

**REPORT ON
BETHLEHEM AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2020**

BETHLEHEM AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2020

TABLE OF CONTENTS

PAGE (S)

Introductory Section

| | |
|--------------------------------------|-------|
| Transmittal Letter | 1 |
| Letter to Governance/Management..... | 2 - 5 |
| Report Distribution List..... | 6 |

Financial Section

| | |
|--|---------|
| Independent Auditor's Report | 7 - 9 |
| Management's Discussion and Analysis | 10 - 21 |

Basic Financial Statements

District-wide Financial Statements:

| | |
|--------------------------------|----|
| Statement of Net Position..... | 22 |
| Statement of Activities | 23 |

Fund Financial Statements:

| | |
|---|---------|
| Balance Sheet - Governmental Funds | 24 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 25 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds..... | 26 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities..... | 27 - 28 |
| Statement of Fund Net Position - Proprietary Funds..... | 29 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds | 30 |
| Statement of Cash Flows - Proprietary Funds..... | 31 - 32 |
| Statement of Net Position - Fiduciary Funds..... | 33 |
| Statement of Changes in Net Position - Fiduciary Funds | 34 |

BETHLEHEM AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2020

TABLE OF CONTENTS (continued)

| | <u>PAGE (S)</u> |
|---|------------------------|
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund..... | 35 |
| Notes to Basic Financial Statements..... | 36 - 91 |
| Required Supplemental Information | |
| Schedule of the District's Proportionate Share of Net Pension Liability..... | 92 |
| Schedule of the District's Contributions - Pension Plan..... | 93 |
| Schedule of the District's Changes in Defined Contribution Pension Liability..... | 94 |
| Schedule of the District's Proportionate Share of Net Defined Contribution Pension Liability..... | 95 |
| Schedule of the District's Proportionate Share of Net OPEB Liability - Multiple Employer OPEB Plan | 96 |
| Schedule of the District's Contributions - Multiple Employer OPEB Plan..... | 97 |
| Schedule of the District's Proportionate Share of Net OPEB Liability - Single Employer OPEB Plan..... | 98 |
| Notes to Required Supplemental Information | 99 - 101 |
| Supplemental Information | |
| Combining Balance Sheet - All Non-Major Governmental Funds | 102 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - All Non-Major Governmental Funds | 103 |
| Combining Statement of Changes in Fiduciary Net Position - Private-Purpose Trust Funds | 104 |
| Schedule on Tax Collectors' Receipts - General Fund..... | 105 |
| General Fund - Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual | 106 - 110 |
| Capital Reserve Fund - Statement of Revenues and Expenditures..... | 111 |
| Special Revenue (Authority General Fund) - Statement of Revenues and Expenditures | 112 |
| Capital Project Fund - Statement of Revenues and Expenditures | 113 |
| Food Service Fund - Statement of Revenues, Expenses, and Changes in Fund Net Position | 114 |

BETHLEHEM AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2020

TABLE OF CONTENTS (continued)

| | <u>PAGE (S)</u> |
|--|------------------------|
| Day Care Fund - Statement of Revenues, Expenses, and Changes in Fund Net Position | 115 |
| Self-Insurance Fund - Statement of Changes in Fiduciary Net Position | 116 |
| General Long-Term Debt: | |
| Schedule on General Obligation Bonds - Series of 2011 | 117 |
| Schedule on General Obligation Bonds - Series A of 2015..... | 117 |
| Schedule on General Obligation Notes - Series B of 2015..... | 118 |
| Schedule on General Obligation Notes - Series C of 2015..... | 118 |
| Schedule on General Obligation Bonds - Series A of 2016..... | 119 |
| Schedule on General Obligation Bonds - Series B of 2016..... | 119 |
| Schedule on Guaranteed Revenue Bonds - Series of 2017..... | 119 |
| Schedule on Guaranteed Revenue Bonds - Series of 2018..... | 120 |
| Schedule on Guaranteed Revenue Bonds - Series A of 2018..... | 120 |
| Schedule on General Obligation Bonds - Series of 2019 | 120 |
| Single Audit Section | |
| Schedule of Expenditures of Federal Awards | 121 - 122 |
| Notes to the Schedule of Expenditures of Federal Awards..... | 123 - 124 |
| Independent Auditor's Report Under Government Auditing Standards | 125 - 126 |
| Independent Auditor's Report Under Uniform Guidance..... | 127 - 128 |
| Schedule of Findings and Questioned Costs | 129 - 130 |

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, 2020, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which entailed:

1. An audit of the basic financial statements, and our opinion thereon;
2. A review of compliance and of 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 applicable to each major program, and a review of internal control over compliance in accordance with the Uniform Guidance, explained above, and our report thereon.

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

Respectfully submitted,

Gorman & Associates, P.C.

December 11, 2020



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, 2020, and have issued our report thereon dated December 11, 2020.

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, 2020.

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

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

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

We have requested certain representations from management that are included in the management representation letter provided to us on December 11, 2020. 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 2019-20 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:

RECOMMENDATIONS

Grants

As reported in the previous year pertaining to the District's federal programs, we noticed the District has carryover amounts from year to year which has resulted in management having to coordinate with the appropriate personnel throughout the District to spend the excess funds by period end. This has caused management to spend additional time tracking each grant period separately in the accounting system in order to segregate the expenditures by grant year, creating twice as many accounts for a given grant. We have found, this has also delayed management from being able to file the appropriate final expenditure reports on time, thus having to apply for extensions from PDE.

We recommend management try and spend all funds available from federal grants during the fiscal year in which they are received. This should eliminate any carryovers from occurring as well as preventing management from spending valuable time tracking multiple sets of grant expenditures from year to year, in addition to reducing the likelihood of errors occurring. This would also allow management sufficient time to complete the final reporting requirements in a timely manner.

Missing Athletic Deposits

While testing various athletic game deposits for Freedom High School, it was discovered the ticket revenue for 2 boys basketball games and 1 girls basketball game were never deposited and the money has still not been accounted for. After further inquiry, we determined there were a couple of issues surrounding how the athletic deposits were being handled. The first issue pertains to the ticket revenue not being deposited at the bank in a timely manner. It is recommended the deposits be made the day after the ticket revenue is collected, or as soon thereafter as reasonably possible. We found many instances where the ticket revenue was collected and held for multiple weeks and several deposits made at the bank at one time for various athletic events. It is recommended that the athletic office should not be holding onto deposits and should be keeping as little cash on hand except for what is necessary for their cash drawers.

It would also be pertinent to make sure every ticket summary sheet is not filed away until a copy of the deposit receipt is attached to it. This would help ensure deposits are being made on a timely basis and any issues would be identified and could be resolved immediately. The summary sheets for the undeposited funds were signed and approved by the Athletic Director using a stamped signature. It is also our recommendation that Management internally review that these stamps are handled and kept in a secure manner in order to prevent someone other than the signer from using it.

OTHER INFORMATION

Fiduciary Activities

GASB Statement No. 84 on Fiduciary Activities was to become effective for the 2019-20 fiscal year however was extended 12 months with GASB Statement 95. Since this date is for next fiscal year, we want to make sure you correct any recordkeeping that will be needed. When this Statement goes into effect, the Student Clubs will be considered Custodial Funds and there will be two financial statements: Statement of Net Position and Statement of Changes in Net Position. To make this easier think of a balance sheet and income statement.

Currently, most Schools report their disbursements as Deletions by School without breaking the disbursements into categories similar to the Food Service Fund. Receipts are reported as Additions without breaking out the categories of receipts. This new Statement will require management to separate receipts into revenue categories and disbursements into expense categories.

Leases

The Governmental Accounting Standards Board has issued Statement No. 87 dealing with Operating and Financing Leases. Under current accounting principles, only Financing Leases are recorded on the financial statements as assets and liabilities. Operating leases are shown as rent expense. As such, we have only been interested in capital or financing leases in past years, but the new standard below will require the need to audit all leases.

The new standard defines a lease as a contract that conveys control of the right to use another entity's non-financial asset as specified in the contract for a period of time. As such, all leases will be recorded on the financial statements as either a tangible or intangible asset with a corresponding liability for future present value of lease payments.

The effective date of this new standard was also extended with GASB Statement No. 95 pushing the date of implementation to the 2021-22 fiscal year.

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

Respectively submitted,

Norman Associates, P.C.

December 11, 2020

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: | BUREAU OF FINANCIAL OPERATIONS DEPARTMENT OF PUBLIC WELFARE 2 N CIRCLE DR HARRISBURG, PA 17110 |
| ONE COPY TO: | LANCASTER-LEBANON IU 13 ATTN; ROCCO A. PISCONERI 6340 FLANK DRIVE HARRISBURG, PA 17112-2764 |

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, 2020, 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, 2020, 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 10-21, the Schedule of the District's Proportionate Share of Net Pension Liability, the Schedule of District's Contributions-Pensions, and the appropriate Schedules for the defined contribution pension plan, the Multiple Employer and Single Employer OPEB Plans on pages 92-101, 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 Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are 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 11, 2020, on our consideration of the Bethlehem Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bethlehem Area School District's internal control over financial reporting and compliance.

Respectfully submitted,



December 11, 2020

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Year Ended June 30, 2020**

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, 2020. 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 enrollment of 13,399 students in our 22 schools for 2019-20. Students are additionally enrolled in out of district placements for vocational education and special education.

The Bethlehem Area School District consists of 16 elementary schools for students in kindergarten through 5th grade, four middle schools for grades 6-8, and two 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 actual revenues shows lower than budgeted interim real estate and mercantile tax, reduced contributions, together with decreased investment earnings yielded a reduction in operating revenue of \$1,210,868 indicative of the 2nd Quarter 2020 economic conditions due to the pandemic. Federal revenue was also under budget by \$863,112. Overall operating revenues were \$282,932,601 for the 2019-20 school year, \$3,435,240 or 1.2% less than budgeted.

Analysis of actual operating expenditures shows lower than budgeted in the amount of \$6,843,946. Overall expenditures for the 2019-20 school year of \$284,034,933 were \$7,176,396 or 2.46% under budget. Transfers to the Capital Reserve Fund as noted June 30, 2020, in the amount of \$5,000,000 are included in this total expenditure.

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

These events yielded a net General Fund deficit of 0.35% or \$1,006,071 for the year ended June 30, 2020. Together with the beginning fund balance of \$39,647,226, the BASD ended the fiscal year with a total general fund balance of \$38,641,155. This fund balance is reduced by \$265,373 in non-spendable assets, \$64,379 restricted, \$12,000,000 committed to the capital reserve fund for future capital improvements, \$4,000,000 assigned to mitigate future ongoing increases in the state pension rates for school employees, and \$4,053,155 allocated toward balancing the 2020-21 operating budget. The resulting undesignated fund balance on June 30, 2020 is \$18,258,248 or 6.4% 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.

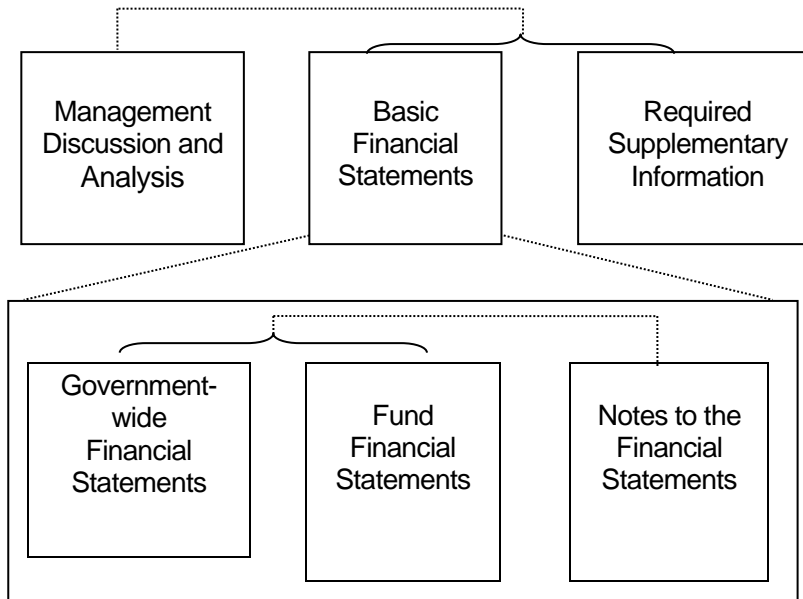
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future 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.

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

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**

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

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

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Statements

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

The two government-wide statements report the District's net position and how they have changed. Net Position, the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows 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 (\$344,860,310) at June 30, 2020. This is an increase from the previous fiscal year of \$3,187,956.

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

| | 2020 | | | 2019 | | |
|--|--|--|---|--|--|---|
| | Govern- mental Activities | Business- Type Activities | Total Primary Government | Govern- mental Activities | Business- Type Activities | Total Primary Government |
| Current assets | \$ 99.7 | \$ 2.8 | \$ 102.5 | \$ 101.2 | \$ 3.3 | \$ 104.5 |
| Non-Current assets | 249.3 | 0.1 | 249.4 | 252.9 | 0.1 | 253.0 |
| Deferred Outflow of Resources | 81.4 | 1.3 | 82.7 | 80.2 | 1.4 | 81.6 |
| Total Assets & Deferred Outflow of Resources | \$ 430.4 | \$ 4.2 | \$ 434.6 | \$ 434.3 | \$ 4.8 | \$ 439.1 |
| Current and other liabilities | \$ 56.4 | \$ 0.5 | \$ 56.9 | \$ 55.1 | \$ 1.0 | \$ 56.1 |
| Long-term liabilities | 683.3 | 12.3 | 695.6 | 706.7 | 12.6 | 719.3 |
| Deferred Inflow of Resources | 26.7 | 0.3 | 27.0 | 11.6 | - | 11.6 |
| Total Liabilities & Deferred Inflow of Resources | 766.4 | 13.1 | 779.5 | 773.4 | 13.6 | 787.0 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | \$ - | \$ 0.1 | \$ 0.1 | \$ - | \$ 0.1 | \$ 0.1 |
| Unrestricted | (336.0) | (9.0) | (345.0) | (339.1) | (8.9) | (348.0) |
| Total Net Position | \$ (336.0) | \$ (8.9) | \$ (344.9) | \$ (339.1) | \$ (8.8) | \$ (347.9) |
| Total Liabilities, Deferred Inflow of Resources, & Net Position | \$ 430.4 | \$ 4.2 | \$ 434.6 | \$ 434.3 | \$ 4.8 | \$ 439.1 |

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
Changes in Net Position (In Thousands)
Fiscal Year Ended June 30,**

| | <u>2020</u> | | | <u>2019</u> | | |
|--|--|--|---|--|--|---|
| | <u>Govern- mental Activities</u> | <u>Business- Type Activities</u> | <u>Total Primary Government</u> | <u>Govern- mental Activities</u> | <u>Business- Type Activities</u> | <u>Total Primary Government</u> |
| <u>REVENUES</u> | | | | | | |
| <i>Program revenues</i> | | | | | | |
| Charges for services | \$ 610 | \$ 3,255 | \$ 3,865 | \$ 479 | \$ 4,275 | \$ 4,754 |
| Operating grants and contributions | 44,543 | 5,855 | 50,398 | 45,356 | 6,338 | 51,694 |
| Capital grants and contributions | 1,919 | - | 1,919 | 1,565 | - | 1,565 |
| <i>General revenues</i> | | | | | | |
| Property taxes | 170,640 | - | 170,640 | 171,048 | - | 171,048 |
| Other taxes | 24,410 | - | 24,410 | 25,211 | - | 25,211 |
| Grants, subsidies and contributions, unrestricted | 38,797 | - | 38,797 | 37,355 | - | 37,355 |
| Other | 2,975 | 20 | 2,995 | 4,096 | 41 | 4,137 |
| TOTAL REVENUES | \$ 283,894 | \$ 9,130 | \$ 293,024 | \$ 285,110 | \$ 10,654 | \$ 295,764 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| <u>EXPENSES</u> | | | | | | |
| Instruction | \$ 182,446 | \$ - | \$ 182,446 | \$ 184,142 | \$ - | \$ 184,142 |
| Instructional student support | 23,942 | - | 23,942 | 22,437 | - | 22,437 |
| Administrative and financial support | 23,381 | - | 23,381 | 22,851 | - | 22,851 |
| Operation and maintenance of plant | 18,653 | - | 18,653 | 19,048 | - | 19,048 |
| Pupil transportation | 9,604 | - | 9,604 | 8,784 | - | 8,784 |
| Student activities | 3,628 | - | 3,628 | 3,432 | - | 3,432 |
| Community services | 157 | - | 157 | 127 | - | 127 |
| Scholarships and Awards | - | - | - | 1 | - | 1 |
| Interest on long-term debt | 10,612 | - | 10,612 | 11,358 | - | 11,358 |
| Unallocated depreciation expense | 8,292 | - | 8,292 | 7,582 | - | 7,582 |
| Food Services | - | 9,130 | 9,130 | - | 10,569 | 10,569 |
| TOTAL EXPENSES | 280,715 | 9,130 | 289,845 | 279,762 | 10,569 | 290,331 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Increase (decrease) in net position | \$ 3,179 | \$ - | \$ 3,179 | \$ 5,348 | \$ 85 | \$ 5,433 |

**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
Governmental Activities (In Thousands)
Fiscal Year Ended June 30,**

| Functions/Programs | 2020 | | 2019 | |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Instruction | \$ 182,446 | \$ 148,983 | \$ 184,142 | \$ 149,320 |
| Instructional student support | 23,942 | 19,994 | 22,437 | 18,881 |
| Administrative | 23,381 | 21,022 | 22,851 | 20,700 |
| Operation and maintenance | 18,653 | 17,002 | 19,048 | 17,538 |
| Pupil transportation | 9,604 | 6,019 | 8,784 | 5,507 |
| Student activities | 3,628 | 3,143 | 3,432 | 2,962 |
| Community services | 157 | 105 | 128 | 79 |
| Interest on long-term debt | 10,612 | 9,082 | 11,358 | 9,793 |
| Unallocated depreciation expense | 8,292 | 8,292 | 7,582 | 7,582 |
| Total governmental activities | \$ 280,715 | \$ 233,642 | \$ 279,762 | \$ 232,362 |
| Less: | | | | |
| Unrestricted grants, subsidies | | 38,797 | | 37,355 |
| Total needs from local taxes and other revenues | | \$ (194,845) | | \$ (195,007) |

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

**Table A-4
Business-Type Activities
Fiscal Year Ended June 30,**

| Functions/Programs | 2020 | | 2019 | |
|---------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Food Services | \$ 6,976,237 | \$ (80,800) | \$ 7,898,041 | \$ (125,199) |
| Child Care | 2,153,722 | 60,897 | 2,671,323 | 81,748 |
| Less: | | | | |
| Investment earnings & other misc. | | 28,804 | | 41,712 |
| Total business-type activities | | \$ (48,707) | | \$ (85,163) |

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

DISTRICT FUNDS

At June 30, 2020, the District governmental funds reported a combined fund balance of \$50,855,338, a decrease of \$1,811,190 from the previous year.

General fund operating expenditures exceeded revenues by \$1,006,071 which resulted in the final General Fund net ending fund balance of \$38,641,155. This favorable loss is less than the budgeted shortfall of \$2,535,174.

Capital Projects Funds, including both the Capital Reserve and Capital Projects Funds, had a decrease of \$805,119 resulting in a Capital Project fund balance of \$12,214,183 on June 30, 2020 as a result of ongoing capital improvements throughout the District.

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 actual revenues shows lower than budgeted interim real estate and mercantile tax, reduced contributions, together with decreased investment earnings yielded a reduction in operating revenue of \$1,210,868 indicative of the 2nd Quarter 2020 economic conditions due to the pandemic. Federal revenue was also under budget by \$863,112. Overall operating revenues were \$282,932,601 for the 2019-20 school year, \$3,435,240 or 1.2% less than budgeted.

Analysis of actual operating expenditures shows lower than budgeted in the amount of \$6,843,946. Overall expenditures for the 2019-20 school year of \$284,034,933 were \$7,176,396 or 2.46% under budget. Transfers to the Capital Reserve Fund as noted June 30, 2020 in the amount of \$5,000,000 are included in this total expenditure.

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**

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2020, the District had \$249,285,943 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 \$3,583,483 or 1.42% from last year. This is primarily due to increased depreciation on District capital assets.

**Table A-5
Governmental Activities
Capital Assets – Net of Depreciation
Fiscal Year Ended June 30,**

| | <u>2020</u> | <u>2019</u> |
|--|------------------------------|------------------------------|
| Land | \$ 75,410 | \$ 75,410 |
| Site Improvements | 14,139,538 | 14,139,538 |
| Buildings | 383,832,816 | 329,366,841 |
| Furniture & Equipment | 67,223,223 | 66,644,834 |
| Construction in Progress | 4,573,347 | 53,201,338 |
| Total Capital Assets | \$ 469,844,334 | \$ 463,427,961 |
| Less Accumulated Depreciation | (220,558,391) | (210,558,535) |
| Total Capital Assets Net of Accumulated Depreciation | <u>\$ 249,285,943</u> | <u>\$ 252,869,426</u> |

The District had significant additions in capital assets due to the completion of the Nitschmann Middle School recorded as Construction in Progress in 2018-19.

DEBT ADMINISTRATION

As of July 1, 2019, the District had total outstanding debt of \$370,815,000. During the year, the District retired outstanding debt for a net decrease of \$9,940,000, resulting in ending outstanding debt as of June 30, 2020, of \$260,875,000.

**Table A-6
Outstanding Debt**

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|------------------------------|------------------------------|
| General Obligation Notes/Bonds: | | |
| - Bonds, Series of 2019 | \$ 29,430,000 | \$ 39,255,000 |
| - Bonds, GRB Series A of 2018 | 30,110,000 | 30,125,000 |
| - Bonds, GRB Series of 2018 | 40,585,000 | 40,620,000 |
| - Bonds, GRB Series of 2017 | 30,250,000 | 30,300,000 |
| - Bonds, Series B of 2016 | 19,700,000 | 19,700,000 |
| - Bonds, Series A of 2016 | 34,225,000 | 34,230,000 |
| - Notes, Series C of 2015 | 9,560,000 | 9,565,000 |
| - Notes, Series B of 2015 | 3,725,000 | 3,725,000 |
| - Bonds, Series A of 2015 | 30,000,000 | 30,000,000 |
| - Bonds, Series of 2011 | 33,290,000 | 33,295,000 |
| TOTAL | <u>\$ 260,875,000</u> | <u>\$ 270,815,000</u> |

Other obligations include accrued vacation pay and sick leave for specific employees of the District as well as the OPEB obligation under GASB 75. More detailed information about our long-term liabilities is included in the notes to the financial statements.

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

FUTURE ECONOMIC FACTORS

Capital Improvement Plan

Since 1991, the school district has renovated or replaced most of its 22 schools and other properties. Construction of the new Nitschmann Middle School is complete and students attended in August 2017. Improvements to the HVAC systems at Asa Packer and Spring Garden Elementary schools were completed August 2020. The school district continues to annually fund and complete capital improvement projects that are designed to maintain all existing structures. HVAC replacement projects at Farmersville Elementary will be completed Summer 2021 with planning to begin for Freemansburg Elementary the summer thereafter.

Variable Rate Debt and SWAP Concerns

The amount of variable rate debt within the school district's debt portfolio continues to be a focus of the school board and administration with the percentage of variable rate to total debt 36%. The school directors continue to restructure its debt and swap portfolio by reducing the swap interests and improving the quality of outstanding debt. The school district also continues to monitor opportunities to refinance any existing debt as economic conditions warrant.

In November 2017, the District remarketed the expiring 2014 Floating Rate Notes with RBC Capital Markets. The new issue has a mandatory tender date of November 1, 2021 with applicable spread of 49 basis points. In March 2018, the District refunded the 2011 and 2011A private Floating Rate Notes with the 2018 & 2018A public Floating Rate Notes, reducing the applicable spread on both from 53 basis points to 48 basis points for a three-year period, after which these Notes will have a Mandatory Tender Date of November 2021.

The District currently has 3 remaining Fixed Payer Swaps outstanding, with a total notional amount of \$99,405,000 outstanding as of June 30, 2020. They are related to the Series of 2017, Series of 2018, and Series A of 2018 Floating Rate Notes, which are all based on a uniform LIBOR index with the same maturity date as the related bonds.

Future Budgets

The annual operating budget for the 2020-21 year is \$301,993,643. While the District did not levy a real estate tax rate increase, there is a millage change due to the mandatory tax rate rebalancing between the district's two counties. There is a 0.09 mil decrease for Northampton County and a 0.62 mil increase for Lehigh County. With the passage of Act 1, the District is required to adopt a preliminary budget in January to authorize increasing taxes above an allowed index or pass a resolution stating that we would not exceed the index. For the 2020-21 budget, this adjusted index was 3.2%, and the District was approved for exceptions to exceed that amount by \$1,851,517 for special education expenditures; however, none of the allowed exceptions were used to balance the final budget as the final millage rate was below the allowable Act 1 maximum. The focus continues to be balancing the educational needs with the financial and economic realities. We continue to work to responsibly implement much needed academic programs with the focus of sustainability and improved outcomes.

