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,701,617)</u>	<u>(39,895)</u>	<u>(1,741,512)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Bond Issues	-	-	-
Bond Premium	-	-	-
Transfer from Primary Government	-	-	-
Payment to bond refunding escrow agent	-	-	-
Bond Discount	-	-	-
Swap Termination Fee	-	-	-
Sale/Compensation for Fixed Assets	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,701,617)</u>	<u>(39,895)</u>	<u>(1,741,512)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>5,604,212</u>	<u>65,386</u>	<u>5,669,598</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 3,902,595</u>	<u>\$ 25,491</u>	<u>\$ 3,928,086</u>

**Bethlehem Area School District**  
**Combining Statement of Changes In Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**For the Year Ended June 30, 2014**

<b>SCHOLARSHIP/AWARD</b>	<b>7/1/13 NET POSITION</b>	<b>CONTRIBUTIONS</b>	<b>INTEREST</b>	<b>AWARDS</b>	<b>6/30/14 NET POSITION</b>
180 Degree Class of 2011	\$ 6,995	\$ -	\$ 1	\$ 750	\$ 6,246
ABW Pediatrics-Ramon Emerterio Betances	501	-	-	-	501
Al Senevitis	7,385	-	1	500	6,886
Alfonso Schomburg	-	-	-	300	(300)
Angela Sanchez Memorial Award	551	-	-	200	351
Ann Goldberg/Maunz School 2 Work Scholarship	1,627	1,050	-	800	1,877
Antonio Pantoja Award	-	-	-	500	(500)
Awards - Freedom	100	-	-	-	100
B. Schmidt	501	-	-	-	501
Bethlehem Partnership for a Healthy Community	601	300	-	300	601
Betty Williams Memorial Scholarship	221	410	-	230	401
Billie Holiday Award	-	-	-	300	(300)
C. Weaver/D. Snider Music Award	100	300	-	300	100
Captain Donald Kilpatrick Memorial	647	-	-	100	547
Celia Cruz Azucar Award	150	-	-	200	(50)
Charles Dubbs Scholarship	349	-	-	100	249
Charles Klein Memorial	6,739	500	1	750	6,490
Charlotte Jay Award	-	500	-	500	-
Chi Upsilon Sigma	-	200	-	250	(50)
Class Scholarship	902	350	-	-	1,252
Class of 1941	-	-	-	-	-
Corazones Unidos	-	-	-	200	(200)
Crisitna Navarro Textbook Award	150	150	-	300	-
CSSOLV - Hispanic Center Scholarship	1,879	1,500	1	1,250	2,130
D. Tomanio Memorial	-	500	-	500	-
David Arnold Scholarship	-	-	-	-	-
Donegan Shining Stars Scholarship	4,546	1,400	1	1,400	4,547
Donley Awards for Excellence	(500)	1,000	-	1,000	(500)
Drs. Garcia, Powers, & McGowan	-	150	-	-	150
Elizabeth Bette Ann Rinker Scholarship	1,794	-	-	100	1,694
Elizabeth Shine Scholarship	161	-	-	150	11
Ella Springs Memorial	1,378	2,000	-	2,000	1,378
Elly Vazquez	-	707	-	150	557
Ethel Mae Bunny Scholarship	514	-	-	50	464
F. Bast Award	-	-	-	-	-
Fluck Award	-	25	-	25	-
Fowler Family Scholarship	-	-	-	1,400	(1,400)
Frances Grabish Memorial	150	150	-	-	300
General Bilingual Awards	2,742	10	1	150	2,603
General Scholarship Account	8,086	-	1	-	8,087
Ginnie Rohn Memorial Fund	2,205	1,010	-	-	3,215
Gloria Lopez	-	200	-	200	-
Harold & Dorothy Kram Memorial Award	150	-	-	150	-
Holiday Scholarship Award	1,313	-	-	-	1,313
Interest	5	-	-	-	5
Iris Cintron	(700)	500	-	-	(200)
James Delgrosso Scholarship	11,119	-	1	1,000	10,120
James Diefenderfer Scholarship	664	-	-	500	164
James Krasley Scholarship	1,420	-	-	600	820
Janet Mack Scholarship	1	-	-	-	1
Jesus "Berto" Rivera Scholarship	75	125	-	200	-
John Priestas Scholarship	343	2,000	-	1,000	1,343
Julia De Burgos and Fowler Scholarship	6,112	4,000	1	3,000	7,113
Just Born Minority Scholarship	-	500	-	500	-
Kathryn & Perdro Bonne Textbook Award	1,052	-	-	-	1,052
Kraig Yurchak Memorial	847	-	-	75	772
La Patria Award	-	-	-	500	(500)
L.A.C.E.O. Achievement Award	604	500	-	500	604
Langston Hughes Award	-	-	-	500	(500)
Latino Youth Leadership	-	-	-	-	-
Lee Mae Segal	43,683	-	5	1,000	42,688
Mabel Keichner Memorial	16,549	-	2	1,000	15,551
Marion Goodman Scholarship	988	-	-	-	988
Martha Schaedler Schabhuetti Scholarship	115,977	-	13	4,000	111,990
Mary Ann Orlando Memorial Award	(100)	100	-	-	-
Mary Catherine Anthony Award	(100)	100	-	100	(100)
Michelle Cintron Award	251	-	-	-	251
Mr. & Mrs. Richard Montz Award	200	200	-	400	-
<b>SUB-TOTAL</b>	<b>\$ 250,927</b>	<b>\$ 20,437</b>	<b>\$ 29</b>	<b>\$ 29,980</b>	<b>\$ 241,413</b>



**Bethlehem Area School District**  
**Combining Statement of Changes In Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**For the Year Ended June 30, 2014**

<b>SCHOLARSHIP/AWARD</b>	<b>7/1/13 NET POSITION</b>	<b>CONTRIBUTIONS</b>	<b>INTEREST</b>	<b>AWARDS</b>	<b>6/30/14 NET POSITION</b>
<b>SUB-TOTAL (CARRIED FORWARD)</b>	<b>\$ 250,927</b>	<b>\$ 20,437</b>	<b>\$ 29</b>	<b>\$ 29,980</b>	<b>\$ 241,413</b>
MSS	1,293	-	-	-	1,293
Mucaro Textbook Award	150	-	-	-	150
Natalie Merkin Scholarship	601	-	-	-	601
Pedro Albizio Campos Award	(150)	-	-	450	(600)
PNC Bank Latino Scholarship	-	-	-	-	-
Puerto Rican Beneficial Scholarship	902	-	-	-	902
PR Cultural Coalition Scholarship	852	-	-	-	852
R. Sherry Award	-	250	-	250	-
R. Whirl Award	-	600	-	600	-
Ralph Lopez Scholarship	1,102	2,000	-	1,250	1,852
Ramon Emeterio Betances	(500)	500	-	-	-
Raul Julia Award	(150)	-	-	-	(150)
Ray Salabsky Award	(100)	100	-	100	(100)
Rev. Dario Cruz Memorial Scholarship	902	-	-	-	902
Rev. Martin Luther King Memorial	(150)	-	-	400	(550)
Rev. Torres Memorial Scholarship	301	-	-	-	301
Richard Strafford Award	-	-	-	-	-
Rita Moreno Award	(250)	-	-	550	(800)
Roberto Clemente Scholarship	952	-	-	200	752
RRS Award	201	-	-	-	201
Ruth L. Metzger	-	100	-	100	-
Scholastic Achievement, Service & Leadership	501	-	-	-	501
Scientific Learning	401	-	-	-	401
Teen Summit	251	-	-	-	251
Teresa Rodriguez Memorial	120	-	-	-	120
Trevor Van Akeren Scholarship	2,231	-	1	600	1,632
W. Calloway Award	-	100	-	100	-
W.E.B. Dubois Award	-	-	-	400	(400)
Walter Batt, Jr. Memorial	1,482	-	-	250	1,232
Webster Koehler Math Fund	504	-	-	25	479
William Faust Scholarship	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 262,373</b>	<b>\$ 24,087</b>	<b>\$ 30</b>	<b>\$ 35,255</b>	<b>\$ 251,235</b>

**Bethlehem Area School District  
General Fund  
Schedule on Tax Collectors' Receipts  
For the Year Ended June 30, 2014**

	<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	\$ 812,587,100	\$ 43,991,100	\$ 236,232,500	\$ 504,918,100	\$ 1,394,706,200	\$ 1,107,386,700	\$ 4,099,821,700
Millage Rate	0.04836	0.04836	0.01541	0.04836	0.01541	0.04836	Avg.
Total Tax to be Collected	39,296,719	2,127,410	3,640,344	24,417,843	21,492,423	53,553,231	144,527,970
Less: Act 1 Deduction	1,286,030	107,904	193,457	625,839	785,716	1,734,758	4,733,704
Total Taxable Duplicate	38,010,689	2,019,506	3,446,886	23,792,004	20,706,707	51,818,473	139,794,265
Plus:							
Additions	219,613	-	-	-	-	-	219,613
Overpayments	-	549	225	1,835	5,410	13,143	21,162
Penalties	60,941	4,492	6,120	31,983	40,655	135,223	279,414
Total Taxes to be Collected	38,291,243	2,024,547	3,453,231	23,825,822	20,752,772	51,966,839	140,314,454
Less -							
Discounts	604,093	31,341	53,765	391,365	326,949	789,813	2,197,326
Reductions	329,339	-	5,300	7,209	16,367	14,306	372,521
Refunds	181,834	549	640	43,233	27,928	26,472	280,656
TIFF Payments	-	-	-	-	-	4,471,623	4,471,623
Taxes Held in Escrow	-	-	-	-	-	-	-
Returned to County	891,565	68,059	189,974	254,106	598,422	1,975,955	3,978,081
Outstanding	-	-	-	-	-	-	-
<b>Net Current Real Estate Taxes Collected</b>	<b>\$ 36,284,412</b>	<b>\$ 1,924,598</b>	<b>\$ 3,203,552</b>	<b>\$ 23,129,909</b>	<b>\$ 19,783,106</b>	<b>\$ 44,688,670</b>	<b>\$ 129,014,247</b>
<b><u>Current Interim Real Estate Taxes Collected</u></b>	<b>\$ 83,182</b>	<b>\$ 515</b>	<b>\$ 2,586</b>	<b>\$ 188,900</b>	<b>\$ 44,209</b>	<b>\$ 172,107</b>	<b>\$ 491,499</b>
<b><u>Current Per Capita Taxes</u></b>						<b><u>Combined</u></b>	
No. of Persons Assessed	17,264	1,110	3,087	8,516	-	27,383	57,360
Tax Rate	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
Taxable Valuation	\$ 172,640	\$ 11,100	\$ 30,870	\$ 85,160	\$ -	\$ 273,830	\$ 573,600
Plus -							
Additions	950	60	20	480	-	1,900	3,410
Adjustments	212	19	34	105	-	440	810
Penalties	485	52	132	233	-	796	1,698
Collections made by the District	152	-	-	-	-	-	152
<b>Taxes to be Collected</b>	<b>174,439</b>	<b>11,231</b>	<b>31,056</b>	<b>85,978</b>	<b>-</b>	<b>276,966</b>	<b>579,670</b>
Less -							
Discounts	2,239	121	183	1,168	-	3,533	7,244
Exonerations	7,960	530	2,160	4,670	-	9,350	24,670
Refunds	105	-	120	1	-	20	246
Returned to Delinquent Tax Collector	37,060	3,310	11,760	14,320	-	60,020	126,470
Outstanding	-	-	-	-	-	-	-
Reductions	-	-	-	10	-	2,250	2,260
<b>Net Current Per Capita Taxes Collected</b>	<b>\$ 127,075</b>	<b>\$ 7,270</b>	<b>\$ 16,833</b>	<b>\$ 65,809</b>	<b>\$ -</b>	<b>\$ 201,793</b>	<b>\$ 418,780</b>