The final 2020-21 budget represents a 3.48% overall increase in operating expenditures excluding PSERS and charter school tuition costs. For 2019-20, the BASD internal operational increase was only 2.95% and only 2.23% for 2018-19, which demonstrates our ongoing commitment to maintaining cost effective and efficient programs to meet the needs of our students while respecting the demands on our community and taxpayers. Following the national economic shutdown in March 2020, BASD restructured the budget and its supported goals by sustaining program initiatives while advancing student academic opportunities inside the available resources. The net increase in operating cost for 2020-21 is only 2.26% above the operating costs for the current year without the impact of pandemic expenses for PPE, cleaning and sanitation. We expect to receive \$3.2 million in emergency funding from the federal CARES Act, and \$1.17 million for school health and safety concerns.

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

The growth in mandated pension and charter school tuition expenditure increases, our two largest mandates, has continued to outpace the growth in BASD operating costs for many years. Special education costs are also increasing faster than other operations to provide mandated services to students in need without corresponding subsidy growth to fund these mandatory services. Within this conservative budget plan, we are providing expanded student access to digital learning tools by providing students Chromebooks, hot spots and Wi-Fi connectivity for use at home. These resources proved invaluable during the recent school closures allowing our students to continue their studies.

Additionally, this budget supports the continued development of key educational initiatives including Project Lead the Way, Reading by Grade 3, elementary Spanish, American Sign Language, secondary math and science, online hybrid learning, professional development, Equity in Education, College and Career Pathways, Community Schools, Leader in Me, and AP course offerings. We continue to seek ways to address long-term needs in areas such as transportation, facilities and technology in future operating budgets and long-term planning while understanding the need to balance a sustainable budget.

The District completed capital improvement upgrades to the HVAC systems at Spring Garden and Asa Packer Elementary Schools in Summer 2020. Plans are being developed for 2021 upgrades to the HVAC system at Farmersville Elementary and Freemansburg Elementary in 2022.

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

BUDGETED REVENUES

| | 2020-21 | 2019-20 |
|---------|----------------|----------------|
| Local | 68.8% | 69.7% |
| State | 26.5% | 26.9% |
| Federal | 3.9% | 2.6% |
| Other | 0.7% | 0.8% |

BUDGETED EXPENDITURES

| | 2020-21 | 2019-20 |
|---------------------------|----------------|----------------|
| Instruction | 62.8% | 63.3% |
| Support Services | 26.9% | 26.3% |
| Non-Instruction/Community | 1.3% | 1.2% |
| Fund Transfers | 0.0% | 0.1% |
| Debt | 9.1% | 9.1% |

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, 2020

| | PRIMARY GOVERNMENT | | |
|--|----------------------------|-----------------------------|-----------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 75,076,639 | \$ 1,147,977 | \$ 76,224,616 |
| Investments | 4,165,000 | - | 4,165,000 |
| Receivables, net | 7,902,842 | - | 7,902,842 |
| Internal Balances | 47,001 | 683,031 | - (1) |
| Due From Other Governments | 11,636,608 | 615,909 | 12,252,517 |
| Other Receivables, net | 566,662 | 282,089 | 848,751 |
| Inventories | 179,645 | 35,896 | 215,541 |
| Prepaid Expenses | 85,728 | 42,256 | 127,984 |
| Other Current Assets | 39,981 | - | 39,981 |
| Total Current Assets | 99,700,106 | 2,807,158 | 101,777,232 |
| Non-Current Assets: | | | |
| Restricted Cash and Investments | 10,001 | - | 10,001 |
| Land | 75,410 | - | 75,410 |
| Site Improvements (net of depreciation) | 4,848,852 | - | 4,848,852 |
| Building and Bldg. Improvements (net of depreciation) | 234,087,140 | - | 234,087,140 |
| Furniture and Equipment (net of depreciation) | 5,701,194 | 138,978 | 5,840,172 |
| Construction in Progress | 4,573,347 | - | 4,573,347 |
| Total Non-Current Assets | 249,295,944 | 138,978 | 249,434,922 |
| TOTAL ASSETS | \$ 348,996,050 | \$ 2,946,136 | \$ 351,212,154 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflow of Resources - Derivatives | 13,142,453 | - | 13,142,453 |
| Deferred Charges on Bond Refundings, net | 16,237,193 | - | 16,237,193 |
| Deferred Cost on Refundings - Derivatives | 10,551,434 | - | 10,551,434 |
| Deferred Outflows of Resources - Change in Proportion of NPL | 2,406,391 | 80,609 | 2,487,000 |
| Deferred Outflows of Resources - Current Year Pension Contributions | 37,412,476 | 1,065,228 | 38,477,704 |
| Deferred Outflows of Resources - Change in Assumptions | 1,590,832 | 111,938 | 1,702,770 |
| Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions | - | - | - |
| Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings | - | 1,532 | 1,532 |
| Deferred Outflows of Resources - Diff. between Expected vs Actual Experience | - | - | - |
| Deferred Outflows of Resources - Diff. in Proportionate Share vs Actual - POS | 43,613 | - | 43,613 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 430,380,442 | \$ 4,205,443 | \$ 433,855,853 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Internal Balances | \$ 683,031 | \$ 47,001 | \$ - (1) |
| Due to other governments | 996,983 | - | 996,983 |
| Accounts Payable | 4,008,048 | 67,203 | 4,075,251 |
| Current Portion of Long-Term Obligations | 12,437,461 | - | 12,437,461 |
| Accrued Salaries and Benefits | 13,856,535 | 28,721 | 13,885,256 |
| Payroll Deductions and Withholdings | 21,092,618 | 70,581 | 21,163,199 |
| Prepayments | 104,494 | 200,459 | 304,953 |
| Other Current Liabilities | 3,177,244 | 40,561 | 3,217,805 |
| Total Current Liabilities | 56,356,414 | 454,526 | 56,080,908 |
| Non-Current Liabilities: | | | |
| Bonds and Notes Payable | 257,142,253 | - | 257,142,253 |
| Derivative Financial Instrument Liability | 28,010,378 | - | 28,010,378 |
| Lease Purchase Obligations | - | - | - |
| Long-Term Portion of Compensated Absences | 5,296,209 | 182,046 | 5,478,255 |
| Net OPEB Liability - Single Employer Plan | 35,848,091 | 197,179 | 36,045,270 |
| Net OPEB Liability - Multiple Employer Plan | 15,721,439 | 462,812 | 16,184,251 |
| Net Defined Benefit Pension Liability | 340,767,777 | 11,502,837 | 352,270,614 |
| Net Defined Contribution Pension Liability | 548,321 | - | 548,321 |
| TOTAL LIABILITIES | 739,690,882 | 12,799,400 | 751,760,250 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Gain on Refundings - Derivatives | 7,871,459 | - | 7,871,459 |
| Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings | 954,107 | 40,425 | 994,532 |
| Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions | 631,904 | 18,868 | 650,772 |
| Deferred Inflows of Resources - Change in Proportion - NPL | - | - | - |
| Deferred Inflows of Resources - Change in Assumptions | - | - | - |
| Deferred Inflows of Resources - Diff. in Expected vs Actual Experience | 17,203,836 | 235,314 | 17,439,150 |
| Deferred Inflows of Resources - Unearned Revenue | - | - | - |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 766,352,188 | 13,094,007 | 778,716,163 |
| NET POSITION | | | |
| Net Investment in Capital Assets | - | 138,978 | 138,978 |
| Restricted For: | | | |
| Retirement of Long-Term Debt | - | - | - |
| Capital Projects | - | - | - |
| Other Restrictions | - | - | - |
| Unrestricted (deficit) | (335,971,746) | (9,027,542) | (344,999,288) |
| TOTAL NET POSITION | (335,971,746) | (8,888,564) | (344,860,310) |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | \$ 430,380,442 | \$ 4,205,443 | \$ 433,855,853 |

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, 2020

| 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 |
| | | | | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | | | | |
| Instruction | \$ 182,446,015 | \$ 439,558 | \$ 33,023,225 | \$ - | \$ (148,983,232) | \$ - | \$ (148,983,232) |
| Instructional Student Support | 23,942,000 | - | 3,558,346 | 389,188 | (19,994,466) | - | (19,994,466) |
| Admin. & Fin'l Support Services | 23,380,993 | - | 2,359,207 | - | (21,021,786) | - | (21,021,786) |
| Oper. & Maint. of Plant Svcs. | 18,653,012 | - | 1,650,869 | - | (17,002,143) | - | (17,002,143) |
| Pupil Transportation | 9,604,232 | - | 3,585,181 | - | (6,019,051) | - | (6,019,051) |
| Student activities | 3,627,932 | 168,077 | 316,594 | - | (3,143,261) | - | (3,143,261) |
| Community Services | 157,342 | 2,750 | 49,199 | - | (105,393) | - | (105,393) |
| Scholarships and Awards | - | - | - | - | - | - | - |
| Interest on Long-Term Debt | 10,611,677 | - | - | 1,529,797 | (9,081,880) | - | (9,081,880) |
| Unallocated Depreciation Expense | 8,291,502 | - | - | - | (8,291,502) | - | (8,291,502) |
| TOTAL GOVERNMENTAL ACTIVITIES | 280,714,705 | 610,385 | 44,542,621 | 1,918,985 | (233,642,714) | - | (233,642,714) |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | |
| Food Services | 6,976,237 | 1,378,061 | 5,517,376 | - | - | (80,800) | (80,800) |
| Day Care | 2,153,722 | 1,877,006 | 337,613 | - | - | 60,897 | 60,897 |
| TOTAL PRIMARY GOVERNMENT | \$ 289,844,664 | \$ 3,865,452 | \$ 50,397,610 | \$ 1,918,985 | \$ (233,642,714) | \$ (19,903) | \$ (233,662,617) |
| GENERAL REVENUES: | | | | | | | |
| Property taxes. Levied for general purposes, net | | | | | \$ 170,639,791 | \$ - | \$ 170,639,791 |
| Taxes levied for specific purposes | | | | | 24,409,827 | - | 24,409,827 |
| Grants, subsidies, & contributions not restricted | | | | | 38,796,805 | - | 38,796,805 |
| Investment Earnings | | | | | 1,971,753 | 22,201 | 1,993,954 |
| Miscellaneous Income | | | | | 1,003,593 | 6,603 | 1,010,196 |
| Special item - Gain (Loss) on sale of capital assets | | | | | - | - | - |
| Extraordinary Items | | | | | - | - | - |
| Transfers | | | | | - | - | - |
| TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS | | | | | 236,821,769 | 28,804 | 236,850,573 |
| CHANGES IN NET POSITION | | | | | 3,179,055 | 8,901 | 3,187,956 |
| NET POSITION - BEGINNING | | | | | (339,150,801) | (8,897,465) | (348,048,266) |
| NET POSITION - ENDING | | | | | \$ (335,971,746) | \$ (8,888,564) | \$ (344,860,310) |

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

**Bethlehem Area School District
Balance Sheet
Governmental Funds
As of June 30, 2020**

| | GENERAL | NON-MAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|----------------------|------------------------------------|--------------------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 65,511,116 | \$ 9,565,521 | \$ 75,076,637 |
| Restricted Cash | - | 10,001 | 10,001 |
| Investments | 4,165,000 | - | 4,165,000 |
| Restricted Investments | - | - | - |
| Taxes Receivable, net | 7,902,842 | - | 7,902,842 |
| Due from other funds | 60,398 | 5,000,000 | 5,060,398 |
| Due from Primary Government | - | - | - |
| Due from Other Governments | 11,521,223 | - | 11,521,223 |
| Due from Component Unit | - | - | - |
| Other Receivables | 528,318 | - | 528,318 |
| Inventories | 179,645 | - | 179,645 |
| Prepaid Expenditures | 85,728 | - | 85,728 |
| Other Current Assets | 39,981 | - | 39,981 |
| TOTAL ASSETS | \$ 89,994,251 | \$ 14,575,522 | \$ 104,569,773 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred Charges on Refundings, net | - | - | - |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 89,994,251 | \$ 14,575,522 | \$ 104,569,773 |
| <u>LIABILITIES</u> | | | |
| Due to Other Funds | \$ 5,683,690 | \$ 10,001 | \$ 5,693,691 |
| Due to Other Governments | 996,983 | - | 996,983 |
| Due to Primary Government | - | - | - |
| Due to Component Unit | - | - | - |
| Accounts Payable | 2,665,430 | 1,341,959 | 4,007,389 |
| Current Portion of Long-Term Debt | 369,114 | 35,000 | 404,114 |
| Accrued Salaries and Benefits | 13,856,535 | - | 13,856,535 |
| Payroll Deductions and Withholdings | 21,092,618 | - | 21,092,618 |
| Prepayments | 104,494 | - | 104,494 |
| Other Current Liabilities | 4,664 | 974,379 | 979,043 |
| TOTAL LIABILITIES | 44,773,528 | 2,361,339 | 47,134,867 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Unearned/Unavailable Property Taxes and Grants | 6,579,568 | - | 6,579,568 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 51,353,096 | 2,361,339 | 53,714,435 |
| FUND BALANCES: | | | |
| Nonspendable Fund Balance | 265,373 | - | 265,373 |
| Restricted Fund Balance | 64,379 | 12,214,183 | 12,278,562 |
| Committed Fund Balance | 12,000,000 | - | 12,000,000 |
| Assigned Fund Balance | 8,053,155 | - | 8,053,155 |
| Unassigned Fund Balance | 18,258,248 | - | 18,258,248 |
| TOTAL FUND BALANCES | 38,641,155 | 12,214,183 | 50,855,338 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 89,994,251 | \$ 14,575,522 | \$ 104,569,773 |

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, 2020**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 50,855,338

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 \$469,844,334 and the accumulated depreciation is \$220,558,391. 249,285,943

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. 150,334

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. 15,822,428

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. 6,579,568

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. 16,237,193

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

This represents the deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension/OPEB Liability. 22,663,466

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

| | | |
|---|------------------|---------------|
| Bonds payable | \$ (268,897,253) | |
| Accrued interest on the bonds | (2,198,201) | |
| Intergovernmental Payable | - | |
| Compensated absences | (5,296,209) | |
| Derivative Instrument Liability | (28,010,378) | |
| Net Defined Benefit Pension Liability | (340,767,777) | |
| Net Defined Contribution Pension Liability | (548,321) | |
| Net OPEB Liability - Single Employer Plan | (35,848,091) | |
| Net OPEB Liability - Multiple Employer Plan | (15,721,439) | |
| Lease Purchase Obligations | (278,347) | (697,566,016) |

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (335,971,746)**

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, 2020

| | GENERAL | NON-MAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|-----------------------------|---|---|
| REVENUES | | | |
| Local Sources | \$ 199,639,717 | \$ 4,551,976 | \$ 204,191,693 |
| State Sources | 76,689,789 | - | 76,689,789 |
| Federal Sources | 6,603,096 | - | 6,603,096 |
| TOTAL REVENUES | <u>282,932,602</u> | <u>4,551,976</u> | <u>287,484,578</u> |
| EXPENDITURES | | | |
| Instruction | 180,328,018 | - | 180,328,018 |
| Support Services | 73,368,487 | 4,600 | 73,373,087 |
| Operation of Non-Instructional Services | 3,647,591 | - | 3,647,591 |
| Capital Outlay | 104,947 | 5,738,316 | 5,843,263 |
| Debt Service | 21,585,892 | 4,614,179 | 26,200,071 |
| TOTAL EXPENDITURES | <u>279,034,935</u> | <u>10,357,095</u> | <u>289,392,030</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>3,897,667</u> | <u>(5,805,119)</u> | <u>(1,907,452)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from Bond Issues | - | - | - |
| Proceeds from Refunded Bond Issues | - | - | - |
| Proceeds from Extended Term Financing | - | - | - |
| Bond Premiums | - | - | - |
| Interfund Transfers In | - | 5,000,000 | 5,000,000 |
| Sale/Compensation for Fixed Assets | 95,493 | - | 95,493 |
| Payment to bond refunding escrow agent | - | - | - |
| Refund of Prior Year Receipts | - | - | - |
| Bond Discount | - | - | - |
| Operating Transfers Out | (5,000,000) | - | (5,000,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(4,904,507)</u> | <u>5,000,000</u> | <u>95,493</u> |
| SPECIAL/EXTRAORDINARY ITEMS | | | |
| Special Items | - | - | - |
| Extraordinary Items - Insurance Recoveries | 769 | - | 769 |
| NET CHANGE IN FUND BALANCES | (1,006,071) | (805,119) | (1,811,190) |
| FUND BALANCES - BEGINNING | <u>39,647,226</u> | <u>13,019,302</u> | <u>52,666,528</u> |
| FUND BALANCES - ENDING | <u><u>\$ 38,641,155</u></u> | <u><u>\$ 12,214,183</u></u> | <u><u>\$ 50,855,338</u></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, 2020**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (1,811,190)**

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 | \$ 9,999,856 | |
| less - capital outlays | <u>6,416,373</u> | (3,583,483) |

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

-

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

700,809

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.

10,350,368

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.

(126,797)

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.

(14,699)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **5,515,008**

**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, 2020**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING (cont'd) \$ 5,515,008

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.

861,310

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.

-

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

-

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

(3,197,263)

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 3,179,055

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, 2020

| | FOOD SERVICE | DAY CARE FUND | TOTAL |
|--|-------------------------|--------------------------|---------------------|
| <u>ASSETS</u> | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ 439,408 | \$ 708,569 | \$ 1,147,977 |
| Investments | - | - | - |
| Due from other funds | 442,786 | 240,245 | 683,031 |
| Due From Other Governments | 615,909 | - | 615,909 |
| Other Receivables (net) | 192,497 | 89,592 | 282,089 |
| Inventories | 35,896 | - | 35,896 |
| Prepaid expenses | 42,256 | - | 42,256 |
| Other Current Assets | - | - | - |
| TOTAL CURRENT ASSETS | 1,768,752 | 1,038,406 | 2,807,158 |
| NON-CURRENT ASSETS: | | | |
| Building & Bldg. Improvements (net) | - | - | - |
| Machinery & Equipment (net) | 138,978 | - | 138,978 |
| Other Long-Term Receivables | - | - | - |
| TOTAL NON-CURRENT ASSETS | 138,978 | - | 138,978 |
| TOTAL ASSETS | \$ 1,907,730 | \$ 1,038,406 | \$ 2,946,136 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred Outflows of Resources - Change in Proportion to NPL | 50,545 | 30,064 | 80,609 |
| Deferred Outflows of Resources - Current Year Contributions | 677,926 | 387,302 | 1,065,228 |
| Deferred Outflows of Resources - Change in Assumptions | 62,973 | 48,965 | 111,938 |
| Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions | - | - | - |
| Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings | - | 1,532 | 1,532 |
| Deferred Outflows of Resources - Diff. between Expected vs Actual Experience | - | - | - |
| TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES | \$ 2,699,174 | \$ 1,506,269 | \$ 4,205,443 |
| <u>LIABILITIES</u> | | | |
| CURRENT LIABILITIES: | | | |
| Due to Other Funds | \$ 29,891 | \$ 17,110 | \$ 47,001 |
| Due to Other Governments | - | - | - |
| Accounts Payable | 46,298 | 20,905 | 67,203 |
| Compensated Absences | - | - | - |
| Accrued Salaries and Benefits | 28,721 | - | 28,721 |
| Payroll Deductions and Withholdings | 3,133 | 67,448 | 70,581 |
| Other Current Liabilities | 40,561 | - | 40,561 |
| Prepayments | 85,589 | 114,870 | 200,459 |
| TOTAL CURRENT LIABILITIES | 234,193 | 220,333 | 454,526 |
| NON-CURRENT LIABILITIES: | | | |
| Long-Term Portion of Compensated Absences | 90,454 | 91,592 | 182,046 |
| Net Defined Benefit Pension Liability | 6,805,867 | 4,696,970 | 11,502,837 |
| Net OPEB Liability - Single Employer Plan | 137,773 | 59,406 | 197,179 |
| Net OPEB Liability - Multiple Employer Plan | 282,514 | 180,298 | 462,812 |
| TOTAL NON-CURRENT LIABILITIES | 7,316,608 | 5,028,266 | 12,344,874 |
| TOTAL LIABILITIES | 7,550,801 | 5,248,599 | 12,799,400 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Deferred Inflows of Resources - Change in Assumptions | - | - | - |
| Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings | 40,425 | - | 40,425 |
| Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions | 11,572 | 7,296 | 18,868 |
| Deferred Inflows of Resources - Change in Proportion of NPL | - | - | - |
| Deferred Inflows of Resources - Diff. in Expected vs Actual Experience | 139,456 | 95,858 | 235,314 |
| TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES | 7,742,254 | 5,351,753 | 13,094,007 |
| <u>FUND NET POSITION</u> | | | |
| Net Investment in Capital Assets | 138,978 | - | 138,978 |
| Restricted for Legal Purposes | - | - | - |
| Unrestricted | (5,182,058) | (3,845,484) | (9,027,542) |
| TOTAL FUND NET POSITION | (5,043,080) | (3,845,484) | (8,888,564) |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND NET POSITION | \$ 2,699,174 | \$ 1,506,269 | \$ 4,205,443 |

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, 2020

| | FOOD SERVICE | DAY CARE FUND | TOTAL |
|--|-------------------------|--------------------------|-----------------------|
| OPERATING REVENUES: | | | |
| Food Service Revenue | \$ 1,300,336 | \$ - | \$ 1,300,336 |
| Charges for Services | - | 1,231,920 | 1,231,920 |
| Other Operating Revenues | <u>98</u> | <u>651,689</u> | <u>651,787</u> |
| TOTAL OPERATING REVENUES | <u>1,300,434</u> | <u>1,883,609</u> | <u>3,184,043</u> |
| | ----- | ----- | ----- |
| OPERATING EXPENSES: | | | |
| Salaries | 2,085,337 | 1,136,790 | 3,222,127 |
| Employee Benefits | 1,517,648 | 1,001,216 | 2,518,864 |
| Purchased Professional and Technical Services | - | 892 | 892 |
| Purchased Property Service | 48,218 | - | 48,218 |
| Other Purchased Services | 2,816,876 | 1,643 | 2,818,519 |
| Supplies | 478,138 | 6,188 | 484,326 |
| Depreciation | 25,017 | - | 25,017 |
| Dues and Fees | 5,003 | 4,667 | 9,670 |
| Claims and Judgments | - | - | - |
| Other Operating Expenses | <u>-</u> | <u>2,326</u> | <u>2,326</u> |
| TOTAL OPERATING EXPENSES | <u>6,976,237</u> | <u>2,153,722</u> | <u>9,129,959</u> |
| OPERATING INCOME (LOSS) | <u>(5,675,803)</u> | <u>(270,113)</u> | <u>(5,945,916)</u> |
| | ----- | ----- | ----- |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Earnings on investments | 10,971 | 11,230 | 22,201 |
| Contributions and Donations | 77,627 | 971 | 78,598 |
| Gain/Loss on Sale of Fixed Assets | - | - | - |
| State Sources | 599,116 | 288,542 | 887,658 |
| Federal Sources | <u>4,918,260</u> | <u>48,100</u> | <u>4,966,360</u> |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>5,605,974</u> | <u>348,843</u> | <u>5,954,817</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS | (69,829) | 78,730 | 8,901 |
| Capital Contributions | - | - | - |
| Transfers in (out) | <u>-</u> | <u>-</u> | <u>-</u> |
| CHANGES IN FUND NET POSITION | (69,829) | 78,730 | 8,901 |
| FUND NET POSITION - BEGINNING | <u>(4,973,251)</u> | <u>(3,924,214)</u> | <u>(8,897,465)</u> |
| FUND NET POSITION - ENDING | <u>\$ (5,043,080)</u> | <u>\$ (3,845,484)</u> | <u>\$ (8,888,564)</u> |

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

Bethlehem Area School District
Statement of Cash Flows - Proprietary Funds
As of June 30, 2020

| | FOOD SERVICE | DAY CARE FUND | TOTAL |
|---|-------------------------|--------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received from Users | \$ 1,452,562 | \$ 1,199,742 | \$ 2,652,304 |
| Cash Received from Assessments made to Other Funds | - | - | - |
| Cash Received from Earnings on Investments | - | - | - |
| Cash Received from Other Operating Revenue | 98 | 652,320 | 652,418 |
| Cash Payments to Employees for Services | (3,552,873) | (2,090,373) | (5,643,246) |
| Cash Payments for Insurance Claims | - | - | - |
| Cash Payments to Suppliers for Goods and Services | (3,288,510) | (276,805) | (3,565,315) |
| Cash Payments to Other Operating Expenses | (5,003) | (4,667) | (9,670) |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | (5,393,726) | (519,783) | (5,913,509) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Local Sources | - | - | - |
| State Sources | 629,106 | 288,542 | 917,648 |
| Federal Sources | 4,640,611 | 48,100 | 4,688,711 |
| Notes and Loans Received | - | - | - |
| Contributions and Donations | 77,627 | 971 | 78,598 |
| Operating Transfers In (Out) | - | - | - |
| NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES | 5,347,344 | 337,613 | 5,684,957 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of Equipment | (77,627) | - | (77,627) |
| Gain/Loss on Sale of Fixed Assets (Proceeds) | - | - | - |
| NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | (77,627) | - | (77,627) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Earnings on Investments | 10,971 | 11,230 | 22,201 |
| Purchase of Investment Securities/Deposits to Investment Pools | - | - | - |
| Withdrawals from Investment Pools | - | - | - |
| Proceeds from Sale and Maturity of Investment Securities | - | - | - |
| NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES | 10,971 | 11,230 | 22,201 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (113,038) | (170,940) | (283,978) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 552,446 | 879,509 | 1,431,955 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 439,408 | \$ 708,569 | \$ 1,147,977 |

Bethlehem Area School District
Statement of Cash Flows - Proprietary Funds
As of June 30, 2020

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

| | FOOD SERVICE | DAY CARE FUND | TOTAL |
|---|-------------------------|--------------------------|-----------------------|
| OPERATING INCOME (LOSS) | \$ (5,675,803) | \$ (270,113) | \$ (5,945,916) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | | |
| Depreciation and Net Amortization | 25,017 | - | 25,017 |
| Provision for Uncollectible Accounts | - | - | - |
| Donated Commodities Used | 352,293 | - | 352,293 |
| CHANGE IN ASSETS AND LIABILITIES: | | | |
| (Increase) Decrease in Accounts Receivable | 75,792 | (28,236) | 47,556 |
| (Increase) Decrease in Advances to Other Funds | 76,434 | (4,012) | 72,422 |
| (Increase) Decrease in Inventories | 64,727 | - | 64,727 |
| (Increase) Decrease in Prepaid Expenses | (42,256) | 701 | (41,555) |
| (Increase) Decrease in Other Current Assets | - | - | - |
| (Increase) Decrease in Deferred Outflows of Resources - Change in Proportion to NPL | (835) | (481) | (1,316) |
| (Increase) Decrease in Deferred Outflows of Resources - Current Year Contributions | (5,878) | (1,693) | (7,571) |
| (Increase) Decrease in Deferred Outflows of Resources - Change in Assumptions | 59,713 | 35,500 | 95,213 |
| (Increase) Decrease in Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions | - | - | - |
| (Increase) Decrease in Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings | 12,847 | 30,723 | 43,570 |
| (Increase) Decrease in Deferred Outflows of Resources - Diff. between Expected vs Actual Experience | 24,024 | 6,461 | 30,485 |
| Increase (Decrease) in Accounts Payable | (110,771) | 18,882 | (91,889) |
| Increase (Decrease) in Accrued Salaries and Benefits | 14,220 | 489 | 14,709 |
| Increase (Decrease) in Advances from Other Funds | (290,081) | (333,429) | (623,510) |
| Increase (Decrease) in Net Defined Benefit Pension Liability | (174,276) | (100,508) | (274,784) |
| Increase (Decrease) in Net OPEB Liability - Single Employer Plan | (19,936) | (19,662) | (39,598) |
| Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan | 6,372 | 3,675 | 10,047 |
| Increase (Decrease) in Deferred Inflows of Resources - Change in Assumptions | - | - | - |
| Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings | 40,425 | - | 40,425 |
| Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions | (3,764) | (2,729) | (6,493) |
| Increase (Decrease) in Deferred Inflows of Resources - Change in Proportion of NPL | - | - | - |
| Increase (Decrease) in Deferred Inflows of Resources - Diff. in Expected vs Actual Experience | 139,456 | 95,858 | 235,314 |
| Increase (Decrease) in Other Current Liabilities | 38,554 | 48,791 | 87,345 |
| TOTAL ADJUSTMENTS | 282,077 | (249,670) | 32,407 |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | \$ (5,393,726) | \$ (519,783) | \$ (5,913,509) |

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, 2020

| | PRIVATE- PURPOSE TRUST | PENSION AND OTHER EMPLOYEE BENEFIT TRUST | AGENCY FUNDS |
|--|---------------------------------------|---|-------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 298,558 | \$ 30,363,152 | \$ 669,657 |
| Restricted Cash | - | - | - |
| Investments | 1,903 | - | - |
| Due from Other Funds | 90 | - | 659 |
| Other Receivables | 600 | 1,095,884 | 34,192 |
| Prepaid Expenses | - | - | - |
| Other Current Assets | - | - | - |
| TOTAL ASSETS | \$ 301,151 | \$ 31,459,036 | \$ 704,508 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Charges on Refundings, net | - | - | - |
| TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES | \$ 301,151 | \$ 31,459,036 | \$ 704,508 |
| LIABILITIES | | | |
| Accounts Payable | \$ 101,495 | \$ 2,180,569 | \$ 28,803 |
| Due to Other Funds | - | 2,182 | 1,304 |
| Due to Student Clubs | - | - | 674,401 |
| Other Current Liabilities | - | 44,817 | - |
| TOTAL LIABILITIES | 101,495 | 2,227,568 | 704,508 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unearned Revenue | - | - | - |
| TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES | 101,495 | 2,227,568 | 704,508 |
| NET POSITION | | | |
| Restricted | - | - | - |
| Unrestricted | 199,656 | 29,231,468 | - |
| TOTAL NET POSITION | \$ 199,656 | \$ 29,231,468 | \$ - |

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, 2020

| | PRIVATE-PURPOSE TRUST FUND | PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS |
|--|---------------------------------------|---|
| ADDITIONS | | |
| Contributions | \$ 100,791 | \$ 27,873,437 |
| Transfers from Other Funds | - | - |
| Miscellaneous | - | 633,339 |
| INVESTMENT EARNINGS: | | |
| Interest and Dividends | 2,853 | 358,656 |
| Net increase (decrease) in fair value of investments | - | - |
| Less investment expense | - | - |
| TOTAL ADDITIONS | <u>103,644</u> | <u>28,865,432</u> |
| | ----- | ----- |
| DEDUCTIONS | | |
| Transfers to other funds | - | - |
| PA Trust - Stop Loss Ins. | - | 153,191 |
| Medical and Dental Claims | - | 25,636,663 |
| Unemployment Costs | - | 63,752 |
| Workers Compensation Costs | - | 5,176 |
| Wellness Costs | - | 24,325 |
| Dues and Fees | - | 27,212 |
| Rental of Equipment | - | - |
| Administrative charges | - | - |
| Scholarships | 109,420 | - |
| TOTAL DEDUCTIONS | <u>109,420</u> | <u>25,910,319</u> |
| CHANGES IN NET POSITION | (5,776) | 2,955,113 |
| NET POSITION - BEGINNING OF YEAR | <u>205,432</u> | <u>26,276,355</u> |
| NET POSITION - END OF YEAR | <u>\$ 199,656</u> | <u>\$ 29,231,468</u> |

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

Bethlehem Area School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -
General Fund
For the Year Ended June 30, 2020

| | BUDGET AMOUNTS | | ACTUAL | VARIANCE WITH | BUDGET TO | ACTUAL |
|---|-----------------------|----------------------|--------------------------|---|----------------------------|-------------------------------|
| | ORIGINAL | FINAL | (BUDGETARY BASIS) | FINAL BUDGET POSITIVE (NEGATIVE) | GAAP DIFFERENCE | AMOUNTS GAAP BASIS |
| REVENUES | | | | | | |
| Local Sources | \$ 201,230,415 | \$ 201,230,415 | \$ 199,639,717 | \$ (1,590,698) | \$ - | \$ 199,639,717 |
| State Sources | 77,600,725 | 77,600,725 | 76,689,789 | (910,936) | - | 76,689,789 |
| Federal Sources | 7,536,701 | 7,536,701 | 6,603,096 | (933,605) | - | 6,603,096 |
| TOTAL REVENUES | 286,367,841 | 286,367,841 | 282,932,602 | (3,435,239) | - | 282,932,602 |
| EXPENDITURES | | | | | | |
| Regular Instruction | 129,504,209 | 128,391,279 | 126,359,010 | 2,032,269 | - | 126,359,010 |
| Special Programs | 41,131,626 | 42,035,235 | 41,213,496 | 821,739 | - | 41,213,496 |
| Vocational Programs | 10,391,503 | 8,154,241 | 8,153,558 | 683 | - | 8,153,558 |
| Other Instructional Programs | - | 1,811,265 | 1,158,935 | 652,330 | - | 1,158,935 |
| Nonpublic School Programs | 195,704 | 210,864 | 147,967 | 62,897 | - | 147,967 |
| Adult Education Programs | 2,432,053 | - | - | - | - | - |
| Community College Sponsorship | - | 2,432,053 | 2,432,053 | - | - | 2,432,053 |
| Pre-Kindergarten | 829,167 | 866,237 | 862,999 | 3,238 | - | 862,999 |
| Pupil Personnel Services | 10,839,930 | 10,937,353 | 10,852,318 | 85,035 | - | 10,852,318 |
| Instructional Staff Services | 10,837,646 | 10,708,360 | 10,026,768 | 681,592 | - | 10,026,768 |
| Administrative Services | 12,912,102 | 12,899,845 | 12,838,208 | 61,637 | - | 12,838,208 |
| Pupil Health | 2,674,479 | 2,769,334 | 2,739,356 | 29,978 | - | 2,739,356 |
| Business Services | 1,967,188 | 2,200,953 | 2,157,056 | 43,897 | - | 2,157,056 |
| Operation & Maintenance of Plant Services | 20,222,036 | 19,635,976 | 18,094,824 | 1,541,152 | - | 18,094,824 |
| Student Transportation Services | 9,038,344 | 9,188,447 | 8,992,155 | 196,292 | - | 8,992,155 |
| Central Support Services | 7,965,527 | 7,780,937 | 7,541,821 | 239,116 | - | 7,541,821 |
| Other Support Services | 122,693 | 125,982 | 125,981 | 1 | - | 125,981 |
| Student Activities | 3,450,119 | 3,613,399 | 3,490,338 | 123,061 | - | 3,490,338 |
| Community Services | 168,020 | 190,604 | 157,253 | 33,351 | - | 157,253 |
| Scholarships and Awards | 675 | 675 | - | 675 | - | - |
| Facilities, Acquisition and Construction | 44,000 | 339,948 | 104,947 | 235,001 | - | 104,947 |
| Debt Service | 21,918,342 | 21,918,342 | 21,585,892 | 332,450 | - | 21,585,892 |
| TOTAL EXPENDITURES | 286,645,363 | 286,211,329 | 279,034,935 | 7,176,394 | - | 279,034,935 |
| Excess (deficiency) of revenues over expenditures | (277,522) | 156,512 | 3,897,667 | 3,741,155 | - | 3,897,667 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds From Extended Term Financing | - | - | - | - | - | - |
| Interfund Transfers In | - | - | - | - | - | - |
| Other Financing Sources Not Listed Elsewhere | 5,000 | - | - | - | - | - |
| Sale/Compensation for Fixed Assets | 25,000 | 25,000 | 95,493 | 70,493 | - | 95,493 |
| Fund Transfers Out | (148,000) | (5,000,000) | (5,000,000) | - | - | (5,000,000) |
| Transfer to Component Units | - | - | - | - | - | - |
| Budgetary Reserve | (4,417,966) | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (4,535,966) | (4,975,000) | (4,904,507) | 70,493 | - | (4,904,507) |
| Special Items | - | - | - | - | - | - |
| Extraordinary Items - Insurance Recoveries | - | 5,000 | 769 | (4,231) | - | 769 |
| NET CHANGE IN FUND BALANCES | (4,813,488) | (4,813,488) | (1,006,071) | 3,807,417 | - | (1,006,071) |
| FUND BALANCE - JULY 1, 2019 | \$ 36,427,043 | \$ 36,427,043 | \$ 39,647,226 | \$ 3,220,183 | \$ - | \$ 39,647,226 |
| FUND BALANCE - JUNE 30, 2020 | \$ 31,613,555 | \$ 31,613,555 | \$ 38,641,155 | \$ 7,027,600 | \$ - | \$ 38,641,155 |

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, 2020**

Note 1 - Description of the School District and Reporting Entity

School District

The Bethlehem Area School District (BASD), located 50 miles north of Philadelphia in eastern Pennsylvania, serves five communities in Bethlehem with demographics ranging from small suburban schools to severely distressed urban schools. It is the sixth largest school district in the state, with an approximate enrollment of 14,000 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, 2020**

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 2019-20 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 2019-20 was \$8,153,558.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

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 2019-20 was \$2,432,053.

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, 2020**

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.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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:

Capital Project Fund

During the 2014-15 fiscal year this fund received the proceeds from the \$30,000,000 General Obligation Bonds - Series A of 2015, and in 2016-17 fiscal year received \$19,700,000 in General Obligation Bonds - Series B of 2016. purpose of this issue is to finance the capital costs of designing, constructing, renovating, improving, and furnishing & equipping school facilities, including the Nitschmann Middle School project.

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. The Proprietary Funds of the School District have operating and nonoperating revenues and/or expenses. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are reported as nonoperating revenues and/or expenses, including subsidies received from the state and federal government for school lunches, donated commodities, and amounts received for fica and retirement subsidies. Operating revenues reported are consistent with the fees or charges incurred based on the intent of the individual proprietary fund.

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.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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 2019-20 budget transfers.

F. Use of Estimates

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

G. Changes in Accounting Principles

During the 2019-20 fiscal year the School District had not implemented any new generally accepted accounting principles.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

H. Pensions

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

I. Other Postemployment Benefits

Multiple Employer Cost Sharing OPEB Plan

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

Single Employer OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information was obtained from the Actuary Report conducted by Conrad Siegel. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The single employer plan is not funded.

J. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

For purpose 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 to GASB Statement No. 72, investments generally are to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has the present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts.

A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets. These assets were previously required to be measured at fair value.

Fair Value is measured using a hierarchy of inputs using valuation techniques. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

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, 2020, 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, 2020, the inventory shown in the governmental activities column of the government-wide statement of net position is \$179,645 and \$35,896, is shown as inventory in the business-type activities column of the government-wide statement of net position.

Inventory type items in governmental funds utilize the consumption method, that is, they are charged to expenditures when purchased. There was a physical inventory of \$179,645, taken as of June 30, 2020; 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, 2020, consist of:

| | | |
|---------------------|----|---------------|
| Purchased Food | \$ | - |
| Donated Commodities | | 35,896 |
| Purchased Supplies | | - |
| Total | \$ | <u>35,896</u> |

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

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 acquisition 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:

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

Compensated Absences

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

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

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

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

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

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, 2020, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements reported on the modified accrual basis of accounting.

Net Position

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

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

Fund Balance Categories

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Below are the potential categories of fund balance the government may use with their definitions, the actual categories used is explained in Note 8 to the financial statements:

Nonspendable Fund Balance

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

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Restricted Fund Balance

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

Committed Fund Balance

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

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Contributions of Capital

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

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".

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

The details of the \$697,566,016 differences are:

| | |
|--|------------------------------|
| Bonds payable | \$ 260,840,000 |
| Less: Issuance discount (to be amortized as interest expense) | (222,654) |
| Add: Issuance premium (to be amortized as a contra to interest expense) | 8,279,906 |
| Derivative Instrument Liability | 28,010,378 |
| Lease Purchase Obligations | 278,347 |
| Accrued interest payable | 2,198,202 |
| Net Defined Benefit Pension Liability | 340,767,777 |
| Net Defined Contribution Pension Liability | 548,321 |
| Net OPEB Liability - Single Employer Plan | 35,848,091 |
| Net OPEB Liability - Multiple Employer Plan | 15,721,439 |
| Compensated absences | 5,296,209 |
| Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities" | <u>\$ 697,566,016</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 governmental fund statements and district-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. Differences between the governmental funds statement of revenues, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown in the columns on the following page represent:

- a) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities. The long-term expenses reported below recognize the change in vested employee benefits.
- b) Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording of depreciation expense on those items as recorded in the statement of activities.
- c) Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability; principal payments are recorded as a reduction of liabilities.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

| | TOTAL GOVERN- MENTAL FUNDS | LONG-TERM REVENUES/ EXPENSES | CAPITAL RELATED ITEMS | LONG-TERM DEBT TRANS- ACTIONS | TOTAL FOR STATEMENT OF ACTIVITIES |
|--|-------------------------------------|------------------------------------|-----------------------------|--|--|
| REVENUES AND OTHER SOURCES | | | | | |
| LOCAL SOURCES: | | | | | |
| Property Taxes | \$ 169,938,982 | \$ 700,809 | \$ - | \$ - | \$ 170,639,791 |
| Taxes levied for specific purposes | 24,409,827 | - | - | - | 24,409,827 |
| Interest and investment earnings | 6,318,149 | 30,320 | - | (4,376,716) | 1,971,753 |
| Miscellaneous | 575,060 | (34,521) | 95,493 | - | 636,032 |
| Contributions and Donations | 368,559 | (998) | - | - | 367,561 |
| Charges for Services | 615,591 | (5,206) | - | - | 610,385 |
| Grants, subsidies & contributions not restricted | 38,724,533 | 72,272 | - | - | 38,796,805 |
| INTERMEDIATE SOURCES: | | | | | |
| Charges for Services | - | - | - | - | - |
| Operating grants and contributions | - | - | - | - | - |
| STATE SOURCES: | | | | | |
| Operating & Capital grants and contributions | 37,965,256 | - | - | - | 37,965,256 |
| FEDERAL SOURCES: | | | | | |
| Operating & Capital grants and contributions | 8,568,622 | (72,272) | - | - | 8,496,350 |
| SPECIAL AND EXTRAORDINARY SOURCES: | | | | | |
| Proceeds from Bond Issues | - | - | - | - | - |
| Bond Premiums | - | - | - | - | - |
| Proceeds from Extended Term Financing | - | - | - | - | - |
| Extraordinary Item - Insurance Recoveries | 769 | (769) | - | - | - |
| Gain or (Loss) on disposal of assets | 95,493 | - | (95,493) | - | - |
| TOTAL REVENUES | 287,580,841 | 689,635 | - | (4,376,716) | 283,893,760 |
| EXPENDITURES/EXPENSES | | | | | |
| Instruction | 180,328,018 | 1,898,804 | 219,193 | - | 182,446,015 |
| Instructional Student Support | 23,618,442 | 328,437 | (4,879) | - | 23,942,000 |
| Admin. & Fin'l Support Services | 22,667,666 | 636,399 | 76,928 | - | 23,380,993 |
| Oper. & Maint. Of Plant Svcs. | 18,094,824 | 310,986 | 247,202 | - | 18,653,012 |
| Pupil Transportation | 8,992,155 | 107,527 | 504,550 | - | 9,604,232 |
| Student activities | 3,490,338 | 45,344 | 92,250 | - | 3,627,932 |
| Community Services | 157,253 | 89 | - | - | 157,342 |
| Scholarships & Awards | - | - | - | - | - |
| Capital Outlay | 5,843,263 | - | (5,843,263) | - | - |
| Debt Service | 26,200,071 | - | - | (15,588,394) | 10,611,677 |
| Transfers Out | - | - | - | - | - |
| Depreciation - unallocated | - | - | 8,291,502 | - | 8,291,502 |
| Special Item - Derivative Termination Fee | - | - | - | - | - |
| TOTAL EXPENDITURES/EXPENSES | 289,392,030 | 3,327,586 | 3,583,483 | (15,588,394) | 280,714,705 |
| NET CHANGE FOR THE YEAR | \$ (1,811,189) | \$ (2,637,951) | \$ (3,583,483) | \$ 11,211,678 | \$ 3,179,055 |

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, 2020, except the governmental activities has a \$335,971,746 in deficit net position, and the business-type activities comprised of food service fund \$5,043,080 and day care fund \$3,845,484 have a deficit Net Position of \$8,888,564.

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, 2020.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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, 2020, \$2,759,379 of the District's bank balance of \$5,177,453 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 | 2,759,379 |
| TOTAL | <u>\$ 2,759,379</u> |

Reconciliation to Financial Statements

| | |
|---|------------------------------|
| Uncollateralized Amount above | \$ 2,759,379 |
| Plus: Insured Amount | 2,418,074 |
| Less: Outstanding Checks | <u>(115)</u> |
| Carrying Amount - Cash Balances | 5,177,338 |
| Plus: Petty Cash | 304 |
| Deposit in Pooled Investments Considered Cash Equivalents | 106,555,245 |
| Less: Certificates of Deposit considered Investments by School Code | <u>(4,166,903)</u> |
| TOTAL CASH PER FINANCIAL STATEMENTS | <u>\$ 107,565,984</u> |

Investments

Permitted investments for Bethlehem Area School District are defined in the Public School Code of 1949, as amended by Act 10 of 2016 as:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C; and,
4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.
5. Obligations, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

6. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government sponsored enterprise.
7. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
8. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
9. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the paper is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
10. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and, if all of the following conditions are met:
 - The investments of the company are the authorized investments listed above.
 - The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds).
 - The investment company is rated in the highest category by a nationally recognized rating agency.
11. Savings or demand deposits placed in accordance with the following conditions:
 - The money is initially deposited and invested through a federally insured institution having a place of business in this Commonwealth, which is selected by the public corporation or municipal authority.
 - The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, for the account of the public corporation or municipal authority.
 - The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.
 - On the same date that the money is redeposited pursuant to above, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the selected institution by the public corporation or municipal authority.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

As of June 30, 2020, the District had the following investments:

| <i>Investment</i> | <i>Maturities</i> | <i>Fair Value</i> |
|-------------------------------|-------------------|-----------------------|
| PSDLAF/PSDMAX | | \$ 98,319,997 |
| PSDMAX - Restricted | | 10,001 |
| PA Treasurer's Invest Program | | 1,366 |
| PLGIT Class | | 8,223,881 |
| PLGIT- CD's | | 4,165,000 |
| Lafayette Ambassador Bank -CD | | 600 |
| KNBT - CD's | | 1,303 |
| PSDLAF - CD's | | - |
| TOTAL | | \$ 110,722,148 |

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, 2020, the District's investment in PLGIT and PSDLAF were rated AAAM by Standard & Poor's. The District's investment in the PA Treasurer's Invest Program was rated AAAM by Standard & Poor's and Moody's.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. The District does not maintain more than 5% of investments with any single issuer.

Reconciliation to Financial Statements

| | |
|---|---------------------|
| Total Investments Above | \$ 110,722,148 |
| Less: Deposits in Investment Pool Considered Cash Equivalents | (106,555,245) |
| Total Investments Per Financial Statements | \$ 4,166,903 |

Fair Value Reporting

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District did not have any recurring fair value investments at June 30, 2020. The District did have Cash Equivalents in 2a7-like external investment pools, which GASB Statement No. 72 allows to be recorded at amortized cost as provided in paragraph 16 of GASB Statement No. 31.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

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 \$4,347,766,050. In accordance with Act I of 2006, the District receives \$4,750,430 in property tax reduction funds for the 2019-20 fiscal year. The tax rate for the Northampton and Lehigh Counties were \$5.626 and \$1.803, respectively per \$100 of assessed valuation or 56.26 mills and 18.03 mills, 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.