**Bethlehem Area School District**  
**General Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2014**

**REVENUES**

**LOCAL SOURCES:**

Current Real Estate Taxes	\$ 129,014,247	
Interim Real Estate Taxes	491,499	
Public Utility	179,776	
Payment in Lieu of Taxes	247,821	
Current Per Capita Taxes - 511	209,390	
Current Per Capita Taxes - 679	209,390	
Local Services Tax	307,248	
Earned Income Tax	12,206,200	
Real Estate Transfer Tax	2,182,911	
Act 511 Mercantile Taxes	2,843,711	
Delinquent Real Estate Taxes	4,437,301	
Delinquent Per Capita Taxes	76,401	
Delinquent Mercantile Taxes	347,013	
Interest	77,940	
Special Functions	-	
Admissions	128,279	
Other Student Activity Income	1,650	
Fees	109,095	
Revenue from Local Governmental Units	25,000	
State Revenue from Other Sources	-	
Federal Revenue from Local Sources	1,728,153	
Federal ARRA Revenue from Local Sources	-	
Rentals	292,111	
Contributions	351,767	
Regular Day School Tuition	-	
Summer School	54,627	
Adult Education Tuition	180	
Receipts from Other LEA's - Education	120,120	
Other Tuition From Patrons	-	
Services provided to Other Funds	-	
All Other Services Provided Other Governments	-	
Revenue from Community Services	3,800	
Miscellaneous	164,293	
Energy Efficient Revenues	17,295	
Refunds of Prior Yr. Expenditures	516,950	
<b>TOTAL LOCAL SOURCE REVENUE</b>	<b>\$ 156,344,168</b>	

**STATE SOURCES:**

Basic Subsidy - ESBE	27,816,168
Read to Succeed	-
Charter Schools	-
Nonpublic Transfers	-
Orphan Tuition	223,987
<b>SUB-TOTAL</b>	<b>28,040,155</b>

**Bethlehem Area School District**  
**General Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2014**

**REVENUE (CONT'D)**

<b>SUB-TOTAL (CARRIED FORWARD)</b>	\$ 28,040,155	
School Improvement	-	
Vocational Education	-	
Driver Education	-	
Special Education	6,584,843	
Additional Educational Program	-	
Pre-K Counts	597,360	
Other Program Revenues	-	
Transportation	2,302,440	
Rentals	2,800,864	
Health Services	357,663	
State Property Tax Reduction Allocation	4,733,948	
Safe Schools	25,000	
Migratory Children	1,196	
Accountability Grants	665,439	
Dual Enrollment	-	
Project 720 - High School Reform	-	
FICA Revenue	3,456,767	
Retirement Revenue	8,014,553	
Classrooms for the Future	-	
Other State Grants	117,454	
<b>TOTAL STATE SOURCE REVENUE</b>	<u>57,697,682</u>	\$ 57,697,682

**FEDERAL SOURCES:**

Payments for Federally Impacted Areas	34,267	
Title I	3,297,447	
Title I - ARRA	-	
Title I - Improvement - ARRA	-	
Title IIA, IID	794,991	
Title III	252,763	
Title IV	480,809	
Education Jobs Fund	-	
Child Care Grants	164,581	
Unrestricted Grants-In-Aid from the Federal Government	-	
Medical Assistance	164,213	
Medical Access	-	
<b>TOTAL FEDERAL SOURCE REVENUE</b>	<u>5,189,071</u>	
<b>TOTAL REVENUE</b>		<b>219,230,921</b>

**EXPENDITURES**

Regular Programs - Elem./Secondary	91,444,653
Federally Funded Regular Programs	<u>3,610,556</u>
<b>SUB-TOTAL</b>	<b>95,055,209</b>

**Bethlehem Area School District**  
**General Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2014**

<b>SUB-TOTAL (CARRIED FORWARD)</b>	\$ 95,055,209
Life Skills Support	-
Life Skills Support - Public	2,011,821
Life Skills Support - PRRI	-
Deaf or Hearing Impaired Support	332,090
Blind or Visually Impaired Support	64,781
Speech & Language Impaired	1,542,418
Emotional Support	3,088,827
Autistic Support	1,604,467
Learning Support - Public	12,771,104
Gifted Support	821,522
Other Support	-
Physical Support	781,300
Multi-Handicapped Support	611,621
Development Delay Support	-
Early Intervention Support	59,516
Other Support	4,369,304
Home Economics	964,264
Consumer and Homemaking Education	-
Industrial Arts Education	935,267
Business Education	2,227,968
Other Vocational Education Programs	5,824,677
Drivers' Education	-
Summer School	248,999
Homebound Instruction	183,519
Adjudicated/Court Placed Programs	385,434
Alternative Education Program	87,893
Instructional Programs Outside Established Schools	401,559
Additional Other Instructional Program	-
Nonpublic School Programs	26,517
Other Adult Education Programs	556
Community College Programs	2,212,907
Pre-Kindergarten	690,900
Supervision of Pupil Personnel Services	370,860
Guidance Services	5,557,999
Placement Services	-
Attendance Services	296,910
Psychological Services	1,370,689
Speech Pathology Services	-
Social Work Services	565,132
Student Accounting Services	258,134
Other Pupil Personnel Services	298,051
Support Services - Instructional Staff	-
<b>SUB-TOTAL</b>	<b>146,022,215</b>