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 | NON-MAJOR GOVERNMENTAL FUNDS | FOOD SERVICE FUND | DAY CARE FUND | FIDUCIARY FUNDS | TOTAL |
|---------------------------------------|----------------------|------------------------------------|-------------------------|---------------------|---------------------|----------------------|
| RECEIVABLES: | | | | | | |
| Interest | \$ - | \$ - | \$ - | \$ - | \$ 600 | \$ 600 |
| Taxes | 7,902,842 | - | - | - | - | 7,902,842 |
| Accounts | 528,318 | - | 192,497 | 89,592 | 1,130,076 | 1,940,483 |
| Intergovernmental | 11,521,223 | - | 615,909 | - | - | 12,137,132 |
| GROSS RECEIVABLES | 19,952,383 | - | 808,406 | 89,592 | 1,130,676 | 21,981,057 |
| Less: Allowance for Uncollectibles | - | - | - | - | - | - |
| NET RECEIVABLES | \$ 19,952,383 | \$ - | \$ 808,406 | \$ 89,592 | \$ 1,130,676 | \$ 21,981,057 |

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

| | UNAVAILABLE | UNEARNED |
|---|---------------------|-------------|
| Delinquent Property Taxes - General Fund | \$ 6,579,568 | \$ - |
| Grants drawdowns prior to meeting eligibility requirements | - | - |
| TOTAL | \$ 6,579,568 | \$ - |

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

Capital Assets

Capital asset balances and activity for the year ending June 30, 2020, were:

| | BEGINNING BALANCE | INCREASES | DECREASES | ENDING BALANCE |
|---|-----------------------|----------------------|------------------------|-----------------------|
| GOVERNMENTAL ACTIVITIES: | | | | |
| Capital Assets not being depreciated: | | | | |
| Land | \$ 75,410 | \$ - | \$ - | \$ 75,410 |
| Construction in Progress | 53,201,338 | 5,837,984 | (54,465,975) | 4,573,347 |
| Total Capital Assets not being depreciated | 53,276,748 | 5,837,984 | (54,465,975) | 4,648,757 |
| Capital Assets being depreciated: | | | | |
| Site Improvements | 14,139,538 | - | - | 14,139,538 |
| Buildings and Improvements | 329,366,841 | 54,465,975 | - | 383,832,816 |
| Furniture and Equipment | 66,644,834 | 578,389 | - | 67,223,223 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | 410,151,213 | 55,044,364 | - | 465,195,577 |
| Less accumulated depreciation for: | | | | |
| Site Improvements | (8,898,182) | (392,504) | - | (9,290,686) |
| Buildings and Improvements | (141,460,673) | (8,285,003) | - | (149,745,676) |
| Furniture and Equipment | (60,199,680) | (1,322,349) | - | (61,522,029) |
| TOTAL ACCUMULATED DEPRECIATION | (210,558,535) | (9,999,856) | - | (220,558,391) |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION | 199,592,678 | 45,044,508 | - | 244,637,186 |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION | \$ 252,869,426 | \$ 50,882,492 | \$ (54,465,975) | \$ 249,285,943 |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Capital Assets being depreciated: | | | | |
| Furniture and Equipment | \$ 1,982,109 | \$ 77,627 | \$ - | \$ 2,059,736 |
| Less accumulated depreciation | (1,895,742) | (25,016) | - | (1,920,758) |
| BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION | \$ 86,367 | \$ 52,611 | \$ - | \$ 138,978 |

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

| | |
|---|---------------------|
| Regular Instruction | \$ 239,989 |
| Special Instruction | 1,073 |
| Vocational Instruction | 415 |
| Other Instruction | 546 |
| Adult Instruction | - |
| Community College Instruction | - |
| Pre-Kindergarten | 108 |
| Pupil Services | - |
| Instructional Staff Svcs. | 991 |
| Administrative Services | 262 |
| Health Services | - |
| Business Services | 444 |
| Operation & Maintenance of Plant Svcs. | 320,776 |
| Pupil Transportation | 693,184 |
| Central Services | 335,846 |
| Other Support Services | - |
| Student Activities | 114,720 |
| Community Services | - |
| Depreciation - unallocated | 8,291,502 |
| TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES | \$ 9,999,856 |

The governmental activities did not dispose of any capital assets during the year. The business-type activities disposed of \$-0-, with accumulated depreciation of \$-0- reflecting a \$-0- gain on disposition.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

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

| | CONTRACT AMOUNT | EXPENDED TO 6/30/20 | OUTSTANDING COMMITMENTS |
|---|----------------------------|--------------------------------|------------------------------------|
| <u>Masonry Work - Northeast MS</u> | | | |
| McCarthy Masonry & Concrete | \$ 113,400 | \$ 40,772 | \$ 72,628 |
| SUB-TOTAL | <u>113,400</u> | <u>40,772</u> | <u>72,628</u> |
| <u>Farmersville ES HVAC</u> | | | |
| D'Huy Engineering | 260,000 | 31,200 | 228,800 |
| SUB-TOTAL | <u>260,000</u> | <u>31,200</u> | <u>228,800</u> |
| <u>ASA Paker ES HVAC</u> | | | |
| D'Huy Engineering | 228,638 | 220,161 | 8,477 |
| JBM Mechanical | 2,715,182 | 1,489,434 | 1,225,748 |
| Wind Gap Electric | 516,000 | 191,160 | 324,840 |
| SUB-TOTAL | <u>3,459,820</u> | <u>1,900,755</u> | <u>1,559,065</u> |
| <u>Spring Valley ES HVAC</u> | | | |
| D'Huy Engineering | 273,021 | 261,292 | 11,729 |
| Trefz Mechanical | 3,153,965 | 1,664,134 | 1,489,831 |
| Wind Gap Electric | 679,090 | 200,061 | 479,029 |
| SUB-TOTAL | <u>4,106,076</u> | <u>2,125,487</u> | <u>1,980,589</u> |
| <u>Freemansburg ES HVAC</u> | | | |
| D'Huy Engineering | 227,500 | 16,646 | 210,854 |
| SUB-TOTAL | <u>227,500</u> | <u>16,646</u> | <u>210,854</u> |
| <u>Security Camera Recabling</u> | | | |
| McCarthy Masonry & Concrete | 60,000 | - | 60,000 |
| SUB-TOTAL | <u>60,000</u> | <u>-</u> | <u>60,000</u> |
| GRAND TOTAL | \$ 8,226,796 | \$ 4,114,860 | \$ 4,111,936 |

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

Short-Term Debt

Interfund Receivables and Payables

The following interfund receivables and payables were in existence on June 30, 2020:

| | INTERFUND RECEIVABLES | INTERFUND PAYABLES |
|--|----------------------------------|-------------------------------|
| General Fund | \$ 60,398 | \$ 5,683,690 |
| Enterprise (Food Service) Fund | 442,786 | 29,891 |
| Enterprise (Day Care) Fund | 240,245 | 17,110 |
| Capital Project Fund | - | 10,001 |
| Capital Reserve Fund | 5,000,000 | - |
| Special Revenue (BASD Authority General Fd) Fund | - | - |
| Self - Insurance Trust Fund (Blended Component Unit) | - | 2,182 |
| Private Purpose Trust Funds | 90 | - |
| Agency (Activity) Fund | 659 | 1,304 |
| TOTAL | \$ 5,744,178 | \$ 5,744,178 |

The District also made the following interfund transfers during the fiscal year ended June 30, 2020:

| | TRANSFER IN | TRANSFER OUT |
|--|---------------------|---------------------|
| General Fund | \$ - | \$ 5,000,000 |
| Capital Projects (Capital Reserve) Fund | 5,000,000 | - |
| Self - Insurance Trust Fund (Blended Component Unit) | - | - |
| Enterprise (Food Service) Fund | - | - |
| TOTAL | \$ 5,000,000 | \$ 5,000,000 |

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

Long-Term Liabilities

Long-term liability balances and activity for the year ended June 30, 2020 were:

| | BEGINNING BALANCE | ADDITIONS | REDUCTIONS | ENDING BALANCE | AMOUNTS DUE WITHIN ONE YEAR |
|---|-----------------------|---------------------|----------------------|-----------------------|-----------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| General Obligation Debt: | | | | | |
| <i>Bonds and notes payable:</i> | | | | | |
| Capital Projects | \$ 281,005,665 | \$ 22,256 | \$ 12,095,667 | \$ 268,932,254 | \$ 11,790,000 |
| Capital Leases | 688,715 | - | 410,368 | 278,347 | 278,347 |
| Total general obligation debt | 281,694,380 | 22,256 | 12,506,035 | 269,210,601 | 12,068,347 |
| <i>Other liabilities:</i> | | | | | |
| <i>Vested employee benefits:</i> | | | | | |
| Vacation pay | 1,285,902 | 364,880 | - | 1,650,782 | 164,395 |
| Sick pay | 4,312,803 | - | 298,263 | 4,014,540 | 204,719 |
| Net Defined Contribution Pension Obligation | 569,576 | - | 21,255 | 548,321 | - |
| Net Defined Benefit Pension Liability | 349,661,009 | - | 8,893,232 | 340,767,777 | - |
| Net OPEB Liability - Single Employer Plan | 42,534,096 | - | 6,686,005 | 35,848,091 | - |
| Net OPEB Liability - Multiple Employer Plan | 15,394,756 | 326,683 | - | 15,721,439 | - |
| Derivative Financial Instruments | 22,051,669 | 5,958,709 | - | 28,010,378 | - |
| Total other liabilities | 435,809,811 | 6,650,272 | 15,898,755 | 426,561,328 | 369,114 |
| TOTAL GOVERNMENTAL ACTIVITY | | | | | |
| LONG-TERM LIABILITIES | \$ 717,504,191 | \$ 6,672,528 | \$ 28,404,790 | \$ 695,771,929 | \$ 12,437,461 |
| BUSINESS TYPE ACTIVITIES | | | | | |
| <i>Other liabilities:</i> | | | | | |
| <i>Vested employee benefits:</i> | | | | | |
| Vacation pay | 44,331 | 21,623 | - | 65,954 | - |
| Sick pay | 127,709 | - | 11,617 | 116,092 | - |
| Net Defined Benefit Pension Liability | 11,777,621 | - | 274,784 | 11,502,837 | - |
| Net OPEB Liability - Single Employer Plan | 236,777 | - | 39,598 | 197,179 | - |
| Net OPEB Liability - Multiple Employer Plan | 452,765 | 10,047 | - | 462,812 | - |
| TOTAL BUSINESS-TYPE ACTIVITY | | | | | |
| LONG-TERM LIABILITIES | \$ 12,639,203 | \$ 31,670 | \$ 325,999 | \$ 12,344,874 | \$ - |

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

Total Interest paid and accrued during the year:

| GOVERNMENTAL ACTIVITIES: | EXPENSE | PAID |
|---|----------------------|----------------------|
| General obligation debt | \$ 10,562,803 | \$ 11,428,712 |
| Lease debt | 17,409 | 17,409 |
| Refund of Prior Year Receipts | 31,465 | 31,465 |
| TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES | \$ 10,611,677 | \$ 11,477,586 |

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

Primary Government Debt

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, 2020, are:

| FISCAL YEAR | PRINCIPAL | INTEREST |
|----------------------------------|----------------------|---------------------|
| 2020-21 | \$ 5,000 | \$ 1,286,887 |
| 2021-22 | 5,000 | 1,286,744 |
| 2022-23 | 3,915,000 | 1,225,497 |
| 2023-24 | 4,035,000 | 1,096,234 |
| 2024-25 | 4,190,000 | 954,819 |
| 2025-30 | 21,140,000 | 2,030,159 |
| Sub-Total | \$ 33,290,000 | \$ 7,880,340 |
| Unamortized Bond Discount | (57,047) | |
| Total Outstanding | \$ 33,232,953 | |

General Obligation Bonds – Series A of 2015

On June 4, 2015, the District issued \$30,000,000 in General Obligation Bonds - Series A of 2015. The proceeds will be used: (1) for capital projects including planning, designing, acquiring, construction and furnishing alterations and renovations to the Nitschmann Middle School and other public school facilities of the District, and (2) to pay the costs of issuance.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from August 1, 2025 to August 1, 2035. The bonds shall bear interest at 5.0%, with total interest indebtedness of \$28,080,750.

The outstanding debt service requirements at June 30, 2020, are:

| FISCAL YEAR | PRINCIPAL | INTEREST |
|---------------------------------|----------------------|----------------------|
| 2020-21 | \$ - | \$ 1,500,000 |
| 2021-22 | - | 1,500,000 |
| 2022-23 | - | 1,500,000 |
| 2023-24 | - | 1,500,000 |
| 2024-25 | - | 1,500,000 |
| 2025-30 | - | 7,500,000 |
| 2030-35 | 21,930,000 | 5,891,500 |
| 2035-36 | 8,070,000 | 201,750 |
| Sub-Total | \$ 30,000,000 | \$ 21,093,250 |
| Unamortized Bond Premium | 2,923,969 | |
| Total Outstanding | \$ 32,923,969 | |

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

General Obligation Notes – Series B of 2015

On June 4, 2015, the District issued \$3,470,000 of General Obligation Notes - Series B of 2015. The proceeds will be used: (1) to advance refund and restructure all of the Districts' General Obligation Bonds, Series of 2012 currently outstanding in the aggregate principal amount of \$3,470,000, and (2) to pay the costs of issuance.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from August 1, 2029, to August 1, 2031. The bonds bear interest from 3.25% to 3.37%, with total indebtedness of \$1,911,770.

The outstanding debt service requirements at June 30, 2020, are:

| FISCAL YEAR | PRINCIPAL | INTEREST |
|----------------------------------|---------------------|---------------------|
| 2020-21 | \$ - | \$ 124,707 |
| 2021-22 | - | 124,706 |
| 2022-23 | - | 124,706 |
| 2023-24 | - | 124,706 |
| 2024-25 | - | 124,706 |
| 2025-30 | 810,000 | 610,370 |
| 2030-32 | 2,915,000 | 96,947 |
| Sub-Total | \$ 3,725,000 | \$ 1,330,848 |
| Unamortized Bond Discount | (62,136) | |
| Total Outstanding | \$ 3,662,864 | |

General Obligation Notes – Series C of 2015

On June 4, 2015, the District issued \$9,580,000 of General Obligation Notes - Series C of 2015. The proceeds will be used: (1) to advance refund and restructure all of the Districts' General Obligation Bonds, Series A of 2009 currently outstanding in the aggregate principal amount of \$60,365,000, of which \$8,420,000 was refunded, and (2) to pay the costs of issuance.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from August 1, 2016, to August 1, 2029. The bonds bear interest from 2.868%% to 4.114%, with total indebtedness of \$3,656,622. This issue is considered federally taxable.

The outstanding debt service requirements at June 30, 2020, are:

| FISCAL YEAR | PRINCIPAL | INTEREST |
|----------------------------------|---------------------|---------------------|
| 2020-21 | \$ 5,000 | \$ 346,790 |
| 2021-22 | 5,000 | 346,647 |
| 2022-23 | 1,215,000 | 327,634 |
| 2023-24 | 1,265,000 | 287,731 |
| 2024-25 | 1,280,000 | 244,600 |
| 2025-30 | 5,790,000 | 485,894 |
| Sub-Total | \$ 9,560,000 | \$ 2,039,296 |
| Unamortized Bond Discount | - | |
| Total Outstanding | \$ 9,560,000 | |

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

General Obligation Bonds – Series A of 2016

On August 31, 2016, the District issued \$34,240,000 of General Obligation Bonds – Series A of 2016. The proceeds will be used to (1) advance refund a portion of the School District's General Obligation Bonds, Series B of 2009, currently outstanding in the aggregate principal amount of \$7,975,000; of which \$7,480,000 shall be refunded, (2) advance refund all of the Districts, Series of 2010, currently outstanding in the aggregate principal amount of \$28,790,000 and (3) pay the costs and expenses of issuing and insuring the 2016A Bonds. Interest rates range from 2.0% to 5.0%.

The outstanding debt service requirements at June 30, 2020, are:

| FISCAL YEAR | PRINCIPAL | INTEREST |
|---------------------------------|---------------------|---------------------|
| 2020-21 | \$ 265,000 | \$ 1,589,738 |
| 2021-22 | 505,000 | 1,579,137 |
| 2022-23 | 6,105,000 | 1,558,938 |
| 2023-24 | 7,090,000 | 1,253,688 |
| 2024-25 | 8,775,000 | 899,187 |
| 2025-29 | 11,485,000 | 553,147 |
| Sub-Total | 34,225,000 | \$ 7,433,835 |
| Unamortized Bond Premium | 5,034,073 | |
| Total Outstanding | \$39,259,073 | |

General Obligation Bonds – Series B of 2016

On August 31, 2016, the District issued \$19,700,000 of General Obligation Bonds – Series B of 2016. The proceeds will be used to (1) plan, design, acquire, constructing and furnishing alterations and renovations to the Nitschmann Middle School and other public school facilities of the School District, (2) replacement of turf and other athletic field improvements at the Freedom High School, (3) HVAC and related improvements to the East Hills Middle School, and (4) paying the costs and expenses of issuing and insuring the 2016B Bonds. Interest rates range from 2.375% to 3.0%.

The outstanding debt service requirements at June 30, 2020, are:

| FISCAL YEAR | PRINCIPAL | INTEREST |
|----------------------------------|----------------------|---------------------|
| 2020-21 | \$ - | \$ 590,925 |
| 2021-22 | - | 590,925 |
| 2022-23 | - | 590,925 |
| 2023-24 | - | 590,925 |
| 2024-25 | - | 590,925 |
| 2025-30 | - | 2,954,625 |
| 2030-35 | 14,540,000 | 2,528,037 |
| 2035-36 | 5,160,000 | 154,800 |
| Sub-Total | 19,700,000 | \$ 8,592,087 |
| Unamortized Bond Discount | (103,471) | |
| Total Outstanding | \$ 19,596,529 | |

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

General Obligation Bonds – Series of 2019

On February 19, 2019, the District issued \$39,255,000 of General Obligation Bonds – Series of 2019. The proceeds will be used (1) refund the District's outstanding GOB Series A of 2009. Currently outstanding in the aggregate principal amount of \$27,305,000, (2) refund the District's outstanding GOB Series AA of 2009, currently outstanding in the aggregate principal amount of \$11,410,000 (3) finance capital projects including the purchase of school buses, and (4) pay allocable 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. Interest rates are fixed at 5.0% with total interest indebtedness of \$3,979,192.

The outstanding debt service requirements at June 30, 2020 are:

| FISCAL YEAR | PRINCIPAL | INTEREST |
|---------------------------------|----------------------|---------------------|
| 2020-21 | \$ 11,415,000 | \$ 1,186,125 |
| 2021-22 | 13,570,000 | 561,500 |
| 2022-23 | 2,485,000 | 160,125 |
| 2023-24 | 1,960,000 | 49,000 |
| Sub-Total | 29,430,000 | \$ 1,956,750 |
| Unamortized Bond Premium | 1,208,817 | |
| Total Outstanding | \$ 30,638,817 | |

General Obligation Notes – Series of 2017

On November 30, 2017, the District issued \$30,400,000 of General Obligation Notes – Series of 2017. The proceeds will be used: (1) to provide funds for refunding the variable rate General Obligation Notes – Series of 2014; and (2) paying the costs of this issue. These Notes are issued to the BASD Authority to guarantee their issuance of the Series of 2017 revenue bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent.

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.

General Obligation Notes – Series of 2018

On April 2, 2018, the District issued \$40,655,000 of General Obligation Notes – Series of 2018. The proceeds will be used: (1) to provide funds for refunding the variable rate General Obligation Bonds – Series of 2011 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 of 2018 revenue bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent.

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.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

General Obligation Notes – Series A of 2018

On April 2, 2018, the District issued \$30,140,000 of General Obligation Notes – Series A of 2018. The proceeds will be used: (1) to currently refund a portion General Obligation Notes – Series A of 2011 by transferring the liability, including the fixed payor swap, to the BASD Authority; and (2) paying the cost of this issue. These Notes are issued to the BASD Authority to guarantee their issuance of the Series A of 2018 revenue bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent.

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.

Component Unit Debt

Guaranteed Revenue Bonds – Series of 2017

On November 30, 2017, the Bethlehem Area School District Authority issued \$30,400,000 of Guaranteed Lease Revenue Bonds – Series of 2017. The purpose of this issue is (1) to currently refund the Guaranteed Lease Revenue Bonds – Series of 2014, which was used to currently refund a portion of the Bethlehem Area School District's General Obligation Bonds, Series of 2005, and (2) to pay the costs and expenses allocable to the issuance of the Bonds. The bonds are being issued under the Municipal Authorities Act of 1945, as amended, and pursuant to the provisions of a Trust Indenture, dated May 1, 2009.

Interest Rate Swap

On November 30, 2017, the Bethlehem Area School District refunded its General Obligation Note – Series of 2014, 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 2014. The related interest rate swap that was attached to the School District's General Obligation Notes-Series of 2014 was transferred to the Authority's Guaranteed Lease Revenue Bonds- Series of 2017.

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 2017 approximates the SIFMA index. Therefore, if SIFMA exceeds 60% of LIBOR plus 0.345%, the District pays a net effective interest rate approximately equal to the fixed rate.

Fair Value. The swap has a negative fair value of \$7,628,230 as of June 30, 2020. 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, 2020, 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 Aa3 by Moody's, BB-by Standard & Poor's and A by Fitch.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

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, 2019. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2020, the SIFMA rate was 0.13%, whereas 60% of LIBOR plus 0.345 % was 0.441%.

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, 2020, 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, 2020, using the variable interest rate in effect at year end are:

| FISCAL YEAR | PRINCIPAL | INTEREST | Interest Rate Swaps, Net | TOTAL |
|--------------------------|----------------------|---------------------|-------------------------------------|----------------------|
| 2020-21 | \$ 50,000 | \$ 186,980 | \$ 1,020,701 | \$ 1,257,681 |
| 2021-22 | 50,000 | 186,671 | 1,020,701 | 1,257,372 |
| 2022-23 | 50,000 | 186,361 | 1,020,701 | 1,257,062 |
| 2023-24 | 50,000 | 186,052 | 1,020,701 | 1,256,753 |
| 2024-25 | 50,000 | 185,743 | 1,020,701 | 1,256,444 |
| 2025-30 | 30,000,000 | 587,955 | 3,217,435 | 33,805,390 |
| SUB-TOTAL | 30,250,000 | \$ 1,519,762 | \$ 8,320,940 | \$ 40,090,702 |
| Unamortized Premium | - | | | |
| TOTAL OUTSTANDING | \$ 30,250,000 | | | |

Guaranteed Revenue Bonds – Series of 2018

On April 2, 2018, the Bethlehem Area School District Authority issued a \$40,655,000 of Guaranteed Revenue Bonds – Series of 2018. The purposes of the issue are (1) to currently refund a portion of the Bethlehem School District Authority Series of 2011 and (2) to pay the costs and expenses allocable to the issuance of the Bonds. The Bonds are being issued under to Municipalities Authorities Act of 1945, as amended, and pursuant to the provisions of a trust Indenture, dated May 1, 2009.

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 and guaranteed by the school district, under the terms of a General Obligation Note Series of 2018 issued by the school district in the amount of \$40,655,000 on April 2, 2018.

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 a 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.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

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 series of 2011 bonds have been refunded with the series of 2018 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 2018 approximates the SIFMA index. Therefore, if SIFMA exceeds 68% of LIBOR, the District pays a net effective interest rate in excess of 3.774%, and if SIFMA is less than 68% of LIBOR, the District pays a net effective interest rate approximately equal to the fixed rate.

Fair Value. The interest rate swap has a negative fair value of \$9,823,088 as of June 30, 2020. 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, an independent financial advisor.

Credit Risk. As of June 30, 2020, 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, A+ 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, 2020. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2020, the SIFMA rate was 0.13%, whereas 68% of LIBOR was 0.1088%.

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, 2020, 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, 2020, using the variable rate in effect at year end are:

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

| FISCAL YEAR | PRINCIPAL | INTEREST | Interest Rate Swaps, Net | TOTAL |
|--------------------------|----------------------|---------------------|--------------------------|----------------------|
| 2020-21 | \$ 35,000 | \$ 246,781 | \$ 1,460,361 | \$ 1,742,142 |
| 2021-22 | 35,000 | 246,568 | 1,460,179 | 1,741,747 |
| 2022-23 | 1,340,000 | 239,075 | 1,400,742 | 2,979,817 |
| 2023-24 | 1,425,000 | 230,447 | 1,276,481 | 2,931,928 |
| 2024-25 | 2,050,000 | 218,289 | 1,147,288 | 3,415,577 |
| 2025-30 | 22,960,000 | 727,378 | 3,611,676 | 27,299,054 |
| 2030-32 | 12,740,000 | 46,320 | 346,146 | 13,132,466 |
| SUB-TOTAL | 40,585,000 | \$ 1,954,858 | \$ 10,702,873 | \$ 53,242,731 |
| Unamortized Premium | - | | | |
| TOTAL OUTSTANDING | \$ 40,585,000 | | | |

Guaranteed Revenue Bonds – Series A of 2018

On April 2, 2018, the Bethlehem Area School District Authority issued \$30,140,000 of Guaranteed Revenue Bonds – Series A of 2018. The purpose of this issue are (1) to currently refund a portion of the Bethlehem School District Authority Series of 2011A and (2) to pay the costs and expenses allocable to the issuance of the Bonds. The bonds are being issued under to Municipalities Authorities Act of 1945, as amended, and pursuant to the provisions of a Trust Indenture, dated May 1, 2009.

The Second Supplemental Indenture provides that the Bonds shall be secured by pledge and assignment of the lease rentals payable by the Bethlehem Area School District and guaranteed by the school district, under the terms of a General Obligation Note Series A of 2018 issued by the school district in the amount of \$30,140,000 on April 2, 2018.

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 a 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. The Authority's Series A of 2011 Revenue Bonds were refunded with the Authority's Series A of 2018 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 \$10,599,062 as of June 30, 2020. 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.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

Credit Risk. As of June 30, 2020, 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, A+ 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, 2019. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2020, the SIFMA rate was 0.13%, whereas 60% of LIBOR plus .346% was 0.442%.

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, 2020, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

| FISCAL YEAR | PRINCIPAL | INTEREST | Interest Rate | |
|--------------------------|----------------------|---------------------|----------------------|----------------------|
| | | | Swaps, Net | TOTAL |
| 2020-21 | \$ 15,000 | \$ 183,194 | \$ 1,101,360 | \$ 1,299,554 |
| 2021-22 | 15,000 | 183,102 | 1,101,360 | 1,299,462 |
| 2022-23 | 15,000 | 183,011 | 1,101,360 | 1,299,371 |
| 2023-24 | 15,000 | 182,920 | 1,101,360 | 1,299,280 |
| 2024-25 | 15,000 | 182,829 | 1,101,360 | 1,299,189 |
| 2025-30 | 2,260,000 | 907,233 | 5,449,879 | 8,617,112 |
| 2030-32 | 27,775,000 | 184,948 | 1,056,408 | 29,016,356 |
| SUB-TOTAL | 30,110,000 | \$ 2,007,237 | \$ 12,013,087 | \$ 44,130,324 |
| Unamortized Premium | - | | | |
| TOTAL OUTSTANDING | \$ 30,110,000 | | | |

Lease Rental Debt

Guaranteed Revenue Bonds – Series of 2009

On June 1, 2009, the Bethlehem Area Vocational-Technical School Authority issued \$9,160,000 of Guaranteed 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.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

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

| FISCAL YEAR | PRINCIPAL | INTEREST |
|--------------------------|-------------------|------------------|
| 2020-21 | \$ 665,323 | \$ 13,144 |
| 2021-22 | 226,347 | 2,829 |
| TOTAL OUTSTANDING | \$ 891,670 | \$ 15,973 |

Extended Term Financing Agreements

U.S. Bancorp Lease

During the 2016-17 fixed year, the District entered into a lease-purchase arrangement with US BANCORP to purchase fifteen (72) passenger buses in the amount of \$1,150,948, with total interest indebtedness of \$59,369 with an effective interest rate of 2.580%.

The outstanding debt service requirements at June 30, 2020, are:

| FISCAL YEAR | PRINCIPAL | INTEREST | TOTAL RENTAL PAYMENT |
|--------------------------|-------------------|-----------------|-----------------------------|
| 2020-21 | \$ 235,975 | \$ 6,088 | \$ 242,063 |
| TOTAL OUTSTANDING | \$ 235,975 | \$ 6,088 | \$ 242,063 |

Santander Lease

The District entered into a lease-purchase arrangement with Santander to purchase thirty (30) passenger buses in the amount of \$206,793, with total interest indebtedness of \$9,717 with an effective interest rate of 2.250%.

The outstanding debt service requirement at June 30, 2020, are:

| FISCAL YEAR | PRINCIPAL | INTEREST | TOTAL RENTAL PAYMENT |
|--------------------------|------------------|-----------------|-----------------------------|
| 2020-21 | \$ 42,348 | \$ 954 | \$ 43,302 |
| TOTAL OUTSTANDING | \$ 42,348 | \$ 954 | \$ 43,302 |

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

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:

| <u>SUMMARY OF PRINCIPAL REQUIREMENTS</u> | | | | | | | | | | | |
|---|--------------------------------------|--|--|--|--|--|--------------------------------------|--------------------------------------|--|--------------------------------------|---|
| <u>FISCAL YEAR</u> | <u>G.O.B. SERIES OF 2011</u> | <u>G.O.B. SERIES A OF 2015</u> | <u>G.O.N. SERIES B OF 2015</u> | <u>G.O.N. SERIES C OF 2015</u> | <u>G.O.B. SERIES A OF 2016</u> | <u>G.O.B. SERIES B OF 2016</u> | <u>G.R.B. SERIES OF 2017</u> | <u>G.R.B. SERIES OF 2018</u> | <u>G.R.B. SERIES A OF 2018</u> | <u>G.O.B. SERIES OF 2019</u> | <u>TOTAL PRINCIPAL PAYMENTS</u> |
| 2020-21 | \$ 5,000 | \$ - | \$ - | \$ 5,000 | \$ 265,000 | \$ - | \$ 50,000 | \$ 35,000 | \$ 15,000 | \$ 11,415,000 | \$ 11,790,000 |
| 2021-22 | 5,000 | - | - | 5,000 | 505,000 | - | 50,000 | 35,000 | 15,000 | 13,570,000 | 14,185,000 |
| 2022-23 | 3,915,000 | - | - | 1,215,000 | 6,105,000 | - | 50,000 | 1,340,000 | 15,000 | 2,485,000 | 15,125,000 |
| 2023-24 | 4,035,000 | - | - | 1,265,000 | 7,090,000 | - | 50,000 | 1,425,000 | 15,000 | 1,960,000 | 15,840,000 |
| 2024-25 | 4,190,000 | - | - | 1,280,000 | 8,775,000 | - | 50,000 | 2,050,000 | 15,000 | - | 16,360,000 |
| 2025-30 | 21,140,000 | - | 810,000 | 5,790,000 | 11,485,000 | 5,000 | 30,000,000 | 22,960,000 | 2,260,000 | - | 94,450,000 |
| 2030-35 | - | 21,930,000 | 2,915,000 | - | - | 14,535,000 | - | 12,740,000 | 27,775,000 | - | 79,895,000 |
| 2035-36 | - | 8,070,000 | - | - | - | 5,160,000 | - | - | - | - | 13,230,000 |
| TOTAL | 33,290,000 | 30,000,000 | 3,725,000 | 9,560,000 | 34,225,000 | 19,700,000 | 30,250,000 | 40,585,000 | 30,110,000 | 29,430,000 | 260,875,000 |
| LESS PAYABLE WITHIN ONE YEAR | 5,000 | - | - | 5,000 | 265,000 | - | 50,000 | 35,000 | 15,000 | 11,415,000 | 11,790,000 |
| LONG-TERM PRINCIPAL DUE AFTER ONE YEAR | \$ 33,285,000 | \$ 30,000,000 | \$ 3,725,000 | \$ 9,555,000 | \$ 33,960,000 | \$ 19,700,000 | \$ 30,200,000 | \$ 40,550,000 | \$ 30,095,000 | \$ 18,015,000 | \$ 249,085,000 |

| <u>SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS</u> | | | | | | | | | | | |
|---|--------------------------------------|--|--|--|--|--|--------------------------------------|--------------------------------------|--|--------------------------------------|---|
| <u>FISCAL YEAR</u> | <u>G.O.B. SERIES OF 2011</u> | <u>G.O.B. SERIES A OF 2015</u> | <u>G.O.N. SERIES B OF 2015</u> | <u>G.O.N. SERIES C OF 2015</u> | <u>G.O.B. SERIES A OF 2016</u> | <u>G.O.B. SERIES B OF 2016</u> | <u>G.R.B. SERIES OF 2017</u> | <u>G.R.B. SERIES OF 2018</u> | <u>G.R.B. SERIES A OF 2018</u> | <u>G.O.B. SERIES OF 2019</u> | <u>TOTAL DEBT SVC. PAYMENTS</u> |
| 2020-21 | \$ 1,291,887 | \$ 1,500,000 | \$ 124,707 | \$ 351,790 | \$ 1,854,738 | \$ 590,925 | \$ 706,477 | \$ 911,619 | \$ 665,743 | \$ 12,601,125 | \$ 20,599,011 |
| 2021-22 | 1,291,744 | 1,500,000 | 124,706 | 351,647 | 2,084,137 | 590,925 | 705,391 | 910,862 | 665,418 | 14,131,500 | 22,356,330 |
| 2022-23 | 5,140,497 | 1,500,000 | 124,706 | 1,542,634 | 7,663,938 | 590,925 | 704,305 | 2,189,247 | 665,094 | 2,645,125 | 22,766,471 |
| 2023-24 | 5,131,234 | 1,500,000 | 124,706 | 1,552,731 | 8,343,688 | 590,925 | 703,219 | 2,243,596 | 664,770 | 2,009,000 | 22,863,869 |
| 2024-25 | 5,144,819 | 1,500,000 | 124,706 | 1,524,600 | 9,674,187 | 590,925 | 702,133 | 2,825,408 | 664,446 | - | 22,751,224 |
| 2025-30 | 23,170,159 | 7,500,000 | 1,420,370 | 6,275,894 | 12,038,147 | 2,959,625 | 32,064,277 | 25,543,803 | 5,482,684 | - | 116,454,959 |
| 2030-35 | - | 27,821,500 | 3,011,947 | - | - | 17,063,037 | - | 12,904,539 | 28,431,975 | - | 89,232,998 |
| 2035-36 | - | 8,271,750 | - | - | - | 5,314,800 | - | - | - | - | 13,586,550 |
| TOTAL | \$ 41,170,340 | \$ 51,093,250 | \$ 5,055,848 | \$ 11,599,296 | \$ 41,658,835 | \$ 28,292,087 | \$ 35,585,802 | \$ 47,529,074 | \$ 37,240,130 | \$ 31,386,750 | \$ 330,611,412 |

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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 2017, one associated with its Guaranteed Lease Revenue Bonds – Series of 2018, and one associated with its Guaranteed Lease Revenue Bonds – Series A of 2018.

The swap associated with the Authority's Guaranteed Lease Revenue Bonds – Series of 2017 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 2018 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 2018 originated from the School District's (primary government) General Obligation Notes – Series of 2007.

The fixed payor swap on the Series of 2017 Revenue Bonds is designed to create a synthetic fixed rate on the variable rate bond issue by paying the counterparty a fixed rate of 3.90% and receiving 60% of one month LIBOR, plus 0.345%. The value of this derivative instrument embedded into the swap is a negative \$7,628,230, at June 30, 2020.

The fixed payor swap on the Series of 2018 Revenue Bonds is designed to create a synthetic fixed rate on the variable rate bond issue by paying the counterparty a fixed rate of 3.774% and receiving 68% of one month LIBOR. The value of this derivative instrument embedded into the swap is a negative \$9,823,088, at June 30, 2020.

The fixed payor swap on the Series A of 2018 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 0.346%. The value of this derivative instrument embedded into the swap is a negative \$10,559,062, at June 30, 2020.

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 2017, 2018, and 2018A Revenue Bonds are hedging derivative financial instruments. As such, its fair values of \$2,840,946, \$6,594,230, and \$3,707,277, 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 \$2,840,946, \$6,594,230 and \$3,707,217 respectively, and is recorded as deferred outflows of the negative values. Any positive "at the market" amount would be shown as a Derivative Instrument Asset. The portion of the fair value \$7,871,459, 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 \$13,142,453, in deferred outflows of resources.

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Compensated Absences

Sick-Pay

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

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

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

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

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

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

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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, \$88,167 and \$61,164 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, 2020. 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 \$204,719, including FICA tax (net of reimbursement). This amount is reflected as a current liability in the governmental activities column of the government-wide statement of net position. The remaining sick leave termination benefit of \$3,809,821, 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, 2020, that will use currently available financial resources is \$164,395, 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 \$30,427, and \$2,287, 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, 2020, of \$1,486,387, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

Defined Benefit Pension Plan

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

General Information about the Pension Plan

Plan Description

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

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

Benefits provided

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

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

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

Contributions

Member Contributions

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

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

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

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

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

Employer Contributions

The school districts' contractually required contribution rate for fiscal year ended June 30, 2020 was 33.45% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$36,408,262 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$352,270,614 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.7510 percent, which was an increase of 0.0008 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized pension expense of \$38,154,296. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Sources | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between Proportionate Share vs Actual | | |
| Paid Separately Finance Liabilities | \$ 40,988 | \$ - |
| Changes in Assumptions | 3,403,000 | - |
| Net difference between projected and actual contributions made | - | 647,331 |
| Net difference between projected and actual earnings on pension plan investments | - | 1,020,000 |
| Difference between expected and actual experience | - | 9,840,000 |
| Changes in proportion of the Net Pension Liability | 2,385,000 | - |
| District contributions subsequent to the measurement date | 36,408,262 | - |
| Total | \$ 42,237,250 | \$ 11,507,331 |

\$36,408,262 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | Amount |
|----------------------------|-----------------------|
| 2020 | \$ 3,217,000 |
| 2021 | (5,737,118) |
| 2022 | (3,684,984) |
| 2023 | 556,516 |
| Thereafter | (29,757) |
| Total | \$ (5,678,343) |

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Actuarial Assumptions

The total pension liability as of June 30, 2019, was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary increases – Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Combined Healthy Annuitant Tables (male and female) adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|------------------------------|---|
| Global public equity | 20.0% | 5.6% |
| Fixed Income | 36.0% | 1.9% |
| Commodities | 8.0% | 2.7% |
| Absolute return | 10.0% | 3.4% |
| Risk parity | 10.0% | 4.1% |
| Infrastructure/MLPs | 8.0% | 5.5% |
| Real estate | 10.0% | 4.1% |
| Alternative investments | 15.0% | 7.4% |
| Cash | 3.0% | 0.3% |
| Financing (LIBOR) | -20.0% | 0.7% |
| | <u>100%</u> | |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate, using the net pension liability reported by PSERS before adjusting for differences on projected vs actual contributions made.

| | 1% Decrease 6.25% | Current Discount Rate 7.25% | 1% Increase 8.25% |
|--|------------------------------|--|------------------------------|
| District's proportionate share of the net pension liability | \$ 443,457,000 | \$ 356,016,000 | \$ 281,975,000 |

Pension Plan Fiduciary Net Position

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

Defined Contributions Pension Plan

Retirement Severance Benefits

Under various contracts with administrators, support staff and custodians a lump sum payment is offered upon retirement. The payment is based on a flat amount per year of service reduced by a per diem amount based on the number of sick days used in each year.

The lump sum payment shall be paid in full to the employee in one payment on the date to be determined by the employee after the employees' effective date of retirement. In the event of death of the employee, the lump sum payment will be paid in full to the employee's estate.

In accordance with Government Accounting Standards Board Statement No. 73, this benefit is considered a pension plan. The following is a summary of plan provisions:

Employer Contributions

The school district pays this benefit on a pay-as-you-go basis. It does not accumulate funds into any trust for future benefits. Contributions to the pension plan from the District were \$62,271 for the year ended June 30, 2020.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

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

At June 30, 2020, the District reported a liability of \$548,321 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019, with rolling forward the System's total pension liability as of June 30, 2020.

For the year ended June 30, 2020, the District recognized pension expense of \$43,851. The following table reflects the changes to the pension obligation during the year:

| | <u>2019-20</u> |
|---|-----------------------|
| Total Defined Contribution Pension Liability - beginning | \$ 569,576 |
| Service Cost | 25,267 |
| Interest | 16,628 |
| Changes in Benefit Terms | - |
| Difference between expected and actual experience | 13,337 |
| Changes in assumptions | (8,455) |
| Benefit payments | (68,032) |
| Net change in total Pension Liability | (21,255) |
| Total Defined Contribution Pension Liability - ending | \$ 548,321 |
| Interest Rate | 3.36% |
| Plan Members | 53 |
| Covered Payroll | \$ 6,217,420 |

Actuarial Assumptions

The total pension liability as of June 30, 2020, was determined by the actuarial valuation on January 1, 2019, with rolling forward the System's total pension liability using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method - Entry Age Normal – level % of pay
- Investment return – 3.36%.

The actuarial assumptions used in the January 1, 2019 valuation were based on the experience study conducted by the actuary, including the assumed retirement rates based on PSERS plan experience and vary by age, service, and gender.

Schedule on Defined Contribution Pension Deferred Outflows/Inflows

| <u>Sources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Changes in Assumptions | \$ - | \$ 12,119 |
| Net difference between projected and actual investment earnings | - | - |
| Difference between expected and actual experience | 28,966 | - |
| Changes in proportion of the net defined contribution pension liability | - | - |
| District contributions subsequent to the measurement date | 62,271 | - |
| Total | \$ 91,237 | \$ 12,119 |

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Funded Status and Funding Process

The funded status of the benefits as of June 30, 2020, was as follows:

| | Retirement Incentive Benefit Governmental Activity |
|---|---|
| Actuarial accrued liability (a) | \$ 548,321 |
| Actuarial value of plan assets (b) | - |
| Unfunded actuarial accrued liability (a) - (b) | <u>\$ 548,321</u> |
| Funded Ratio (b) / (a) | 0.0% |
| Covered payroll | \$ 6,217,420 |
| Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll. | 8.8% |

Sensitivity of the District's Proportion Share of the Net Defined Contribution Pension Liability in the Discount Rate:

The following presents the District's proportionate share of the net defined contribution pension liability calculated using the discount rate of 3.36%, as well as what the District's proportionate share of the net defined contribution pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.36%) or 1-percentage point higher (4.36%) than the current rate, using the net defined contribution liability reported by the actuary before adjusting for differences on projected vs actual contributions made.

| | 1% Decrease 2.36% | Current Discount Rate 3.36% | 1% Increase 4.36% |
|--|------------------------------|--|------------------------------|
| District's proportionate share of the net OPEB Pension liability | \$ 570,420 | \$ 548,321 | \$ 525,883 |

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 Postemployment Benefits

General Information about the Health Insurance Premium Assistance Program – Multiple Employer OPEB Plan

Health Insurance Premium Assistance Program

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

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$914,288 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$16,184,251 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.7610 percent, which was an increase of 0.0008 percent from its proportion measured as of June 30, 2019.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

For the year ended June 30, 2020, the District recognized OPEB expense of \$811,714. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Sources | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between Proportionate Share vs Actual Paid Separately Finance Liabilities | \$ 2,625 | \$ - |
| Changes in Assumptions | 55,000 | - |
| Net difference between projected and actual contributions made | - | 3,441 |
| Net difference between projected and actual investment earnings | 27,000 | - |
| Difference between expected and actual experience | 91,000 | - |
| Changes in proportion of the Net OPEB Liability | 102,000 | - |
| District contributions subsequent to the measurement date | 914,288 | - |
| Total | \$ 1,191,913 | \$ 3,441 |

\$914,288 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30: | <u>Amount</u> |
|----------------------------|----------------------|
| 2020 | \$ 22,000 |
| 2021 | 21,714 |
| 2022 | 17,714 |
| 2023 | 13,714 |
| 2024 | 141,710 |
| Thereafter | 57,332 |
| Total | \$ 274,184 |

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2019, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

| OPEB - Asset Class | Long-Term | |
|---------------------------|--------------------------|-------------------------------------|
| | Target Allocation | Expected Real Rate of Return |
| Cash | 13.2% | 0.2% |
| US Core Fixed Income | 83.1% | 1.0% |
| Non-US Developed Fixed | 3.7% | 0.0% |
| | 100% | |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount rate

The discount rate used to measure the Total OPEB Liability was 2.79%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | <u>(Between 4% to 6.50%)</u> | <u>(Between 5% to 7.50%)</u> | <u>(Between 6% to 8.50%)</u> |
| System net OPEB liability | \$ 16,183,000 | \$ 16,185,000 | \$ 16,187,000 |

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

| | 1% Decrease | Current | 1% Increase |
|--|---------------------|-----------------------------|---------------------|
| | <u>1.79%</u> | <u>Discount Rate</u> | <u>3.79%</u> |
| | <u>2.79%</u> | | |
| District's proportionate share of the net OPEB liability | \$ 18,439,000 | \$ 16,185,000 | \$ 14,318,000 |

OPEB plan fiduciary net position

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

Single Employer OPEB Plan

In accordance with the PA School 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, 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. Plan Description: Bethlehem Area School District has one single-employer defined benefit plan with the pertinent descriptions shown on the table below:

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

| Summary of Plan Provisions | | | | | | | |
|----------------------------------|---|--|---|---------------------------------------|-----------|----|-----------|
| GROUP | ELIGIBILITY | COVERAGE AND PREMIUM SHARING | DURATION | | | | |
| <u>I.ADMINISTRATORS</u> | Age 52 with 8 years of service with the district or ACT 110/43. | <ul style="list-style-type: none">Coverage: Medical, Prescription Drug, and Dental.Premium Sharing: If the member reaches 52 years with 8 years of service with the District, District contributions are based on the member's PSERS service at retirement. If the member reaches age 35 years of PSERS service, the member will pay the active cost share amount 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. In such case, the member will pay the active cost share amount. If the accrued district subsidy period is exhausted, or if the member does not meet the requirements for receiving a subsidy but requirements are met for the ACT 110/43 benefit, the member and spouse may continue the benefit by paying the full premium as determined for the purpose of COBRA.Dependents: Spouses included. | Until the member reaches Medicare eligibility | | | | |
| <u>II.TEACHERS</u> | ACT 110/43 | <ul style="list-style-type: none">Coverage: Medical, Prescription Drug, and DentalPremium Sharing: If the member reaches 30 years of PSERS service and has more than 90 unused sick days, the member may trade all of their 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 2014-2014 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. In any case, the member will pay the active cost share amount. <table><tr><td><u>School Year of Retirement</u></td><td><u>Sick Days Per Year of Coverage</u></td></tr><tr><td>2016-2019</td><td>40</td></tr></table>If the accrued district subsidy period is exhausted, of if the member does not meet the requirements for receiving a subsidy but requirements are met for the ACT 110/43 benefit, the member and spouse may continue the benefit by paying the full premium as determined for the purpose of COBRA.Dependents: Spouses included | <u>School Year of Retirement</u> | <u>Sick Days Per Year of Coverage</u> | 2016-2019 | 40 | Same as I |
| <u>School Year of Retirement</u> | <u>Sick Days Per Year of Coverage</u> | | | | | | |
| 2016-2019 | 40 | | | | | | |

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

| Summary of Plan Provisions (Continued) | | | |
|---|--|---|-----------------|
| GROUP | ELIGIBILITY | COVERAGE AND PREMIUM SHARING | DURATION |
| <u>III. CUSTODIAL/MAINTENANCE</u> | <p>Must be eligible for one of the following:</p> <ul style="list-style-type: none"> Attained at least 25 years of District service as of 12/31/2010 and be eligible for PSERS superannuation retirement. ACT 110/43 | <ul style="list-style-type: none"> Coverage: Medical, Prescription Drug, and Dental Premium Sharing: If the member had attained 25 years of service with the district as of December 31, 2010, and is eligible for PSERS 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. In such case, the member will pay the active cost share amount. 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. <p>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.</p> <ul style="list-style-type: none"> Dependents: Spouses included | Same as I |
| <u>IV. FOOD SERVICE</u> | 10 years of service with the District with age plus service greater than 65 or ACT 110/43. | ACT 110/43 | Same as I |
| <u>V. TEACHER ASSISTANTS AND AIDES</u> | 11 years of service with the District with age plus service greater than 70, or ACT 110/43. | ACT 110/43 | Same as I |
| <u>VI. ALL OTHER SUPPORT STAFF</u> | Age 52 with 10 years of service with the District or ACT 110/43 | ACT 110/43 | 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 75. It is assumed that these benefits are reported under the provisions of GASB 16.

GASB 73 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 73 and are contained in the Appendix.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

| | |
|----------------------------|------------|
| Active Participants | 1,621 |
| Vested Former Participants | 0 |
| Retired Participants | <u>107</u> |
| Total | 1,728 |

Total OPEB Liability

The School's total OPEB liability under this single employer plan of \$36,045,270, was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions and Other Inputs

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, 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 Net Position is increasing or decreasing over time relative to the actuarial accrued liabilities 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:

| Single Employer OPEB Healthcare Benefit | |
|---|--|
| Actuarial Valuation Date | 7/1/2019 |
| Actuarial Cost Method | Entry Age Normal |
| Interest Rate | 3.36% |
| Projected salary increases | 2.50% to 6.25% |
| Healthcare inflation rate | 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. |
| Asset Valuation Method | pay as you go basis |
| The discount rate is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2019. | |

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

Mortality rates are assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into our retirement table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Changes in the Total OPEB Liability

| | <u>2019-20</u> |
|---|---------------------------------|
| Total OPEB Liability | |
| Service Cost | \$ 2,344,633 |
| Interest | 1,328,122 |
| Changes in Benefit Terms | - |
| Difference between expected and actual experience | (7,592,830) |
| Changes in assumptions | (1,794,503) |
| Benefit payments | <u>(1,011,025)</u> |
| Net change in total OPEB Liability | (6,725,603) |
| Total OPEB Liability - beginning | <u>42,770,873</u> |
| Total OPEB Liability - ending | <u>\$ 36,045,270</u> |
| Covered employee payroll | <u>\$ 98,214,972</u> |

Total OPEB Liability as a percentage of covered employee payroll 36.70%

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the School recognized OPEB expense of \$2,790,398. At June 30, 2020, the School reported deferred outflows of resource and deferred inflows of resources related to this single employer OPEB plan from the following sources:

| <u>Sources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Changes in Assumptions | \$ - | \$ 1,743,110 |
| Net difference between projected and actual investment earnings | - | - |
| Difference between expected and actual experience | - | 7,719,116 |
| Changes in proportion of the Net OPEB Liability | - | - |
| District contributions subsequent to the measurement date | <u>1,092,883</u> | <u>-</u> |
| Total | <u>\$ 1,092,883</u> | <u>\$ 9,462,226</u> |

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to this single employer OPEB plan will be recognized in OPEB expense as follows:

| Year ended June 30: | <u>Amount</u> |
|----------------------------|-----------------------|
| 2021 | \$ (882,357) |
| 2022 | (882,357) |
| 2023 | (882,357) |
| 2024 | (882,357) |
| 2025 | (882,357) |
| Thereafter | <u>(5,050,441)</u> |
| Total | <u>\$ (9,462,226)</u> |

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

The following presents the total OPEB liability of the School's single employer OPEB plan, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.36%) or 1-percentage point higher (4.36%) than the current discount rate:

| | <u>1% Decrease 2.36%</u> | <u>Current Discount Rate 3.36%</u> | <u>1% Increase 4.36%</u> |
|--|-------------------------------------|---|-------------------------------------|
| District's proportionate share of the net OPEB liability | \$ 38,998,812 | \$ 36,045,270 | \$ 33,224,399 |

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

The following presents the total OPEB liability of the School's single employer OPEB plan, as well as what the School's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

| | <u>1% Decrease 4.50%</u> | <u>Current Trend Rate 5.50%</u> | <u>1% Increase 6.50%</u> |
|---------------------------|-------------------------------------|--|-------------------------------------|
| System net OPEB liability | \$ 31,499,131 | \$ 36,045,270 | \$ 41,455,602 |