**Bethlehem Area School District**  
**General Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2014**

<b>SUB-TOTAL (CARRIED FORWARD)</b>	\$ 146,022,215
Technology Support Services	925,759
Computer Assisted Instruction Services	1,043,210
School Library Services	1,701,669
Instructional & Curriculum Dev. Service	1,777,623
Instructional Staff Development Services	248,462
Nonpublic Support Services	124,836
Board Services	167,740
Tax Assessment & Collection Service	689,840
Staff Relations	20,236
Legal Services	451,829
Office of the Superintendent Services	429,577
Community Relations Services	60,374
Office of the Principal Services	8,450,601
Other Administration Services	150,883
Medical Services	4,406
Dental Services	7,851
Nursing Services	1,882,240
Non-Public Health Services	233,651
Support Services - Business	1,644,809
Operation and Maintenance of Plant Services	16,000,095
Supervision of Operation and Maintenance of Plant	587,066
Care and Upkeep of Equipment Services	-
Vehicle Operation and Maint. Services	-
Security Services	873,679
Student Transportation Services	-
Supervision of Student Transportation Services	482,028
Vehicle Operation Services	5,644,676
Monitoring Services	181,818
Vehicle Servicing and Maintenance Services	1,009,008
Nonpublic Transportation	-
System Wide Technology Services	491,908
Information Services	20,199
Staff Services	1,782,516
Staff Development Services	33,442
Staff Development-Non-Instruction	56,511
Data Processing Services	1,491,978
State and Federal Agency Liaison Services	305,820
Management Services	-
Other Support Services	102,541
Pass-Thru Funds	-
School Sponsored Student Activities	464,252
School Sponsored Athletics	1,907,641
Community Services	246,679
<b>SUB-TOTAL</b>	<u>197,719,668</u>

**Bethlehem Area School District**  
**General Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2014**

<b>SUB-TOTAL (CARRIED FORWARD)</b>	\$ 197,719,668	
Scholarships and Awards	299	
Existing Site Improvement Services	-	
Architecture and Engineering Services	8,998	
Existing Building Improvement Services	-	
Debt Service	23,249,044	
Short-Term Borrowing Costs	-	
Refund of Prior Yr. Receipts	182,794	
<b>TOTAL EXPENDITURES</b>		<u>221,160,803</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (CARRIED FORWARD)</b>		<b>\$ (1,929,882)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Extended Term Financing	972,906	
Sale of or Compensation for Loss of Fixed Assets	36,895	
Bond Premium	-	
Capital Projects Funds Transfers Out	-	
Transfers to Component Unit (Self Insurance Fund)	(600,000)	
Food Service Fund Transfers Out	(325,811)	
Activity Fund Transfers Out	-	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	83,990	
<b>Special Items</b>	-	
<b>Extraordinary Items</b>	-	<u>83,990</u>
<b>NET CHANGE IN FUND BALANCE</b>		(1,845,892)
<b>FUND BALANCE - JULY 1, 2013</b>		<u>26,581,322</u>
<b>FUND BALANCE - JUNE 30, 2014</b>		<b><u>\$ 24,735,430</u></b>

**Bethlehem Area School District  
Capital Reserve Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2014**

**FUND BALANCE - JULY 1, 2013** **\$ 5,604,212**

**REVENUES AND OTHER FINANCING SOURCES**

Interest	\$	7,792	
Transfer from General Fund		-	<u>7,792</u>
<b>TOTAL FUNDS AVAILABLE</b>			<b>5,612,004</b>

**EXPENDITURES**

**INSTRUCTIONAL SERVICES:**

Equipment	-	
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**SUPPORT SERVICES:**

Professional Services	2,578	
Repairs and Maintenance	-	
Advertising	190	
Admin. Software and Fees	-	
Dues and Fees	-	
Equipment	-	

**CAPITAL OUTLAY:**

Professional Services	1,120,619	
Printing and Binding	2,217	
Construction Services	577,655	
Rentals	5,640	
Dues and Fees	510	

**Other Financing Uses:**

Transfer to General Fund	-	<u>1,709,409</u>
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**FUND BALANCE - JUNE 30, 2014** **\$ 3,902,595**



**Bethlehem Area School District  
Special Revenue (Authority General Fund) Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2014**

<b>FUND BALANCE - JULY 1, 2013</b>		\$ 151
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Proceeds from Refunding Bond Issues	\$ -	
Transfer from General Fund	-	
Interest Earnings	<u>4,468,657</u>	<u>4,468,657</u>
<b>TOTAL FUNDS AVAILABLE</b>		<b>4,468,808</b>
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>SUPPORT SERVICES:</b>		
Professional Services	500	
Advertising	-	
Printing	-	
Dues and Fees	-	
<b>NON-INSTRUCTIONAL SERVICES:</b>		
Equipment	-	
<b>DEBT SERVICE:</b>		
Bond Principal	15,000	
Bond Interest	4,453,154	
<b>OTHER FINANCING USES:</b>		
Payment to Refunding Bond Issue Escrow Agent	<u>-</u>	<u>4,468,654</u>
<b>FUND BALANCE - JUNE 30, 2014</b>		<b><u>\$ 154</u></b>