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

Combined Deferred Outflows/Inflows on Pensions and OPEB

As a result of having multiple pension and other post-employment benefit plans, the following schedule is prepared to illustrate the individual components reflected on the Statement of Net Position:

| GOVERNMENTAL ACTIVITIES | | | | | |
|---|--------------------------|--------------------------|---|---|-------------------------------------|
| | <i>Pension - GASB 68</i> | <i>Pension - GASB 73</i> | <i>Single Employer OPEB - GASB 75</i> | <i>Multiple Employer OPEB - GASB 75</i> | <i>Pension & OPEB Total</i> |
| | <u>DR OR (CR)</u> | <u>DR OR (CR)</u> | <u>DR OR (CR)</u> | <u>DR OR (CR)</u> | <u>DR OR (CR)</u> |
| RECONCILIATION OF NET CHANGE | CURRENT YR | CURRENT YR | CURRENT YR | CURRENT YR | CURRENT YR |
| IN DEFERRED OUTFLOWS/INFLOWS | BALANCE | BALANCE | BALANCE | BALANCE | BALANCE |
| Change in Proportion | \$ 2,307,345 | \$ - | \$ - | \$ 99,046 | \$ 2,406,391 |
| Current Year Contributions | 35,369,129 | 62,271 | 1,092,883 | 888,193 | 37,412,476 |
| Change in Assumption | 3,304,264 | (12,119) | (1,754,104) | 52,791 | 1,590,832 |
| Diff in Projected Vs Actual Contributions | (628,560) | - | - | (3,344) | (631,904) |
| Difference in Investment Earnings | (980,333) | - | - | 26,226 | (954,107) |
| Diff. between Expected vs Actual Experience | (9,542,149) | 28,966 | (7,779,036) | 88,383 | (17,203,836) |
| Diff. between Prop. Share vs Actual POS | 40,988 | - | - | 2,625 | 43,613 |
| Net Pension Liability | \$ 340,767,777 | \$ - | \$ - | \$ - | \$ 340,767,777 |
| Net Defined Contribution Pension Liability | \$ - | \$ 548,321 | \$ - | \$ - | \$ 548,321 |
| Net OPEB Liability | \$ - | \$ - | \$ 35,848,091 | \$ 15,721,439 | \$ 51,569,530 |

| BUSINESS-TYPE ACTIVITIES | | | | | |
|---|--------------------------|--------------------------|---|---|-------------------------------------|
| | <i>Pension - GASB 68</i> | <i>Pension - GASB 73</i> | <i>Single Employer OPEB - GASB 75</i> | <i>Multiple Employer OPEB - GASB 75</i> | <i>Pension & OPEB Total</i> |
| | <u>DR OR (CR)</u> | <u>DR OR (CR)</u> | <u>DR OR (CR)</u> | <u>DR OR (CR)</u> | <u>DR OR (CR)</u> |
| RECONCILIATION OF NET CHANGE | CURRENT YR | CURRENT YR | CURRENT YR | CURRENT YR | CURRENT YR |
| IN DEFERRED OUTFLOWS/INFLOWS | BALANCE | BALANCE | BALANCE | BALANCE | BALANCE |
| Change in Proportion | \$ 77,655 | \$ - | \$ - | \$ 2,954 | \$ 80,609 |
| Current Year Contributions | 1,039,133 | - | - | 26,095 | 1,065,228 |
| Change in Assumption | 98,735 | - | 10,994 | 2,209 | 111,938 |
| Diff in Projected Vs Actual Contributions | (18,771) | - | - | (97) | (18,868) |
| Difference in Investment Earnings | (39,667) | - | - | 774 | (38,893) |
| Diff. between Expected vs Actual Experience | (297,851) | - | 59,920 | 2,617 | (235,314) |
| Diff. between Prop. Share vs Actual POS | - | - | - | - | - |
| Net Pension Liability | \$ 11,502,837 | \$ - | \$ - | \$ - | \$ 11,502,837 |
| Net Defined Contribution Pension Liability | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net OPEB Liability | \$ - | \$ - | \$ 197,179 | \$ 462,812 | \$ 659,991 |

| STATEMENT OF NET POSITION | |
|--|-----------------------|
| <i>Governmental & Business-Type Activities</i> | <i>Total</i> |
| | <u>DR OR (CR)</u> |
| RECONCILIATION OF NET CHANGE | CURRENT YR |
| IN DEFERRED OUTFLOWS/INFLOWS | BALANCE |
| Change in Proportion | \$ 2,487,000 |
| Current Year Contributions | 38,477,704 |
| Change in Assumption | 1,702,770 |
| Diff in Projected Vs Actual Contributions | (650,772) |
| Difference in Investment Earnings | (993,000) |
| Diff. between Expected vs Actual Experience | (17,439,150) |
| Diff. between Prop. Share vs Actual POS | 43,613 |
| Net Pension Liability | \$ 352,270,614 |
| Net Defined Contribution Pension Liability | \$ 548,321 |
| Net OPEB Liability | \$ 52,229,521 |

| RECONCILIATION TO FINANCIAL STATEMENTS | | |
|---|-----------------------|----------------------|
| | Governmental | Business-Type |
| <i>Pension - Pension and Defined Contribution Plans</i> | <i>Activities</i> | <i>Activities</i> |
| Net Pension Liability | \$ 340,767,777 | \$ 11,502,837 |
| Net Defined Contribution Pension Liability | 548,321 | - |
| Deferred Outflow Related to Pensions | (41,112,963) | (1,215,523) |
| Deferred Inflows Related to Pensions | 11,163,161 | 356,289 |
| Total liab. Net deferred inflows/outflows | \$ 311,366,296 | \$ 10,643,603 |
| <i>OPEB - Single & Multiple Employer Plans</i> | | |
| Net OPEB Liability | \$ 51,569,530 | \$ 659,991 |
| Deferred Outflows Related to OPEB | (2,250,147) | (105,563) |
| Deferred Inflows Related to OPEB | 9,536,484 | 97 |
| Total liab. Net deferred inflows/outflows | \$ 58,855,867 | \$ 554,525 |

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Note 6 – Tax Increment Financing Agreement – BethWorks

On November 16, 2000, Bethlehem Area School District entered a Tax Increment Financing Agreement with the City of Bethlehem, the County of Northampton and, collectively with the Redevelopment Authority of the City of Bethlehem, Sands BethWorks Gaming LLC as successor interest to Bethlehem Steel Corporation, and Bethlehem Works Owners Association LLC for twenty years expiring June 30, 2020. This agreement was further amended by all parties on October 7, 2010 between the Taxing Bodies and the Authority.

Under the authority of the Pennsylvania Tax Increment Financing Act, the local taxing body (Bethlehem Area School District) is to rebate a portion of the tax collections to the Redevelopment Authority of the City of Bethlehem to undertake infrastructure improvements to support retail and commercial development on 160 acres of the former Bethlehem Steel property bounded by Daley Avenue, Consolidated Railroad line along the Lehigh River, Webster Street and west of and parallel to the Minsi Trail Bridge.

Full aggregate assessed value of all taxable real property located within the TIF district as of the effective date of creation is \$4,527,790.

Bethlehem Area School District initially pledged to pay over to the Authority 85% of the incremental increase in revenue above the base assessment on the real estate taxes assessed on the TIF District properties for each year within the agreement. In 2010, the TIF payment was amended to pay over 65% of the incremental tax revenue for Debt Service on the improvements.

The primary development in the TIF District is the Sands Casino & Gaming, Sands Hotel & Retail Outlets, Sands Event Center, PBS 39 Studios and ArtsQuest. These venues provide entertainment, retail, gaming, and lodging to the local public and visitors as a destination focused on arts, music and the community.

Annually, the developers pay assessed property taxes on all taxable properties within the TIF District with pledged amounts contributed by the School District and other TIF Parties deposited into the TIF Escrow Fund held by the Authority, to be used in payment or trust for Obligations associated with project expenses.

Upon completion of payment for project obligations annually, any remaining monies held within the TIF Escrow Fund held by the Authority are returned to the School District and all taxing bodies on a prorata basis.

Upon completion of the TIF Agreement in 2020, the taxpayers within the TIF District agree to continue to pay 100% of real estate taxes on land and improvements in which the School District, City and County will keep 100% of going forward.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Tax Revenue Reduction for School District of TIF Agreement

| <u>Year</u> | <u>Tax Collected</u> | <u>Tax Retained by</u> | | <u>Tax Returned to</u> |
|-------------|-------------------------|-------------------------|----|-------------------------|
| | | <u>BASD</u> | | <u>RDA</u> |
| 2000-2004* | \$ 553,650.64 | \$ 237,401.17 | \$ | 316,249.47 |
| 2005 | \$ 213,126.87 | \$ 143,934.54 | \$ | 69,192.33 |
| 2006 | \$ 274,734.26 | \$ 202,069.52 | \$ | 72,664.74 |
| 2007 | \$ 282,094.22 | \$ 207,489.93 | \$ | 74,604.29 |
| 2008 | \$ 281,495.58 | \$ 219,831.28 | \$ | 61,664.30 |
| 2009 | \$ 3,410,510.50 | \$ 1,375,484.90 | \$ | 2,035,025.60 |
| 2010 | \$ 4,211,711.67 | \$ 1,655,505.02 | \$ | 2,556,206.65 |
| 2011 | \$ 6,466,260.52 | \$ 2,261,674.40 | \$ | 4,204,586.12 |
| 2012 | \$ 7,321,271.83 | \$ 3,057,654.69 | \$ | 4,263,617.14 |
| 2013 | \$ 7,513,088.45 | \$ 3,041,465.24 | \$ | 4,471,623.21 |
| 2014 | \$ 7,905,261.86 | \$ 3,339,915.65 | \$ | 4,565,346.21 |
| 2015 | \$ 8,145,119.79 | \$ 3,583,360.19 | \$ | 4,561,759.60 |
| 2016 | \$ 8,301,352.86 | \$ 3,737,602.42 | \$ | 4,563,750.44 |
| 2017 | \$ 8,385,152.90 | \$ 3,825,524.37 | \$ | 4,559,628.53 |
| 2018 | \$ 8,830,310.48 | \$ 4,440,057.37 | \$ | 4,390,253.11 |
| 2019 | \$ 8,904,839.46 | \$ 4,417,975.68 | \$ | 4,486,863.78 |
| | <u>\$ 80,999,981.89</u> | <u>\$ 35,746,946.37</u> | | <u>\$ 45,253,035.52</u> |

* 2000-2004 were calculated and remitted as one payment

Note 7 – 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 8 – Fund Balance Allocations

Nonspendable Fund Balance

The General Fund had \$265,373, in nonspendable fund balance at June 30, 2020, comprised of \$179,645, of inventories on hand at year-end and \$85,728, 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 \$10,540,033 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 \$1,674,150, in fund balance at year end within this fund is considered restricted. In addition, the General Fund has \$64,379 restricted for unspent donations.

Committed Fund Balance

The School Board has committed \$12,000,000 to the Capital Reserve Fund.

Assigned Fund Balance

Management has assigned fund balance of the General Fund for future retirement rate increases in their retirement contributions, (\$4,000,000) and (\$4,053,155) for balance of the 2020-21 General Fund Budget.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

Note 9 – Net Position Restrictions

The net position for governmental activities, shown on the government-wide statement of net position has an overall deficit of \$335,971,746. The business-type activities column reflects a deficit of \$8,888,564, with \$138,978 invested in capital assets with no related debt.

Note 10 – Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2020.

Litigation

In accordance with management, there are no legal matters that could materially affect the financial position of the District as of June 30, 2020.

Note 11 – New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following standards, which have not yet been implemented:

- Statement No. 84, *Fiduciary Activities* – This Statement is designed to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Effective date: Periods beginning after December 15, 2019. Implementation of this standard was postponed 12 months with Statement No 95. The original effective date was December 15, 2018.
- Statement No. 87, *Leases* – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Effective date: Periods beginning after June 15, 2021. Implementation of this standard was postponed 18 months with Statement No 95. The original effective date was December 15, 2019.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – The objectives of the statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before construction ends. This standard requires expensing interest costs when incurred rather than capitalizing the costs. Effective date: Periods beginning after December 15, 2020. Implementation of this standard was postponed 12 months with Statement No 95. The original effective date was December 15, 2019.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

- Statement No. 90, *Accounting and Financial Reporting for Majority Equity Interests* – The primary objective is to improve consistency and comparability when a government has a majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Effective date: Periods beginning after December 15, 2018. Periods beginning after December 15, 2021. Implementation of this standard was postponed 12 months with Statement No 95. The original effective date was December 15, 2019.
- Statement No. 91, *Conduit Debt Obligations* – The primary objective is to provide a single method of reporting conduit debt obligations by issuers associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Effective date: Periods beginning after December 15, 2021. Implementation of this standard was postponed 12 months with Statement No 95. The original effective date was December 15, 2020.
- Statement No. 92, *Omnibus 2020* – The primary objective is to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including (1) effective date of Statement No 87, Leases for interim financial reports (2) Reporting of intra-entity transfers between primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan (3) Applicability of certain requirements of Statement No 84 (4) Measurement of liabilities related to AROs (5) Reporting risk pools for amounts that are recoverable from reinsurers or excess insurers (6) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (7) Terminology used to refer to derivative instruments. Effective date: Periods beginning after June 15, 2021. The original effective date was June 15, 2020.
- Statement No. 93, *Replacement of Interbank Offered Rates* – The primary objective of this Statement is to address the issue the London Interbank Offered Rate (LIBOR) is being replaced with an interbank offered rate (IBOR). Effective date: Periods beginning after June 15, 2021. Implementation of this standard was postponed 12 months with Statement No 95. The original effective date was June 15, 2021.
- Statement No. 94, *PPP's* – The primary objective of this Statement is to improve financial reporting related to public-private and public-public partnership arrangements (PPPs). A PPP is defined in which (1) the operator collects and is compensated by fees from third parties: (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services: and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. Effective date: Periods beginning after June 15, 2022.

**REQUIRED
SUPPLEMENTAL INFORMATION**

BETHLEHEM AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> | <u>2016-17</u> | <u>2015-16</u> | <u>2014-15</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| District's proportion of the net pension liability (asset) | 0.7610% | 0.7602% | 0.7520% | 0.7550% | 0.7466% | 0.7642% |
| District's proportionate share of the net pension liability (asset) | \$ 356,016,000 | \$ 364,934,000 | \$ 371,401,000 | \$ 374,154,000 | \$ 323,393,000 | \$ 302,476,000 |
| District's covered employee payroll | 108,843,833 | 105,058,992 | 102,424,053 | 100,679,073 | 98,203,838 | 95,500,629 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll | 327.09% | 347.36% | 362.61% | 371.63% | 329.31% | 316.73% |
| Plan fiduciary net position as a percentage of the total pension liability | 55.66% | 54.00% | 51.84% | 50.14% | 54.36% | 57.24% |

BETHLEHEM AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> | <u>2016-17</u> | <u>2015-16</u> | <u>2014-15</u> | <u>2013-14</u> | <u>2012-13</u> | <u>2011-12</u> | <u>2010-11</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| Contractually required contribution | \$ 36,408,262 | \$ 34,249,231 | \$ 32,509,394 | \$ 29,398,289 | \$ 24,550,959 | \$ 19,577,629 | \$ 15,280,818 | \$ 10,663,125 | \$ 7,041,216 | \$ 4,399,461 |
| Contributions in relation to the contractually required contribution | <u>36,408,262</u> | <u>34,249,231</u> | <u>32,509,394</u> | <u>29,398,289</u> | <u>24,550,959</u> | <u>19,577,629</u> | <u>15,280,818</u> | <u>10,663,125</u> | <u>7,041,216</u> | <u>4,399,461</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered employee payroll | \$ 108,843,833 | \$ 105,058,992 | \$ 102,424,053 | \$ 100,679,073 | \$ 98,203,838 | \$ 95,500,630 | \$ 95,505,113 | \$ 92,722,828 | \$ 88,015,195 | \$ 87,989,215 |
| Contributions as a percentage of covered employee payroll | 33.45% | 32.60% | 31.74% | 29.20% | 25.00% | 20.50% | 16.00% | 11.50% | 8.00% | 5.00% |

BETHLEHEM AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S DEFINED CONTRIBUTION PENSION LIABILITY
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> |
|---|--------------------------|--------------------------|--------------------------|
| Total Defined Contribution Pension Liability - beginning | <u>\$ 569,576</u> | <u>\$ 581,333</u> | <u>\$ 575,595</u> |
| Service Cost | 25,267 | 23,628 | 27,837 |
| Interest | 16,628 | 17,975 | 14,353 |
| Changes in Benefit Terms | - | - | - |
| Difference between expected and actual experience | 13,337 | - | 23,156 |
| Changes in assumptions | (8,455) | 3,248 | (9,752) |
| Benefit payments | <u>(68,032)</u> | <u>(56,608)</u> | <u>(49,856)</u> |
| Net change in total Pension Liability | <u>(21,255)</u> | <u>(11,757)</u> | <u>5,738</u> |
| Total Defined Contribution Pension Liability - ending | <u>\$ 548,321</u> | <u>\$ 569,576</u> | <u>\$ 581,333</u> |
| Interest Rate | 3.36% | 2.98% | 3.13% |
| Plan Members | 53 | 53 | 53 |
| Covered Payroll | \$ 6,217,420 | \$ 5,956,792 | \$ 5,956,792 |

BETHLEHEM AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET DEFINED CONTRIBUTION PENSION
LIABILITY
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> |
|--|-----------------------|-----------------------|-----------------------|
| District's proportionate share of the net defined contribution pension liability (asset) | \$ 548,321 | \$ 569,576 | \$ 5,813,333 |
| District's covered employee payroll | \$ 6,217,420 | \$ 5,956,792 | \$ 5,956,792 |
| District's proportionate share of the net defined contribution pension liability (asset) as a percentage of its covered employee payroll | 8.82% | 9.56% | 97.59% |

BETHLEHEM AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> | <u>2016-17</u> |
|--|----------------|----------------|----------------|----------------|
| District's proportion of the net OPEB liability | 0.7610% | 0.7602% | 0.7520% | 0.7550% |
| District's proportionate share of the net OPEB liability (asset) | \$ 16,185,000 | \$ 15,850,000 | \$ 15,321,000 | \$ 16,263,000 |
| District's covered-employee payroll | 108,843,833 | 105,058,992 | 102,424,053 | 100,679,073 |
| District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll | 14.87% | 15.09% | 14.96% | 16.15% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 5.56% | 5.56% | 5.73% | 5.47% |

BETHLEHEM AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> | <u>2016-17</u> | <u>2015-16</u> | <u>2014-15</u> | <u>2013-14</u> | <u>2012-13</u> | <u>2011-12</u> | <u>2010-11</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 914,288 | \$ 871,990 | \$ 850,120 | \$ 835,636 | \$ 824,911 | \$ 859,508 | \$ 888,203 | \$ 797,409 | \$ 572,089 | \$ 563,136 |
| Contributions in relation to the contractually required contribution | <u>914,288</u> | <u>871,990</u> | <u>850,120</u> | <u>835,636</u> | <u>824,911</u> | <u>859,508</u> | <u>888,203</u> | <u>797,409</u> | <u>572,089</u> | <u>563,136</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered employee payroll | \$ 108,843,833 | \$ 105,058,992 | \$ 102,424,053 | \$ 100,679,073 | \$ 98,203,838 | \$ 95,500,630 | \$ 95,505,113 | \$ 92,722,828 | \$ 88,015,195 | \$ 87,989,215 |
| Contributions as a percentage of covered employee payroll | 0.84% | 0.83% | 0.83% | 0.83% | 0.84% | 0.90% | 0.93% | 0.86% | 0.65% | 0.64% |

BETHLEHEM AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
SINGLE EMPLOYER HEALTH INSURANCE PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> |
|--|---------------------------------|---------------------------------|---------------------------------|
| Total OPEB Liability | | | |
| Service Cost | \$ 2,344,633 | \$ 2,149,964 | \$ 2,205,429 |
| Interest | 1,328,122 | 1,296,750 | 1,027,803 |
| Changes in Benefit Terms | - | - | - |
| Difference between expected and actual experience | (7,592,830) | - | (1,012,030) |
| Changes in assumptions | (1,794,503) | 522,450 | (711,366) |
| Benefit payments | <u>(1,011,025)</u> | <u>(1,043,053)</u> | <u>(1,607,802)</u> |
| Net change in total OPEB Liability | (6,725,603) | 2,926,111 | (97,966) |
| Total OPEB Liability - beginning | <u>42,770,873</u> | <u>39,844,762</u> | <u>39,942,728</u> |
| Total OPEB Liability - ending | <u><u>\$ 36,045,270</u></u> | <u><u>\$ 42,770,873</u></u> | <u><u>\$ 39,844,762</u></u> |
| Covered employee payroll | <u><u>\$ 98,214,972</u></u> | <u><u>\$ 96,491,297</u></u> | <u><u>\$ 96,491,297</u></u> |
| Total OPEB Liability as a percentage of covered employee payroll | 36.70% | 44.33% | 41.29% |

**Bethlehem Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2020**

Public School Employees' Retirement System

Changes of benefit terms

None

Changes in assumptions

During this fiscal year, there were no changes in assumptions used in the prior reporting period.

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions, by PSERS, are calculated as of the June 30 preceding the fiscal year in which contributions are made. It does not include an adjustment made for the difference between projected vs actual contributions or separately financed liabilities. The following methods and assumptions were used to determine contribution rates reported:

- Investment return – 7.25%, includes inflation at 2.75%
- Salary increases – Effective average of 5.0%, which reflects an allowance for inflation of 2.75%, and 2.25% for real wage growth and merit or seniority increases.
- Benefit payments – no postretirement benefit increases assumed in the future
- Multiple decrement tables – mortality, vesting, retirement age, and withdrawal estimates are based upon tables provided by the actuary

Proportionate Share of the Net Pension Liability

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

**Bethlehem Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2020**

Other Postemployment Benefits – Teachers Health Insurance Assistance

Changes of benefit terms

None

Changes in assumptions

The discount rate used to measure the Total OPEB liability decreased from 2.98% as of June 30, 2019 to 2.979% as of June 30, 2020.

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions, by PSERS, are calculated as of the June 30 preceding the fiscal year in which contributions are made. It does not include an adjustment made for the difference between projected vs actual contributions or separately financed liabilities. The following methods and assumptions were used to determine contribution rates reported:

- Investment return – 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary increases – Effective average of 5.0%, which reflects an allowance for inflation of 2.75%, and 2.25% for real wage growth and merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Proportionate Share of the Net OPEB Liability

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

**Bethlehem Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2020**

Other Postemployment Benefits – Single Employer Healthcare Plan

Changes of benefit terms

None

Changes in assumptions

The discount rate changed from 2.79% to 3.36%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Methods and assumptions used in calculations of actuarially determined contributions

- Actuarial Cost Method – Entry Age Normal
- Salary Increases – 3.50% to 5.25%
- Healthcare cost trend rate – 6.0% in 2018, and 5.5% in 2019 to 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model
- Asset Valuation Method – Pay as you go basis
- Discount Rate – The rate of 3.36% is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2019.