**Bethlehem Area School District  
Capital Project Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2014**

<b>FUND BALANCE - JULY 1, 2013</b>		\$ 65,386
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Proceeds from Bond Issues	\$ -	
Gain (Loss) on Sale of Investments	-	
Refund of Prior Year Expenditures	-	
Interest Earnings	5	5
<b>TOTAL FUNDS AVAILABLE</b>		65,391
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>INSTRUCTIONAL:</b>		
Supplies	-	
Equipment	-	
<b>SUPPORT SERVICES:</b>		
Salaries	-	
Benefits	-	
Professional Services	-	
Repairs and Maintenance	-	
Advertising	-	
Printing	-	
Property and Liability Insurance	-	
Disposal Services	-	
Utilities	-	
Telecommunication Services	-	
Supplies	-	
Technology Infrastructure	-	
Equipment	-	
Dues and Fees	-	
<b>NON-INSTRUCTIONAL SERVICES:</b>		
Equipment	-	
<b>CAPITAL OUTLAY:</b>		
Professional Services	-	
Existing Site Improvements	-	
Construction Services	39,900	
Rentals	-	
Equipment	-	
Other Purchased Services	-	
Dues and Fees	-	
Technology Infrastructure	-	
<b>DEBT SERVICE:</b>		
Bond Discount	-	
Transfer to General Fund	-	39,900
<b>FUND BALANCE - JUNE 30, 2014</b>		<b>\$ 25,491</b>

**Bethlehem Area School District**  
**Food Service Fund**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Year Ended June 30, 2014**

**REVENUES**

Sales	\$ 1,610,185	
Donated Commodities	270,295	
Special Events	697,015	
ARRA - NSLP Equipment grant	-	
State Subsidies	432,607	
Federal Subsidies	3,728,797	
Gain (Loss) on Sale of Fixed Assets	24,774	
Interest earnings	20	
Rentals	787	
Transfers from General Fund	325,811	
Miscellaneous	103	
Contributions	-	
<b>TOTAL REVENUES</b>	<u>                    </u>	<b>\$ 7,090,394</b>

**COST OF COMMODITIES**

Beginning Inventory	151,670	
Food Service Management - Food	2,301,759	
Donated Commodities	270,296	
Ending Inventory	<u>(84,946)</u>	
<b>TOTAL COST OF COMMODITIES SOLD</b>		<u>2,638,779</u>
<b>GROSS PROFIT</b>		<u>4,451,615</u> -----

**OPERATING EXPENSES**

Salaries	2,020,662	
Self-Insured Medical Benefits	518,378	
Self-Insured Dental Benefits	44,927	
Self-Insured Prescriptions	196,525	
Fica Tax	151,626	
Retirement Contributions	327,229	
Other Benefits	23,736	
Tech & Other Services	221	
Refuse	54,561	
Repairs and Maintenance	43,317	
Rentals	4,115	
Advertising	-	
Communications	639	
Food Service Management Costs	1,055,842	
Travel	2,203	
Supplies	16,760	
Small Tools	51,887	
Depreciation	12,477	
Miscellaneous	-	
Dues and Fees	<u>5,192</u>	<u>4,530,297</u>
<b>TOTAL EXPENSES</b>		<u>4,530,297</u>
<b>CHANGES IN FUND NET POSITION</b>		(78,682)
<b>FUND NET POSITION - JULY 1, 2013</b>		<u>211,726</u>
<b>FUND NET POSITION - JUNE 30, 2014</b>		<b><u>\$ 133,044</u></b>

**Bethlehem Area School District**  
**Day Care Fund**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Year Ended June 30, 2014**

**REVENUES**

Regular Day School Tuition	\$ 1,949,243	
Revenue from Community Service Activities	642,939	
State Revenue	89,363	
Fica Revenue	50,177	
Retirement Revenue	112,171	
Rentals	-	
Child Care and Development grant	-	
Miscellaneous	1,050	
Earnings on Investments	70	
<b>TOTAL REVENUES</b>		<b>\$ 2,845,013</b>

**OPERATING EXPENSES**

Salaries	1,327,783	
Self-ins. Medical Benefits	473,178	
Self-ins. Dental Benefits	42,001	
Self-ins. Prescriptions	182,492	
Fica Tax	100,253	
Retirement Contributions	224,452	
Workers Compensation	9,754	
Other Benefits	11,547	
Professional Services	3,388	
Small Equipment	16,585	
Communications	13,694	
Travel	2,689	
Field Trips	-	
Repairs and Maintenance	-	
Supplies	40,610	
Meals/Refreshments	71,179	
Depreciation	-	
Miscellaneous	1,713	
Dues and Fees	16,168	
Bad Debt Expense	-	
<b>TOTAL EXPENSES</b>		<b><u>2,537,486</u></b>
<b>CHANGES IN FUND NET POSITION</b>		<b>307,527</b>
<b>FUND NET POSITION - JULY 1, 2013</b>		<b><u>610,585</u></b>
<b>FUND NET POSITION - JUNE 30, 2014</b>		<b><u>\$ 918,112</u></b>

**Bethlehem Area School District  
Self-Insurance Fund (Component Unit)  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2014**

**ADDITIONS**

Contributions from Other Funds	\$ 30,174,386	
Cobra and Co-Pay Payments	1,377,685	
Caremark Rebates	128,192	
Transfers from General Fund (Primary Government)	600,000	
Interest Earnings	10,276	
Other Misc. Revenue	<u>132,182</u>	
<b>TOTAL REVENUES</b>		<b>\$ 32,422,721</b>

**DEDUCTIONS**

Health Benefit Costs	19,565,653	
Dental Costs	1,568,342	
Drug Costs	7,095,351	
Unemployment	34,838	
PA Trust - Stop Loss Insurance	380,462	
Workers Compensation	115,148	
Other Expenses	<u>20,947</u>	
<b>TOTAL EXPENSES</b>		<b><u>28,780,741</u></b>