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 Non-Major Governmental Funds
As of June 30, 2020

| | CAPITAL RESERVE FUND | CAPITAL PROJECT FUND | AUTHORITY SPECIAL REVENUE FUND | TOTAL NON-MAJOR GOVERNMENTAL FUNDS |
|--|----------------------------|----------------------------|---|---|
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 6,881,992 | \$ 1,674,150 | \$ 1,009,379 | \$ 9,565,521 |
| Restricted Cash | - | 10,001 | - | 10,001 |
| Investments | - | - | - | - |
| Restricted Investments | - | - | - | - |
| Other Receivables | - | - | - | - |
| Due from other funds | 5,000,000 | - | - | 5,000,000 |
| Due from Primary Government | - | - | - | - |
| Receivables from other governments | - | - | - | - |
| Other Recoverable Disbursements | - | - | - | - |
| Prepaid Expenditures | - | - | - | - |
| Inventories | - | - | - | - |
| TOTAL ASSETS | \$ 11,881,992 | \$ 1,684,151 | \$ 1,009,379 | \$ 14,575,522 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | | |
| Deferred Charges on Refundings, net | - | - | - | - |
| TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES | \$ 11,881,992 | \$ 1,684,151 | \$ 1,009,379 | \$ 14,575,522 |
| <u>LIABILITIES</u> | | | | |
| Accounts Payable | \$ 1,341,959 | \$ - | \$ - | \$ 1,341,959 |
| Due to other funds | - | 10,001 | - | 10,001 |
| Due to Primary Government | - | - | - | - |
| Interest Payable | - | - | 974,379 | 974,379 |
| Current Portion of Long-Term Debt | - | - | 35,000 | 35,000 |
| Accrued Salaries and Benefits | - | - | - | - |
| Payable to other governments | - | - | - | - |
| Prepayments | - | - | - | - |
| Compensated Absences | - | - | - | - |
| TOTAL LIABILITIES | 1,341,959 | 10,001 | 1,009,379 | 2,361,339 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | |
| Unearned/Unavailable Revenue | - | - | - | - |
| TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES | 1,341,959 | 10,001 | 1,009,379 | 2,361,339 |
| <u>FUND BALANCES:</u> | | | | |
| Nonspendable Fund Balance | - | - | - | - |
| Restricted Fund Balance | 10,540,033 | 1,674,150 | - | 12,214,183 |
| Committed Fund Balance | - | - | - | - |
| Assigned Fund Balance | - | - | - | - |
| TOTAL FUND BALANCES | 10,540,033 | 1,674,150 | - | 12,214,183 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 11,881,992 | \$ 1,684,151 | \$ 1,009,379 | \$ 14,575,522 |

Bethlehem Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Non-Major Governmental Funds
For the Year Ended June 30, 2020

| | CAPITAL RESERVE FUND | CAPITAL PROJECT FUND | AUTHORITY SPECIAL REVENUE FUND | TOTAL NON-MAJOR GOVERNMENTAL FUNDS |
|--|----------------------------|----------------------------|---|---|
| REVENUES | | | | |
| Local Sources | \$ 150,476 | \$ 24,784 | \$ 4,376,716 | \$ 4,551,976 |
| State Sources | - | - | - | - |
| Federal Sources | - | - | - | - |
| TOTAL REVENUES | <u>150,476</u> | <u>24,784</u> | <u>4,376,716</u> | <u>4,551,976</u> |
| | ----- | ----- | ----- | ----- |
| EXPENDITURES | | | | |
| Instruction | - | - | - | - |
| Support Services | - | - | 4,600 | 4,600 |
| Operation of Non-Instructional Services | - | - | - | - |
| Capital Outlay | 5,596,652 | 141,664 | - | 5,738,316 |
| Debt Service | <u>242,063</u> | <u>-</u> | <u>4,372,116</u> | <u>4,614,179</u> |
| TOTAL EXPENDITURES | <u>5,838,715</u> | <u>141,664</u> | <u>4,376,716</u> | <u>10,357,095</u> |
| | ----- | ----- | ----- | ----- |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(5,688,239)</u> | <u>(116,880)</u> | <u>-</u> | <u>(5,805,119)</u> |
| | ----- | ----- | ----- | ----- |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from Bond Issues | - | - | - | - |
| Proceeds from Refunded Bond Issues | - | - | - | - |
| Proceeds from Extended Term Financing | - | - | - | - |
| Bond Premium | - | - | - | - |
| Transfer from Primary Government | - | - | - | - |
| Payment to bond refunding escrow agent | - | - | - | - |
| Bond Discount | - | - | - | - |
| Refund of Prior Year Receipts | - | - | - | - |
| Sale/Compensation for Fixed Assets | - | - | - | - |
| Transfers in | 5,000,000 | - | - | 5,000,000 |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES AND USES | <u>5,000,000</u> | <u>-</u> | <u>-</u> | <u>5,000,000</u> |
| | ----- | ----- | ----- | ----- |
| NET CHANGE IN FUND BALANCES | <u>(688,239)</u> | <u>(116,880)</u> | <u>-</u> | <u>(805,119)</u> |
| | ----- | ----- | ----- | ----- |
| FUND BALANCES - BEGINNING | <u>11,228,272</u> | <u>1,791,030</u> | <u>-</u> | <u>13,019,302</u> |
| | ----- | ----- | ----- | ----- |
| FUND BALANCES - ENDING | <u>\$ 10,540,033</u> | <u>\$ 1,674,150</u> | <u>\$ -</u> | <u>\$ 12,214,183</u> |

Bethlehem Area School District
Combining Statement of Changes In Fiduciary Net Position
Private-Purpose Trust Funds
For the Year Ended June 30, 2020

| SCHOLARSHIP/AWARD | 7/1/19 NET POSITION | CONTRIBUTIONS | INTEREST | INTERFUND TRANSFERS | AWARDS | 6/30/20 NET POSITION |
|--|------------------------------------|----------------------|-----------------|--------------------------------|-------------------|-------------------------------------|
| Minority Scholarships/Awards: | | | | | | |
| General Scholarships | \$ 14,308 | \$ 15,510 | \$ - | \$ - | \$ 17,530 | \$ 12,288 |
| Lee Mae Segal - Minority Affairs | 37,986 | - | - | - | 1,000 | 36,986 |
| Freedom High School Scholarships: | | | | | | |
| 180 Degree Class of 2011 | 2,781 | - | - | - | 750 | 2,031 |
| Charlotte L. Jay | - | 500 | - | - | 500 | - |
| Donley Award for Excellence | - | - | - | - | - | - |
| Elizabeth Bette Ann Rinker | 1,191 | - | - | - | 100 | 1,091 |
| Elizabeth Shine | 11 | - | - | - | - | 11 |
| Ethel Mae Bunny | 238 | - | - | - | 25 | 213 |
| Freedom Athletic-Charles Dubbs-SS | - | - | - | - | - | - |
| Janet Mack | 1 | - | - | - | - | 1 |
| Kim Donatelli | 7,065 | - | - | - | 1,000 | 6,065 |
| Lee Mae Segal | 9 | - | - | - | - | 9 |
| Margaret "Peggy" Fluck Business | - | 25 | - | - | 25 | - |
| Marion B. Goodman-SS | 486 | - | - | - | 100 | 386 |
| Mary Ann Orlando Memorial | - | 100 | - | - | 100 | - |
| Mary Catherine Anthony | - | - | - | - | - | - |
| NorthEast TreeWorx | 920 | 500 | - | - | 1,000 | 420 |
| Paul Fierro Scholarship | - | - | - | - | - | - |
| Ray Salabsky | - | 200 | - | - | 200 | - |
| Mary Catherine Anthony | - | 200 | - | - | 200 | - |
| Robert J. Whirl | - | 700 | - | - | 700 | - |
| Roland J. Wotring | 990 | 38,014 | - | - | 33,000 | 6,004 |
| Ron Madhouse | 500 | 500 | - | - | 500 | 500 |
| Student Services | - | - | - | - | - | - |
| Taylor Brown Award | - | - | - | - | - | - |
| Todd E. Beinich Memorial | - | - | - | - | - | - |
| Webster Koehler Math Fund | 354 | - | - | - | 25 | 329 |
| William M. Calloway Attendance | - | 100 | - | - | 100 | - |
| Liberty High School Scholarships: | | | | | | |
| Al Senivitis | 4,472 | - | - | - | 500 | 3,972 |
| All College Week Scholarship | 50 | - | - | - | - | 50 |
| Anna I. Freech Scholarship | - | 840 | - | - | 800 | 40 |
| AP Lit | - | 200 | - | - | 200 | - |
| Capt. Donald Kilpatrick Memorial | 1,260 | - | - | - | 100 | 1,160 |
| Carlton Weaver | - | 200 | - | - | 200 | - |
| Charles Klein Memorial | 4,147 | - | - | - | 400 | 3,747 |
| Class of 2014 | 4,754 | - | - | - | 1,000 | 3,754 |
| Class of 1988 | - | - | - | - | - | - |
| Class of 1961 | - | - | - | - | - | - |
| Class of 1943 | - | - | - | - | - | - |
| Daniel Tomanio | - | - | - | - | - | - |
| Donald Snider | - | 200 | - | - | 200 | - |
| Donley Awards for Excellence | - | - | - | - | - | - |
| Elly Vasquez | - | - | - | - | - | - |
| Gail Eisenhart Justice | - | - | - | - | - | - |
| Ginny Rohn | 2,742 | - | - | - | 500 | 2,242 |
| Jay Shuler Memorial | - | - | - | - | - | - |
| James Delgrosso Scholarship | 4,008 | - | - | - | 1,000 | 3,008 |
| John Dimeglio | - | - | - | - | - | - |
| John Priestas Scholarship | 350 | 2,000 | - | - | 1,000 | 1,350 |
| Jay Shuler Memorial Football | 340 | - | - | - | 340 | - |
| Kraig E. Yurchak Memorial | 351 | - | - | 1 | 75 | 277 |
| Louis N. Chiadis | - | - | - | - | - | - |
| Mabel Keichner Memorial | 9,699 | - | - | - | 1,000 | 8,699 |
| Martha Schaedler Schabhuetti Scholarship | 94,238 | - | - | - | 4,000 | 90,238 |
| Roland J. Wotring | 1 | 38,014 | - | - | 38,000 | 15 |
| Ronald P. Sherry | - | 250 | - | - | 250 | - |
| Ruth Metzger | - | 100 | - | - | 100 | - |
| Trevor Van Akeren | 1 | - | - | (1) | - | - |
| Walter Batt, Jr. Memorial | - | - | - | - | - | - |
| Miscellaneous Scholarships: | | | | | | |
| Patricia Donchez | - | - | - | - | - | - |
| Class of 1968 | - | - | - | - | - | - |
| NEMS Knauss Scholarship | 918 | - | - | - | - | 918 |
| Natalie Merkin Scholarship | 655 | - | 5 | - | - | 660 |
| BMS Scholarship | 366 | 2,638 | - | - | 2,900 | 104 |
| MSS | 1,302 | - | 1 | - | - | 1,303 |
| Interest | 8,938 | - | 2,847 | - | - | 11,785 |
| TOTAL | \$ 205,432 | \$ 100,791 | \$ 2,853 | \$ - | \$ 109,420 | \$ 199,656 |

**Bethlehem Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2020**

| | Bethlehem Township | Freemansburg | Fountain Hill | Hanover Township | City of Bethlehem | | Total |
|--|-----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|-----------------------|
| | | | | | Lehigh | Northampton | |
| Current Real Estate Taxes | | | | | | | |
| Assessed Value | \$ 895,502,700 | \$ 44,200,800 | \$ 229,924,600 | \$ 557,912,350 | \$ 1,446,091,700 | \$ 1,174,133,900 | \$ 4,347,766,050 |
| Millage Rate | 0.05626 | 0.05626 | 0.01803 | 0.05626 | 0.01803 | 0.05626 | Avg. |
| Total Tax to be Collected | 50,380,982 | 2,486,737 | 4,145,541 | 31,388,150 | 26,073,034 | 66,056,778 | 180,531,222 |
| Less: Act 1 Deduction | 1,328,906 | 103,123 | 182,290 | 686,028 | 773,400 | 1,676,683 | 4,750,430 |
| Total Taxable Duplicate | 49,052,076 | 2,383,614 | 3,963,250 | 30,702,122 | 25,299,634 | 64,380,095 | 175,780,791 |
| Plus: | | | | | | | |
| Additions | - | - | - | - | - | - | - |
| Overpayments | 25,924 | 863 | 1,544 | 3,396 | 18,263 | 48,508 | 98,498 |
| Penalties | 82,218 | 7,308 | 9,718 | 32,227 | 56,431 | 128,537 | 316,439 |
| Total Taxes to be Collected | 49,160,218 | 2,391,785 | 3,974,512 | 30,737,745 | 25,374,328 | 64,557,140 | 176,195,728 |
| Less - | | | | | | | |
| Discounts | 847,075 | 37,367 | 60,458 | 517,770 | 414,156 | 1,078,560 | 2,955,386 |
| Reductions | 4,394 | - | - | 48,198 | 18,493 | 26,729 | 97,814 |
| Refunds | 9,703 | 921 | 2,300 | 3,335 | 7,634 | 11,482 | 35,375 |
| TIF Payments | - | - | - | - | - | - | 4,486,287 |
| Deletions | - | - | - | 5,688 | 2,867 | 16,569 | 25,124 |
| Returned to County | 893,997 | 103,387 | 119,330 | 263,968 | 581,467 | 2,153,508 | 4,115,657 |
| Outstanding | - | - | - | - | - | - | - |
| Net Current Real Estate Taxes Collected | \$ 47,405,049 | \$ 2,250,110 | \$ 3,792,424 | \$ 29,898,786 | \$ 24,349,711 | \$ 61,270,292 | \$ 164,480,085 |
| Current Interim Real Estate Taxes Collected | \$ 253,946 | \$ 93,006 | \$ - | \$ 123,346 | \$ 204,645 | \$ 950,545 | \$ 1,625,488 |
| Current Per Capita Taxes | | | | | Combined | | |
| No. of Persons Assessed | 20,638 | 2,530 | 3,617 | 9,886 | - | 60,945 | 97,616 |
| Tax Rate | \$ 10 | \$ 10 | \$ 10 | \$ 10 | \$ 10 | \$ 10 | \$ 10 |
| Taxable Valuation | \$ 206,380 | \$ 25,300 | \$ 36,170 | \$ 98,860 | \$ - | \$ 609,450 | \$ 976,160 |
| Plus - | | | | | | | |
| Additions | 1,980 | 170 | 250 | 1,010 | - | 4,370 | 7,780 |
| Adjustments | 5 | 3 | (2) | 13 | - | 41 | 60 |
| Penalties | 828 | 97 | 139 | 389 | - | 1,986 | 3,439 |
| Collections made by the District | - | - | - | - | - | - | - |
| Taxes to be Collected | 209,193 | 25,570 | 36,557 | 100,272 | - | 615,847 | 987,439 |
| Less - | | | | | | | |
| Discounts | 2,248 | 147 | 234 | 1,219 | - | 4,288 | 8,136 |
| Exonerations | 3,380 | 60 | 170 | 1,820 | - | 4,330 | 9,760 |
| Deletions | 8,100 | 870 | 1,120 | 4,070 | - | 23,340 | 37,500 |
| Returned to Delinquent Tax Collector | 61,540 | 15,170 | 19,900 | 22,580 | - | 322,291 | 441,481 |
| Outstanding | - | - | - | - | - | - | - |
| Reductions | - | - | - | - | - | - | - |
| Net Current Per Capita Taxes Collected | \$ 133,925 | \$ 9,323 | \$ 15,133 | \$ 70,583 | \$ - | \$ 261,598 | \$ 490,562 |

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2020

| 6000 - Revenue from Local Sources | | Budget | Actual | Variance |
|--|---|--------------------|--------------------|--------------------|
| 6111 | Current Real Estate Taxes | \$ 168,648,493 | \$ 164,480,085 | \$ (4,168,408) |
| 6112 | Interim Real Estate Taxes | 2,507,469 | 1,625,488 | (881,981) |
| 6113 | Public Utility | 183,190 | 171,241 | (11,949) |
| 6114 | Payment in Lieu of Taxes | 330,000 | 323,654 | (6,346) |
| 6120 | Current Per Capita Taxes - 679 | 242,870 | 245,281 | 2,411 |
| 6141 | Current Per Capita Taxes - 511 | 242,870 | 245,281 | 2,411 |
| 6143 | Local Services Tax | 352,000 | 351,697 | (303) |
| 6151 | Earned Income Tax | 14,728,458 | 15,276,241 | 547,783 |
| 6153 | Real Estate Transfer Tax | 3,250,000 | 3,240,695 | (9,305) |
| 6157 | Act 511 Mercantile Taxes | 4,000,000 | 3,323,625 | (676,375) |
| 6211 | Discounts Taken On Current Real Estate Taxes | (4,562,621) | - | 4,562,621 |
| 6411 | Delinquent Real Estate Taxes | 4,570,000 | 3,833,409 | (736,591) |
| 6420 | Delinquent Per Capita Taxes | 120,000 | 395,378 | 275,378 |
| 6457 | Delinquent Mercantile Taxes | 450,000 | 836,734 | 386,734 |
| 6510 | Interest | 2,200,000 | 1,766,172 | (433,828) |
| 6530 | Gains or Losses on Sale of Investments | - | - | - |
| 6710 | Admissions | 131,000 | 122,619 | (8,381) |
| 6740 | Fees | 98,000 | 43,058 | (54,942) |
| 6750 | Other Student Activity Income | 1,800 | 2,400 | 600 |
| 6810 | Revenue From Local Governmental Units | 50,000 | - | (50,000) |
| 6831 | Federal Revenue Received From Other PA Public Schools | - | - | - |
| 6832 | Federal IDEA Revenued Received as Pass Through | 2,001,131 | 1,963,836 | (37,295) |
| 6839 | Federal Revenue Received From Other Sources | - | 1,690 | 1,690 |
| 6910 | Rentals | 150,000 | 152,174 | 2,174 |
| 6920 | Contributions | 658,001 | 368,559 | (289,442) |
| 6941 | Regular Day School Tuition | - | - | - |
| 6942 | Summer School | 48,000 | 14,266 | (33,734) |
| 6944 | Receipts from Other LEA's - Education | 286,454 | 430,498 | 144,044 |
| 6970 | Services provided to Other Funds | 300,000 | - | (300,000) |
| 6980 | Revenue from Community Services | 2,500 | 2,750 | 250 |
| 6991 | Refunds of Prior Yr. Expenditures | 86,800 | 175,787 | 88,987 |
| 6992 | Energy Efficient Revenues | 4,000 | - | (4,000) |
| 6999 | Miscellaneous | 150,000 | 247,099 | 97,099 |
| TOTAL REVENUE FROM LOCAL SOURCES | | 201,230,415 | 199,639,717 | (1,590,698) |
| 7000 - Revenue from State Sources | | | | |
| 7111 | Basic Subsidy - ESBE | 33,717,867 | 33,971,899 | 254,032 |
| 7112 | Basic Subsidy - ESBE | 4,001,485 | 3,792,236 | (209,249) |
| 7160 | Orphan Tuition | 360,000 | 439,758 | 79,758 |
| 7250 | Migratory Children | 750 | 400 | (350) |
| 7271 | Special Education | 7,785,319 | 8,028,585 | 243,266 |
| 7292 | Pre-K Counts | 850,000 | 862,183 | 12,183 |
| 7299 | Program revenues not listed previously | - | - | - |
| 7311 | Pupil Transportation Subsidy | 1,572,447 | 1,657,612 | 85,165 |
| 7312 | Nonpublic and Charter School Pupil Transportation | 993,000 | 1,183,875 | 190,875 |
| 7320 | Rentals | 1,608,580 | 1,529,797 | (78,783) |
| 7330 | Health Services | 330,000 | 319,521 | (10,479) |
| 7340 | State Property Tax Reduction Allocation | 4,752,634 | 4,752,634 | - |
| 7360 | Safe Schools | - | - | - |
| 7361 | School Safety and Security | - | - | - |
| 7369 | Other Safe School Grants | 25,000 | 69,990 | 44,990 |
| 7505 | Ready to Learn Grant | 1,797,733 | 1,797,733 | - |
| 7599 | Other State revenue not listed elsewhere | 1,117,454 | 145,658 | (971,796) |
| 7810 | FICA Revenue | - | - | - |
| 7820 | Retirement Revenue | 18,688,456 | 18,137,908 | (550,548) |
| TOTAL REVENUE FROM STATE SOURCES | | 77,600,725 | 76,689,789 | (910,936) |

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2020

| 8000 - Revenue from Federal Sources | | Budget | Actual | Variance |
|---|---|-----------------------|-----------------------|-----------------------|
| 8110 | Payments for Federally Impacted Areas | \$ 51,000 | \$ 56,963 | \$ 5,963 |
| 8310 | Payments For Federally Impacted Areas - P.L. 81-815 | - | 72,272 | 72,272 |
| 8514 | Title I | 5,304,295 | 4,526,043 | (778,252) |
| 8515 | Title IIA, IID | 587,609 | 508,918 | (78,691) |
| 8516 | Title III | 195,623 | 178,685 | (16,938) |
| 8517 | Title IV | 298,593 | 347,953 | 49,360 |
| 8580 | Child Care Grants | 164,581 | 164,581 | - |
| 8690 | Other Restricted Federal Grants-In-Aid | - | - | - |
| 8810 | Medical Assistance Reimbursements (Access) | 850,000 | 638,764 | (211,236) |
| 8820 | Medical Assistance Reimbursement for Health Related | 85,000 | 108,917 | 23,917 |
| TOTAL REVENUE FROM FEDERAL SOURCES | | 7,536,701 | 6,603,096 | (933,605) |
| 9000 - Other Financing Sources | | | | |
| 9200 | Proceeds from Extended Term Financing | - | - | - |
| 9400 | Sale of or Compensation for Loss of Fixed Assets | 25,000 | 95,493 | 70,493 |
| 9910 | Other Financing Sources Not Listed Elsewhere | - | - | - |
| TOTAL OTHER FINANCING SOURCES | | 25,000 | 95,493 | 70,493 |
| TOTAL REVENUES AND OTHER FINANCING SOURCES | | \$ 286,392,841 | \$ 283,028,095 | \$ (3,364,746) |
| 1000 - Instruction | | | | |
| 1110 | Regular Programs - Elem./Secondary | \$ 124,440,850 | \$ 122,333,401 | \$ 2,107,449 |
| 1190 | Federally Funded Regular Programs | 3,950,429 | 4,025,609 | (75,180) |
| 1211 | Life Skills Support - Public | 2,121,347 | 2,033,323 | 88,024 |
| 1221 | Deaf or Hearing Impaired Support | 618,649 | 464,975 | 153,674 |
| 1224 | Blind or Visually Impaired Support | 67,867 | 25,047 | 42,820 |
| 1225 | Speech & Language Impaired | 2,066,169 | 1,597,921 | 468,248 |
| 1231 | Emotional Support | 6,876,064 | 5,999,304 | 876,760 |
| 1233 | Autistic Support | 3,581,748 | 4,503,157 | (921,409) |
| 1241 | Learning Support - Public | 15,130,928 | 15,204,717 | (73,789) |
| 1243 | Gifted Support | 1,124,851 | 1,086,666 | 38,185 |
| 1260 | Physical Support | 934,361 | 186,531 | 747,830 |
| 1270 | Multi-Handicapped Support | 729,249 | 1,072,077 | (342,828) |
| 1280 | Early Intervention Support | 90,406 | 19,328 | 71,078 |
| 1290 | Other Support | 8,693,596 | 9,020,450 | (326,854) |
| 1390 | Other Vocational Education Programs | 8,154,241 | 8,153,558 | 683 |
| 1420 | Summer School | 650,203 | 413,594 | 236,609 |
| 1430 | Homebound Instruction | 190,324 | 126,119 | 64,205 |
| 1441 | Adjudicated/Court Placed Programs | 84,332 | 80,595 | 3,737 |
| 1442 | Alternative Education Program | 713,247 | 365,555 | 347,692 |
| 1450 | Instructional Programs Outside Established Schools | 172,859 | 173,072 | (213) |
| 1490 | Additional Other Instructional Program | 300 | - | 300 |
| 1500 | Nonpublic School Programs | 210,864 | 147,967 | 62,897 |
| 1690 | Other Adult Education Programs | - | - | - |
| 1693 | Community College Sponsorship | 2,432,053 | 2,432,053 | - |
| 1801 | Pre-K Instruction | 822,034 | 808,413 | 13,621 |
| 1802 | Pre-K Admin Support | 40,830 | 40,210 | 620 |
| 1803 | Pre-K Operations and Maintenance | - | - | - |
| 1805 | Pre-K Food Services | - | 263 | (263) |
| 1806 | Pre-K Professional Development | 3,373 | 14,113 | (10,740) |
| Total Instruction | | 183,901,174 | 180,328,018 | 3,573,156 |

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2020

| 2000 - Support Services | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|----------------------|----------------------|------------------------|
| 2111 Supervision of Student Services - Head of Component | 105,584 | 107,857 | (2,273) |
| 2119 Supervision of Student Services - All Other Supervision | 494,515 | 500,694 | (6,179) |
| 2120 Guidance Services | 6,679,519 | 7,154,432 | (474,913) |
| 2130 Attendance Services | 316,532 | 269,314 | 47,218 |
| 2140 Psychological Services | 1,629,220 | 1,534,880 | 94,340 |
| 2160 Social Work Services | 1,261,749 | 856,133 | 405,616 |
| 2170 Student Accounting Services | 450,234 | 429,008 | 21,226 |
| 2190 Other Pupil Personnel Services | - | - | - |
| 2220 Technology Support Services | 170,467 | 136,549 | 33,918 |
| 2230 Educational Television Services | 137,804 | 137,650 | 154 |
| 2240 Computer Assisted Instruction Services | 975,317 | 1,009,654 | (34,337) |
| 2250 School Library Services | 2,258,023 | 2,070,384 | 187,639 |
| 2260 Instructional & Curriculum Dev. Service | 2,348,803 | 2,435,643 | (86,840) |
| 2271 Instructional Staff Development Services | 4,757,992 | 4,174,094 | 583,898 |
| 2272 Instructional Staff Development Service | 59,654 | 62,794 | (3,140) |
| 2290 Other Instructional Staff Services | 300 | - | 300 |
| 2310 Board Services | 142,785 | 112,258 | 30,527 |
| 2320 Board Treasurer Services | 300 | 188 | 112 |
| 2330 Tax Assessment & Collection Service | 1,212,184 | 1,077,441 | 134,743 |
| 2340 Staff Relations | 25,000 | - | 25,000 |
| 2350 Legal Services | 572,551 | 741,465 | (168,914) |
| 2360 Office of the Superintendent Services | 522,888 | 534,725 | (11,837) |
| 2370 Community Relations Services | 118,609 | 124,624 | (6,015) |
| 2380 Office of the Principal Services | 10,238,737 | 10,212,180 | 26,557 |
| 2390 Other Administration Services | 66,791 | 35,327 | 31,464 |
| 2419 Supervision of Health Services - All Other | 276,390 | 225,810 | 50,580 |
| 2420 Medical Services | 10,000 | 3,890 | 6,110 |
| 2430 Dental Services | 13,000 | 7,823 | 5,177 |
| 2440 Nursing Services | 2,180,679 | 2,221,539 | (40,860) |
| 2450 Non Public Health Service | 274,265 | 265,718 | 8,547 |
| 2490 Other Health Services | 15,000 | 14,576 | 424 |
| 2511 Supervision of Fiscal Services | 385,354 | 379,280 | 6,074 |
| 2513 Receiving and Disbursing Funds Services | 273,281 | 343,277 | (69,996) |
| 2514 Payroll Services | 315,605 | 367,264 | (51,659) |
| 2515 Financial Accounting Services | 212,228 | 111,169 | 101,059 |
| 2516 Internal Auditing Services | 236,226 | 183,328 | 52,898 |
| 2519 Other Fiscal Services | 276,698 | 228,394 | 48,304 |
| 2520 Purchasing Services | 100,093 | 112,760 | (12,667) |
| 2530 Warehousing and Distributing Services | 121,495 | 193,296 | (71,801) |
| 2540 Printing, Publishing and Duplicating Services | 279,973 | 238,288 | 41,685 |
| 2611 Supervision of Oper and Maint. of Plant - Head | 283,072 | 274,780 | 8,292 |
| 2619 Supervision of Oper and Maint. of Plant - Other | 552,405 | 443,817 | 108,588 |
| 2620 Operation of Building Services | 16,354,318 | 15,311,878 | 1,042,440 |
| 2630 Care and Upkeep of Grounds Services | 996,251 | 823,990 | 172,261 |
| 2640 Care and Upkeep of Equipment Services | - | - | - |
| 2650 Vehicle Operation and Maint. Services | 126,357 | 159,692 | (33,335) |
| 2660 Security Services | 1,323,573 | 1,080,667 | 242,906 |
| 2711 Supervision of Student Trans. Svcs - Head | - | - | - |
| 2719 Supervision of Student Transportation Services | 745,847 | 709,271 | 36,576 |
| 2720 Vehicle Operation Services | 5,568,475 | 5,979,351 | (410,876) |
| 2730 Monitoring Services | 685,979 | 812,488 | (126,509) |
| 2740 Vehicle Servicing and Maintenance Services | 1,640,146 | 1,489,781 | 150,365 |
| 2750 Nonpublic Transportaion | 548,000 | 1,264 | 546,736 |
| Sub-Total - Support Services | 68,340,268 | 65,700,685 | 2,639,583 |