**CHANGES IN NET POSITION** 3,641,980

**NET POSITION - JULY 1, 2013** 8,987,417

**NET POSITION - JUNE 30, 2014** **\$ 12,629,397**

**Bethlehem Area School District**  
**Schedule on General Obligation Bonds - Series A of 2007**  
**For the Year Ended June 30, 2014**

<b><u>FISCAL YEAR</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>
2014-15	\$ 682,875	\$ 8,135,000
2015-16	265,625	8,555,000
2016-17	25,875	1,035,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 974,375</b>	<b>\$ 17,725,000</b>

**Schedule on General Obligation Bonds - Series A of 2009**  
**For the Year Ended June 30, 2014**

<b><u>FISCAL YEAR</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>
2014-15	\$ 2,777,106	\$ 1,410,000
2015-16	2,724,932	1,465,000
2016-17	2,510,331	8,985,000
2017-18	2,087,456	10,415,000
2018-19	1,657,581	7,905,000
2019-20	1,309,956	6,000,000
2020-21	960,081	7,995,000
2021-22	471,525	13,585,000
2022-23	131,544	2,280,000
2023-24	40,121	1,735,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 14,670,633</b>	<b>\$ 61,775,000</b>

**Schedule on General Obligation Bonds - Series AA of 2009**  
**For the Year Ended June 30, 2014**

<b><u>FISCAL YEAR</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>
2014-15	\$ 580,400	\$ -
2015-16	580,400	-
2016-17	580,400	-
2017-18	580,400	-
2018-19	523,400	3,000,000
2019-20	338,200	6,410,000
2020-21	105,000	5,000,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 3,288,200</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, 2014**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2014-15	\$ 375,338	\$ 465,000
2015-16	361,819	475,000
2016-17	346,526	495,000
2017-18	329,434	510,000
2018-19	310,438	530,000
2019-20	289,369	550,000
2020-21	266,294	575,000
2021-22	241,575	595,000
2022-23	214,869	625,000
2023-24	186,006	640,000
2024-25	155,769	650,000
2025-26	124,000	670,000
2026-27	90,419	690,000
2027-28	55,419	710,000
2028-29	18,834	735,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 3,366,109</b>	<b>\$ 8,915,000</b>

**Schedule on General Obligation Bonds - Series of 2010**  
**For the Year Ended June 30, 2014**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2014-15	\$ 1,388,650	\$ 10,000
2015-16	1,388,400	15,000
2016-17	1,387,987	5,000
2017-18	1,387,837	5,000
2018-19	1,387,672	5,000
2019-20	1,387,498	5,000
2020-21	1,387,297	5,000
2021-22	1,387,098	20,000
2022-23	1,386,297	5,530,000
2023-24	1,154,038	6,475,000
2024-25	878,850	8,135,000
2025-26	451,762	8,605,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 14,973,386</b>	<b>\$ 28,815,000</b>

**Bethlehem Area School District**  
**Schedule on Guaranteed Revenue Bonds - Series of 2010**  
**For the Year Ended June 30, 2014**

<b><u>FISCAL YEAR</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>
2014-15	\$ 281,789	\$ 5,000
2015-16	281,742	5,000
2016-17	281,695	5,000
2017-18	281,648	5,000
2018-19	281,601	5,000
2019-20	281,554	5,000
2020-21	281,507	5,000
2021-22	281,460	5,000
2022-23	281,413	5,000
2023-24	281,366	5,000
2024-25	281,319	5,000
2025-26	281,272	5,000
2026-27	249,735	6,705,000
2027-28	184,616	7,150,000
2028-29	115,197	7,620,000
2029-30	39,692	8,445,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 3,967,606</b>	<b>\$ 29,980,000</b>

**Schedule on Guaranteed Revenue Bonds - Series of 2011**  
**For the Year Ended June 30, 2014**

<b><u>FISCAL YEAR</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>
2014-15	\$ 264,012	\$ 5,000
2015-16	263,979	5,000
2016-17	263,947	5,000
2017-18	263,914	5,000
2018-19	263,881	5,000
2019-20	263,849	5,000
2020-21	263,816	5,000
2021-22	263,783	5,000
2022-23	255,943	1,310,000
2023-24	247,064	1,365,000
2024-25	234,804	1,925,000
2025-26	221,732	2,010,000
2026-27	192,070	4,775,000
2027-28	159,618	4,990,000
2028-29	125,763	5,205,000
2029-30	87,334	5,950,000
2030-31	46,705	6,250,000
2031-32	3,609	6,635,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 3,685,823</b>	<b>\$ 40,455,000</b>



**Bethlehem Area School District**  
**Schedule on General Obligation Bonds - Series of 2011**  
**For the Year Ended June 30, 2014**

<b><u>FISCAL YEAR</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>
2014-15	\$ 1,287,476	\$ 5,000
2015-16	1,287,413	5,000
2016-17	1,287,336	5,000
2017-18	1,287,244	5,000
2018-19	1,287,137	5,000
2019-20	1,287,019	5,000
2020-21	1,286,887	5,000
2021-22	1,286,744	5,000
2022-23	1,225,497	3,915,000
2023-24	1,096,234	4,035,000
2024-25	954,819	4,190,000
2025-26	772,744	4,350,000
2026-27	579,900	4,485,000
2027-28	403,206	4,630,000
2028-29	214,806	4,790,000
2029-30	59,503	2,885,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 15,603,965</b>	<b>\$ 33,320,000</b>

**Schedule on Guaranteed Revenue Bonds - Series A of 2011**  
**For the Year Ended June 30, 2014**

<b><u>FISCAL YEAR</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>
2014-15	\$ 195,693	\$ 5,000
2015-16	195,660	5,000
2016-17	195,627	5,000
2017-18	195,595	5,000
2018-19	195,562	5,000
2019-20	195,529	5,000
2020-21	195,497	5,000
2021-22	195,464	5,000
2022-23	195,431	5,000
2023-24	195,399	5,000
2024-25	195,366	5,000
2025-26	195,334	5,000
2026-27	195,301	5,000
2027-28	195,268	5,000
2028-29	195,236	5,000
2029-30	189,424	2,130,000
2030-31	144,329	13,600,000
2031-32	53,988	14,180,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 3,319,703</b>	<b>\$ 29,985,000</b>

**Schedule on General Obligation Bonds - Series of 2012**  
**For the Year Ended June 30, 2014**

<b><u>FISCAL YEAR</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>
2014-15	\$ 96,538	\$ 505,000
2015-16	81,387	520,000
2016-17	65,787	930,000
2017-18	37,888	1,005,000
2018-19	20,300	1,015,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 301,900</b>	<b>\$ 3,975,000</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, 2014**

FEDERAL GRANTOR/ PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/13	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/14	FOOTNOTES
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>											
IMPACT AID PUBLIC LAW 81-874	D	84.041	N/A	7/1/13-6/30/14	\$ 34,267	\$ 33,776	\$ -	\$ 34,267	\$ 34,267	\$ 491	
TOTAL IMPACT AID CLUSTER						33,776	-	34,267	34,267	491	
<b><u>PASSED THROUGH THE PDE</u></b>											
TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-130034	7/1/12-9/30/13	\$ 3,492,244	896,206	434,782	461,424	461,424	-	2
TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-140034	7/1/13-9/30/14	\$ 3,181,292	2,128,052	-	2,759,486	2,759,486	631,434	
TITLE I SCHOOL IMPROVEMENT SET ASIDE - BASE	I	84.010	042-120034	7/1/11-9/30/12	\$ 115,308	38,436	16,933	21,503	21,503	-	
TITLE I SCHOOL IMPROVEMENT SET ASIDE - BASE	I	84.010	042-130034	7/1/12-9/30/13	\$ 191,612	74,516	-	55,034	55,034	(19,482)	
TOTAL TITLE I CLUSTER						3,137,210	451,715	3,297,447	3,297,447	611,952	
<b><u>PASSED THROUGH THE PDE</u></b>											
TITLE II A IMPROVING TEACHER QUALITY	I	84.367	020-130034	7/1/12-9/30/13	\$ 717,440	142,612	18,149	124,463	124,463	-	2
TITLE II A IMPROVING TEACHER QUALITY	I	84.367	020-140034	7/1/13-9/30/14	\$ 685,110	514,804	-	670,528	670,528	155,724	
TOTAL TITLE II PROGRAM						657,416	18,149	794,991	794,991	155,724	
<b><u>PASSED THROUGH THE PDE</u></b>											
TITLE III LEP / IMMIGRANT STUDENTS	I	84.365	010-130034	7/1/12-9/30/13	\$ 260,179	17,345	15,820	1,525	1,525	-	2
TITLE III LEP / IMMIGRANT STUDENTS	I	84.365	010-140034	7/1/13-9/30/14	\$ 251,238	251,238	-	251,238	251,238	-	
TOTAL TITLE III PROGRAM						268,583	15,820	252,763	252,763	-	
<b><u>PASSED THROUGH THE PDE</u></b>											
21st CENTURY COMMUNITY LEARNING CENTERS	I	84.287	4100052381	7/1/12-9/30/13	\$ 500,000	169,886	169,886	-	-	-	2
21st CENTURY COMMUNITY LEARNING CENTERS	I	84.287	4100052381	7/1/13-9/30/14	\$ 500,000	-	-	-	-	-	
21st CENTURY COMMUNITY LEARNING CENTERS	I	84.287	4100058678	7/1/12-9/30/13	\$ 500,000	246,221	122,970	123,251	123,251	-	
21st CENTURY COMMUNITY LEARNING CENTERS	I	84.287	4100058678	7/1/13-9/30/14	\$ 500,000	200,532	-	357,558	357,558	157,026	
TOTAL TITLE IV CLUSTER						616,639	292,856	480,809	480,809	157,026	
<b><u>PASSED THROUGH THE COLONIAL LU. #20</u></b>											
IDEA	I	84.027	N/A	7/1/12-6/30/13	\$ 1,880,195	524,190	524,190	-	-	-	1
IDEA	I	84.027	N/A	7/1/13-6/30/14	\$ 1,718,650	1,323,017	-	1,718,650	1,718,650	395,633	1
IDEA - SECTION 619A	I	84.173	N/A	7/1/13-6/30/14	\$ 9,503	9,503	-	9,503	9,503	-	1
TOTAL IDEA CLUSTER						1,856,710	524,190	1,728,153	1,728,153	395,633	
TOTAL U.S. DEPARTMENT OF EDUCATION						\$ 6,570,334	\$ 1,302,730	\$ 6,588,430	\$ 6,588,430	\$ 1,320,826	

**BETHLEHEM AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2014**

**U.S. DEPT. OF HEALTH AND HUMAN SERVICES**

**PASSED THROUGH THE PA DEPARTMENT OF  
PUBLIC WELFARE**

CHILD CARE MANDATORY/MATCH FUNDS	I	93.556	SAP 4100044212	7/1/12-6/30/13	\$	154,337	13,972	13,972	-	-	-	2
CHILD CARE MANDATORY/MATCH FUNDS	I	93.556	SAP 4100057287	7/1/13-6/30/14	\$	162,152	34,664	-	162,152	162,152	127,488	
CHILD CARE MANDATORY/MATCH FUNDS	I	93.590	SAP 4100044212	7/1/12-6/30/13	\$	15,953	-	-	-	-	-	
CHILD CARE MANDATORY/MATCH FUNDS	I	93.590	SAP 4100057287	7/1/13-6/30/14	\$	2,429	2,429	-	2,429	2,429	-	
<b>TOTAL CHILD CARE CLUSTER</b>						<u>51,065</u>	<u>13,972</u>	<u>164,581</u>	<u>164,581</u>	<u>127,488</u>		

ESEA - TITLE 19 MEDICAID REIMBURSEMENT	I	93.778	N/A	7/1/13-6/30/14	N/A	<u>153,059</u>	<u>26,170</u>	<u>164,213</u>	<u>164,213</u>	<u>37,324</u>		
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**FEDERAL EMERGENCY MANAGEMENT AGENCY  
PASSED THROUGH THE PA.**

**EMERGENCY MANAGEMENT AGENCY**

PUBLIC ASSISTANCE GRANT	I	97.036	N/A	7/1/12-6/30/13	N/A	<u>49,383</u>	<u>49,383</u>	-	-	-	-	2
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						<u>\$ 253,507</u>	<u>\$ 89,525</u>	<u>\$ 328,794</u>	<u>\$ 328,794</u>	<u>\$ 164,812</u>		

**U. S. DEPT. OF AGRICULTURE**

**PASSED THROUGH THE PA.**

**DEPT OF EDUCATION**

NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/12 - 6/30/13	N/A	22,165	22,165	-	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/13 - 6/30/14	N/A	2,811,465	-	2,863,321	2,863,321	51,856		
BREAKFAST PROGRAM	I	10.553	N/A	7/1/12 - 6/30/13	N/A	158	158	-	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/13 - 6/30/14	N/A	3,590	-	3,723	3,723	133		
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/12 - 6/30/13	N/A	6,682	6,682	-	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/13 - 6/30/14	N/A	513,641	-	526,255	526,255	12,614		
AFTER SCHOOL SNACK	I	10.555	N/A	7/1/12 - 6/30/13	N/A	-	-	-	-	-	-	
AFTER SCHOOL SNACK	I	10.555	N/A	7/1/13 - 6/30/14	N/A	32,248	-	32,248	32,248	-		
SPECIAL MILK	I	10.556	N/A	7/1/12 - 6/30/13	N/A	-	-	-	-	-	-	
SPECIAL MILK	I	10.556	N/A	7/1/13 - 6/30/14	N/A	1,848	-	1,848	1,848	-		
SUMMER FOOD	I	10.559	N/A	7/1/12 - 6/30/13	N/A	44,498	44,498	-	-	-	-	
SUMMER FOOD	I	10.559	N/A	7/1/13 - 6/30/14	N/A	81,025	-	132,711	132,711	51,686		
FRESH FRUIT AND VEGETABLE PROGRAM	I	10.582	N/A	7/1/13 - 6/30/14	N/A	168,691	-	168,691	168,691	-		

**PASSED THROUGH THE PA**

**DEPARTMENT OF AGRICULTURE**

USDA COMMODITIES	I	10.555	N/A	7/1/13 - 6/30/14	N/A	<u>270,295</u>	<u>(21,020)</u>	<u>274,826</u>	<u>274,826</u>	<u>(16,489)</u>		2
<b>TOTAL CHILD NUTRITION CLUSTER</b>						<u>3,956,306</u>	<u>52,483</u>	<u>4,003,623</u>	<u>4,003,623</u>	<u>99,800</u>		3,4

<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						<u>3,956,306</u>	<u>52,483</u>	<u>4,003,623</u>	<u>4,003,623</u>	<u>99,800</u>		
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<b>TOTAL FEDERAL AWARDS</b>						<u>\$ 10,780,147</u>	<u>\$ 1,444,738</u>	<u>\$ 10,920,847</u>	<u>\$ 10,920,847</u>	<u>\$ 1,585,438</u>		
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SOURCE: D-DIRECT; I- INDIRECT

**Bethlehem Area School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

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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 3.2% of its total general fund revenue in federal awards, and 40.3% 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	\$ 10,894,423	\$ 8,554,807
PA Department of Public Welfare	334,871	328,794
Colonial I.U. #20	3,608,348	1,728,153
PA Emergency Management Agency	N/A	-
PA Department of Agriculture	N/A	274,826
<b>Totals</b>	<b>\$ 14,837,642</b>	<b>\$ 10,886,580</b>

3. The District received non-monetary assistance of \$270,295 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2013-14 fiscal year, the District used \$274,826 in commodities and established a year-end inventory of \$16,489 at June 30, 2014.
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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<b><u>FINANCIAL STATEMENT RECONCILIATION</u></b>	
General Fund Federal Source Revenues	\$ 5,189,071
Federal Grants in Local Sources	1,728,153
Food Service Fund Federal Revenue	<u>3,999,092</u>
<b>Total Federal Revenue, per financial statements</b>	<b>\$ 10,916,316</b>
Less - Medical Access	-
Plus: Change in Donated Commodities	<u>4,531</u>
<b>Total Federal Revenue Reported on SEFA</b>	<b><u>\$ 10,920,847</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, 2014, 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 5, 2014.

**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 5, 2014



**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, 2014*. 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, 2014.



## 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 5, 2014

**Bethlehem Area School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

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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
10.553, 10.555, 10.556, 10.559, 10.582	Child Nutrition Cluster
84.027,84.173	IDEA Cluster

Percentage of programs tested to total awards 52.5%

Dollar threshold used to distinguish between type A and type B program: \$327,625

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

**Bethlehem Area School District  
Schedule of Prior Year Findings  
For the Year Ended June 30, 2014**

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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.