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2020

| | | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|--|-----------------------|-----------------------|---------------------|
| Sub-Total - Support Services (Carried Forward) | | \$ 68,340,268 | \$ 65,700,685 | \$ 2,639,583 |
| 2818 | System Wide Technology Services | 3,674,585 | 3,650,284 | 24,301 |
| 2820 | Information Services | - | - | - |
| 2821 | Supervision of Information Services | 296,088 | 295,663 | 425 |
| 2823 | Public Information Services | 207,680 | 203,069 | 4,611 |
| 2831 | Supervision of Staff Services | 331,937 | 332,574 | (637) |
| 2832 | Recruitment and Placement Services | 169,495 | 169,684 | (189) |
| 2833 | Staff Accounting Services | 553,835 | 552,807 | 1,028 |
| 2834 | Staff Development Services - Non-Instructional | 302,064 | 267,147 | 34,917 |
| 2835 | Health Services | 401,374 | 307,296 | 94,078 |
| 2836 | Staff Development Services - Non-Instructional | 198,731 | 179,730 | 19,001 |
| 2840 | Data Processing Services | 1,360,184 | 1,298,799 | 61,385 |
| 2850 | State and Federal Agency Liaison Services | 284,964 | 284,768 | 196 |
| 2910 | Support Services not listed elsewhere | 125,982 | 125,981 | 1 |
| | Total Support Services | 76,247,187 | 73,368,487 | 2,878,700 |
| <u>3000 - Operation of Non-Instructional Services</u> | | | | |
| 3210 | School Sponsored Student Activities | 726,105 | 760,662 | (34,557) |
| 3250 | School Sponsored Athletics | 2,887,294 | 2,729,676 | 157,618 |
| 3300 | Community Services | 93,482 | 58,845 | 34,637 |
| 3330 | Public Library Services | 97,122 | 98,408 | (1,286) |
| 3400 | Scholarships and Awards | 675 | - | 675 |
| | Total Non-Instructional Services | 3,804,678 | 3,647,591 | 157,087 |
| <u>4000 - Facilities Acquisition, Construction, and Improvement Svcs.</u> | | | | |
| 4200 | Existing Site Improvement Services | - | - | - |
| 4400 | Architecture and Engineering Services | 174,976 | 19,376 | 155,600 |
| 4500 | Building Acquisition and Contruction Services | 91 | 90 | 1 |
| 4600 | Existing Building Improvement Services | 164,881 | 85,481 | 79,400 |
| | Total Facilities Acquisition, Construction, and Improvement Svcs. | 339,948 | 104,947 | 235,001 |
| <u>5000 - Other Expenditures and Financing Uses</u> | | | | |
| 5110 | Debt Service | 21,668,342 | 21,554,427 | 113,915 |
| 5130 | Refund of Prior Yr. Receipts | 250,000 | 31,465 | 218,535 |
| 5230 | Capital Projects Fund Transfers | 4,852,000 | 5,000,000 | (148,000) |
| 5251 | Food Service Fund Transfers | 148,000 | - | 148,000 |
| 5310 | Transfers To Component Units | - | - | - |
| 5900 | Budgetary Reserve | - | - | - |
| | Total Other Expenditures and Financing Uses | 26,918,342 | 26,585,892 | 332,450 |
| | TOTAL EXPENDITURES AND OTHER FINANCING USES | \$ 291,211,329 | \$ 284,034,935 | \$ 7,176,394 |

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|-----------------------------|-----------------------------|----------------------------|
| TOTAL REVENUES AND OTHER FINANCING SOURCES | \$ 286,392,841 | \$ 283,028,095 | \$ (3,364,746) |
| TOTAL EXPENDITURES AND OTHER FINANCING USES | <u>291,211,329</u> | <u>284,034,935</u> | <u>7,176,394</u> |
| NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (4,818,488) | (1,006,840) | 3,811,648 |
| Special Items | - | - | - |
| Extraordinary Items - Insurance Recoveries | <u>5,000</u> | <u>769</u> | <u>(4,231)</u> |
| NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES AFTER SPECIAL ITEMS AND EXTRAORDINARY ITEMS | (4,813,488) | (1,006,071) | 3,807,417 |
| FUND BALANCE - JULY 1, 2019 | <u>36,427,043</u> | <u>39,647,226</u> | <u>3,220,183</u> |
| FUND BALANCE - JUNE 30, 2020 | <u><u>\$ 31,613,555</u></u> | <u><u>\$ 38,641,155</u></u> | <u><u>\$ 7,027,600</u></u> |

**Bethlehem Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2020**

FUND BALANCE - JULY 1, 2019 **\$ 11,228,272**

REVENUES AND OTHER FINANCING SOURCES

| | | |
|---------------------------------------|------------|-------------------|
| Interest | \$ 150,476 | |
| Proceeds from Extended Term Financing | - | |
| Transfer from General Fund | 5,000,000 | 5,150,476 |
| TOTAL FUNDS AVAILABLE | | 16,378,748 |

EXPENDITURES

INSTRUCTIONAL SERVICES:

| | | |
|-----------|---|--|
| Equipment | - | |
|-----------|---|--|

SUPPORT SERVICES:

| | | |
|--------------------------|---|--|
| Professional Services | - | |
| Repairs and Maintenance | - | |
| Legal & Accounting | - | |
| Admin. Software and Fees | - | |
| Dues and Fees | - | |
| Equipment | - | |

CAPITAL OUTLAY:

| | | |
|--------------------------|-----------|--|
| Professional Services | 514,183 | |
| Other Purchased Services | - | |
| Land Improvements | - | |
| Construction Services | 5,082,469 | |
| Communications | - | |
| Building Acquisition | - | |
| Dues and Fees | - | |

DEBT SERVICE:

| | | |
|--------------------------|---------|--|
| Debt Service - Interest | 12,023 | |
| Debt Service - Principal | 230,040 | |

Other Financing Uses:

| | | |
|--------------------------|---|-----------|
| Transfer to General Fund | - | 5,838,715 |
|--------------------------|---|-----------|

FUND BALANCE - JUNE 30, 2020 **\$ 10,540,033**

**Bethlehem Area School District
Special Revenue (Authority General Fund) Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2020**

| | | |
|---|------------------|--------------------|
| FUND BALANCE - JULY 1, 2019 | | \$ - |
| <u>REVENUES AND OTHER FINANCING SOURCES</u> | | |
| Proceeds from Refunding Bond Issues | \$ - | |
| Transfer from General Fund | - | |
| Interest Earnings | <u>4,376,716</u> | <u>4,376,716</u> |
| TOTAL FUNDS AVAILABLE | | 4,376,716 |
| <u>EXPENDITURES AND OTHER FINANCING USES</u> | | |
| SUPPORT SERVICES: | | |
| Professional Services | - | |
| Advertising | - | |
| Printing | - | |
| Dues and Fees | 4,600 | |
| NON-INSTRUCTIONAL SERVICES: | | |
| Equipment | - | |
| DEBT SERVICE: | | |
| Bond Principal | 100,000 | |
| Bond Interest | 4,272,116 | |
| OTHER FINANCING USES: | | |
| Payment to Refunding Bond Issue Escrow Agent | <u>-</u> | <u>4,376,716</u> |
| FUND BALANCE - JUNE 30, 2020 | | <u>\$ -</u> |

**Bethlehem Area School District
Capital Project Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2020**

FUND BALANCE - JULY 1, 2019 \$ 1,791,030

REVENUES AND OTHER FINANCING SOURCES

| | | | |
|------------------------------------|----|--------|-----------|
| Proceeds from Bond Issues | \$ | - | |
| Proceeds from Refunded Bond Issues | | - | |
| Gain (Loss) on Sale of Investments | | - | |
| Bond Premium | | - | |
| Refunds of Prior Year Expenditures | | - | |
| Interest Earnings | | 24,784 | 24,784 |
| TOTAL FUNDS AVAILABLE | | 24,784 | 1,815,814 |

EXPENDITURES AND OTHER FINANCING USES

INSTRUCTIONAL:

| | | | |
|-------------------------|---|---|--|
| Repairs and Maintenance | - | | |
| Supplies | | - | |
| Equipment | | - | |

SUPPORT SERVICES:

| | | | |
|----------------------------------|---|---|--|
| Salaries | - | | |
| Benefits | | - | |
| Professional Services | | - | |
| Repairs and Maintenance | | - | |
| Printing | | - | |
| Property and Liability Insurance | | - | |
| Supplies | | - | |
| Vehicle Replacement | | - | |
| Equipment | | - | |
| Dues and Fees | | - | |

NON-INSTRUCTIONAL SERVICES:

| | | | |
|-----------|---|---|--|
| Supplies | - | | |
| Equipment | | - | |

CAPITAL OUTLAY:

| | | | |
|---------------------------|--------|---------|--|
| Professional Services | 16,463 | | |
| Printing | | - | |
| Insurance | | - | |
| Supplies | | - | |
| Construction Services | | 125,201 | |
| Rentals | | - | |
| Equipment | | - | |
| Dues and Fees | | - | |
| Technology Infrastructure | | - | |

OTHER FINANCING USES:

| | | | |
|---|---|---|---------|
| Bond Discount | - | | |
| Payment to Escrow Agent on Refunded Bonds | | - | |
| Refund of Prior Year Receipts | | - | |
| Transfer to General Fund | | - | 141,664 |
| | | - | 141,664 |

FUND BALANCE - JUNE 30, 2020 **\$ 1,674,150**

Bethlehem Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2020

REVENUES

| | | |
|-------------------------------------|---------------|---------------------|
| Sales | \$ 1,097,503 | |
| Donated Commodities | 377,779 | |
| Special Events | 202,833 | |
| Federal Equipment Grant | - | |
| State Subsidies | 599,116 | |
| Federal Subsidies | 4,540,481 | |
| Gain (Loss) on Sale of Fixed Assets | - | |
| Interest earnings | 10,971 | |
| Rentals | 98 | |
| Transfers from General Fund | - | |
| Miscellaneous | - | |
| Contributions | <u>77,627</u> | |
| TOTAL REVENUES | | \$ 6,906,408 |

COST OF COMMODITIES

| | | |
|---------------------------------------|-----------------|-------------------------|
| Beginning Inventory | 75,137 | |
| Food Service Management - Food | 1,766,948 | |
| Donated Commodities | 377,779 | |
| Ending Inventory | <u>(35,896)</u> | |
| TOTAL COST OF COMMODITIES SOLD | | <u>2,183,968</u> |
| GROSS PROFIT | | <u>4,722,440</u> |
| | | ----- |

OPERATING EXPENSES

| | | |
|--|--------------|------------------------------|
| Salaries | 2,085,337 | |
| Self-Insured Medical Benefits | 550,948 | |
| Self-Insured Dental Benefits | 3,520 | |
| Self-Insured Prescriptions | 14,513 | |
| Fica Tax | 157,255 | |
| Retirement Contributions | 739,076 | |
| Other Benefits | 52,336 | |
| Other Professional Services | - | |
| Refuse | - | |
| Repairs and Maintenance | 45,759 | |
| Electricity | - | |
| Bottled Gas | - | |
| Rentals | 2,459 | |
| Communications | 7,014 | |
| Food Service Management Costs | 978,127 | |
| Travel | 60 | |
| Supplies | 30,312 | |
| Technology Supplies | 95,533 | |
| Small Tools | - | |
| Depreciation | 25,017 | |
| Dues and Fees | <u>5,003</u> | |
| TOTAL EXPENSES | | <u>4,792,269</u> |
| CHANGES IN FUND NET POSITION | | (69,829) |
| FUND NET POSITION - JULY 1, 2019 | | <u>(4,973,251)</u> |
| FUND NET POSITION - JUNE 30, 2020 | | <u>\$ (5,043,080)</u> |

Bethlehem Area School District
Day Care Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2020

REVENUES

| | | |
|---|--------------|---------------------|
| Regular Day School Tuition | \$ 1,231,920 | |
| Revenue from Community Service Activities | 645,016 | |
| State Revenue | 49,975 | |
| Fica Revenue | 43,814 | |
| Retirement Revenue | 194,753 | |
| Other Cares Act Funding | 48,100 | |
| Donations | 971 | |
| Child Care and Development grant | - | |
| Miscellaneous | 6,673 | |
| Earnings on Investments | 11,230 | |
| TOTAL REVENUES | | \$ 2,232,452 |

OPERATING EXPENSES

| | | |
|----------------------------|-----------|-------------------------|
| Salaries | 1,136,790 | |
| Self-ins. Medical Benefits | 298,375 | |
| Self-ins. Dental Benefits | 24,880 | |
| Self-ins. Prescriptions | 104,625 | |
| Self-Ins. Eye Care | 156 | |
| Fica Tax | 86,332 | |
| Retirement Contributions | 425,394 | |
| Workers Compensation | 14,044 | |
| Unemployment Compensation | 7,184 | |
| Other Benefits | 40,226 | |
| Professional Services | 892 | |
| Disposal | - | |
| Other Purchased Services | - | |
| Small Equipment | 1,663 | |
| Advertising | - | |
| Communications | 1,122 | |
| Travel | 521 | |
| Repairs and Maintenance | - | |
| Supplies | 6,188 | |
| Meals/Refreshments | - | |
| Depreciation | - | |
| Miscellaneous | 663 | |
| Dues and Fees | 4,667 | |
| Bad Debt Expense | - | |
| TOTAL EXPENSES | | <u>2,153,722</u> |

CHANGES IN FUND NET POSITION 78,730

FUND NET POSITION - JULY 1, 2019 **(3,924,214)**

FUND NET POSITION - JUNE 30, 2020 **\$ (3,845,484)**

**Bethlehem Area School District
Self-Insurance Fund (Component Unit)
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020**

ADDITIONS

| | | |
|--|----------------|----------------------|
| Contributions from Other Funds | \$ 26,245,545 | |
| Cobra and Co-Pay Payments | 1,500,635 | |
| Unemployment Comp. Payments | 59,236 | |
| Transfers from General Fund (Primary Government) | - | |
| Interest Earnings | 358,656 | |
| Wellness Revenue | 68,021 | |
| Other Misc. Revenue | <u>633,339</u> | |
| TOTAL REVENUES | | \$ 28,865,432 |

DEDUCTIONS

| | | |
|--------------------------|---------------|--------------------------|
| Staff Health Services | 6,213 | |
| Staff Health Software | 18,112 | |
| Eye Care Insurance | 9,547 | |
| Unemployment | 63,752 | |
| Workers Compensation | 5,176 | |
| Medical Insurance | 19,010,181 | |
| Dental | 1,149,623 | |
| Prescription | 5,467,312 | |
| Stop Loss Insurance | 153,191 | |
| Dues, Fees, and Supplies | <u>27,212</u> | |
| TOTAL EXPENSES | | <u>25,910,319</u> |

CHANGES IN NET POSITION 2,955,113

NET POSITION - JULY 1, 2019 26,276,355

NET POSITION - JUNE 30, 2020 **\$ 29,231,468**

Bethlehem Area School District
Schedule on General Obligation Bonds - Series of 2011
For the Year Ended June 30, 2020

| <u>FISCAL YEAR</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
|---------------------------|------------------------|-------------------------|
| 2020-21 | \$ 1,286,887 | \$ 5,000 |
| 2021-22 | 1,286,744 | 5,000 |
| 2022-23 | 1,225,497 | 3,915,000 |
| 2023-24 | 1,096,234 | 4,035,000 |
| 2024-25 | 954,819 | 4,190,000 |
| 2025-26 | 772,744 | 4,350,000 |
| 2026-27 | 579,900 | 4,485,000 |
| 2027-28 | 403,206 | 4,630,000 |
| 2028-29 | 214,806 | 4,790,000 |
| 2029-30 | 59,503 | 2,885,000 |
| TOTAL OUTSTANDING | \$ 7,880,340 | \$ 33,290,000 |

Schedule on General Obligation Bonds - Series A of 2015
For the Year Ended June 30, 2020

| <u>FISCAL YEAR</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
|---------------------------|------------------------|-------------------------|
| 2020-21 | \$ 1,500,000 | \$ - |
| 2021-22 | 1,500,000 | - |
| 2022-23 | 1,500,000 | - |
| 2023-24 | 1,500,000 | - |
| 2024-25 | 1,500,000 | - |
| 2025-26 | 1,500,000 | - |
| 2026-27 | 1,500,000 | - |
| 2027-28 | 1,500,000 | - |
| 2028-29 | 1,500,000 | - |
| 2029-30 | 1,500,000 | - |
| 2030-31 | 1,500,000 | - |
| 2031-32 | 1,500,000 | - |
| 2032-33 | 1,326,250 | 6,950,000 |
| 2033-34 | 969,875 | 7,305,000 |
| 2034-35 | 595,375 | 7,675,000 |
| 2035-36 | 201,750 | 8,070,000 |
| TOTAL OUTSTANDING | \$ 21,093,250 | \$ 30,000,000 |

Bethlehem Area School District
Schedule on General Obligation Notes - Series B of 2015
For the Year Ended June 30, 2020

| <u>FISCAL YEAR</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
|---------------------------|----------------------------|----------------------------|
| 2020-21 | \$ 124,707 | \$ - |
| 2021-22 | 124,706 | - |
| 2022-23 | 124,706 | - |
| 2023-24 | 124,706 | - |
| 2024-25 | 124,706 | - |
| 2025-26 | 124,706 | - |
| 2026-27 | 124,707 | - |
| 2027-28 | 124,706 | - |
| 2028-29 | 124,706 | - |
| 2029-30 | 111,545 | 810,000 |
| 2030-31 | 73,069 | 1,500,000 |
| 2031-32 | 23,878 | 1,415,000 |
| TOTAL OUTSTANDING | <u>\$ 1,330,848</u> | <u>\$ 3,725,000</u> |

Schedule on General Obligation Notes - Series C of 2015
For the Year Ended June 30, 2020

| <u>FISCAL YEAR</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
|---------------------------|----------------------------|----------------------------|
| 2020-21 | \$ 346,790 | \$ 5,000 |
| 2021-22 | 346,647 | 5,000 |
| 2022-23 | 327,634 | 1,215,000 |
| 2023-24 | 287,731 | 1,265,000 |
| 2024-25 | 244,600 | 1,280,000 |
| 2025-26 | 197,675 | 1,370,000 |
| 2026-27 | 146,759 | 1,390,000 |
| 2027-28 | 93,886 | 1,365,000 |
| 2028-29 | 40,581 | 1,325,000 |
| 2029-30 | 6,993 | 340,000 |
| TOTAL OUTSTANDING | <u>\$ 2,039,296</u> | <u>\$ 9,560,000</u> |

Bethlehem Area School District
Schedule on General Obligation Bonds - Series A of 2016
For the Year Ended June 30, 2020

| <u>FISCAL YEAR</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
|---------------------------|------------------------|-------------------------|
| 2020-21 | \$ 1,589,738 | \$ 265,000 |
| 2021-22 | 1,579,137 | 505,000 |
| 2022-23 | 1,558,938 | 6,105,000 |
| 2023-24 | 1,253,688 | 7,090,000 |
| 2024-25 | 899,187 | 8,775,000 |
| 2025-26 | 460,434 | 9,240,000 |
| 2026-27 | 45,838 | 745,000 |
| 2027-28 | 30,937 | 750,000 |
| 2028-29 | 15,938 | 750,000 |
| TOTAL OUTSTANDING | \$ 7,433,835 | \$ 34,225,000 |

Schedule on General Obligation Bonds - Series B of 2016
For the Year Ended June 30, 2020

| <u>FISCAL YEAR</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
|---------------------------|------------------------|-------------------------|
| 2020-21 | \$ 590,925 | \$ - |
| 2021-22 | 590,925 | - |
| 2022-23 | 590,925 | - |
| 2023-24 | 590,925 | - |
| 2024-25 | 590,925 | - |
| 2025-26 | 590,925 | - |
| 2026-27 | 590,925 | - |
| 2027-28 | 590,925 | - |
| 2028-29 | 590,925 | - |
| 2029-30 | 590,925 | 5,000 |
| 2030-31 | 590,806 | 5,000 |
| 2031-32 | 590,681 | 5,000 |
| 2032-33 | 590,550 | 4,655,000 |
| 2033-34 | 450,900 | 4,860,000 |
| 2034-35 | 305,100 | 5,010,000 |
| 2035-36 | 154,800 | 5,160,000 |
| TOTAL OUTSTANDING | \$ 8,592,087 | \$ 19,700,000 |

Schedule on Guaranteed Revenue Bonds - Series of 2017
For the Year Ended June 30, 2020

| <u>FISCAL YEAR</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
|---------------------------|------------------------|-------------------------|
| 2020-21 | \$ 656,477 | \$ 50,000 |
| 2021-22 | 655,391 | 50,000 |
| 2022-23 | 654,305 | 50,000 |
| 2023-24 | 653,219 | 50,000 |
| 2024-25 | 652,133 | 50,000 |
| 2025-26 | 651,047 | 50,000 |
| 2026-27 | 589,245 | 6,760,000 |
| 2027-28 | 438,686 | 7,175,000 |
| 2028-29 | 278,887 | 7,615,000 |
| 2029-30 | 106,412 | 8,400,000 |
| TOTAL OUTSTANDING | \$ 5,335,802 | \$ 30,250,000 |

Bethlehem Area School District
Schedule on Guaranteed Revenue Bonds - Series of 2018
For the Year Ended June 30, 2020

| <u>FISCAL YEAR</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
|---------------------------|------------------------|-------------------------|
| 2020-21 | \$ 876,619 | \$ 35,000 |
| 2021-22 | 875,862 | 35,000 |
| 2022-23 | 849,247 | 1,340,000 |
| 2023-24 | 818,596 | 1,425,000 |
| 2024-25 | 775,408 | 2,050,000 |
| 2025-26 | 729,508 | 2,130,000 |
| 2026-27 | 631,351 | 4,760,000 |
| 2027-28 | 524,393 | 4,965,000 |
| 2028-29 | 412,509 | 5,195,000 |
| 2029-30 | 286,042 | 5,910,000 |
| 2030-31 | 152,740 | 6,190,000 |
| 2031-32 | 11,799 | 6,550,000 |
| TOTAL OUTSTANDING | \$ 6,944,074 | \$ 40,585,000 |

Schedule on Guaranteed Revenue Bonds - Series A of 2018
For the Year Ended June 30, 2020

| <u>FISCAL YEAR</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
|---------------------------|------------------------|-------------------------|
| 2020-21 | \$ 650,743 | \$ 15,000 |
| 2021-22 | 650,418 | 15,000 |
| 2022-23 | 650,094 | 15,000 |
| 2023-24 | 649,770 | 15,000 |
| 2024-25 | 649,446 | 15,000 |
| 2025-26 | 649,121 | 15,000 |
| 2026-27 | 648,797 | 15,000 |
| 2027-28 | 648,473 | 15,000 |
| 2028-29 | 648,149 | 15,000 |
| 2029-30 | 628,144 | 2,200,000 |
| 2030-31 | 478,043 | 13,585,000 |
| 2031-32 | 178,932 | 14,190,000 |
| TOTAL OUTSTANDING | \$ 7,130,130 | \$ 30,110,000 |

Schedule on General Obligation Bonds - Series of 2019
For the Year Ended June 30, 2020

| <u>FISCAL YEAR</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
|---------------------------|------------------------|-------------------------|
| 2020-21 | \$ 1,186,125 | \$ 11,415,000 |
| 2021-22 | 561,500 | 13,570,000 |
| 2022-23 | 160,125 | 2,485,000 |
| 2023-24 | 49,000 | 1,960,000 |
| TOTAL OUTSTANDING | \$ 1,956,750 | \$ 29,430,000 |

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

Bethlehem Area School District
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2020

| FEDERAL GRANTOR/ PROJECT TITLE | SOURCE CODE | CFDA NUMBER | GRANTOR PASS THROUGH NUMBER | GRANT PERIOD | AWARD AMOUNT | TOTAL RECEIVED | ACCRUED OR (DEFERRED) AT 7/01/19 | REVENUE | EXPENDI- TURES | ACCRUED OR (DEFERRED) AT 6/30/20 | FOOTNOTES |
|---|----------------|----------------|--------------------------------------|-----------------|-----------------|-------------------|--|--------------|-------------------|--|-----------|
| U.S. DEPARTMENT OF EDUCATION | | | | | | | | | | | |
| IMPACT AID PUBLIC LAW 81-874 | D | 84.041 | N/A | 7/1/18-6/30/19 | \$ - | \$ 56,963 | \$ - | \$ 56,963 | \$ 56,963 | \$ - | |
| TOTAL IMPACT AID CLUSTER | | | | | | 56,963 | - | 56,963 | 56,963 | - | |
| PASSED THROUGH THE PA | | | | | | | | | | | |
| DEPT OF EDUCATION(PDE) | | | | | | | | | | | 3 |
| ASSISTANCE FOR HOMELESS CHILDREN AND YOUTH HURRICANE EDUCATION RECOVERY | I | 84.938B | N/A | 9/19/18-7/31/19 | \$ 72,272 | - | - | 72,272 | 72,272 | 72,272 | |
| TOTAL HURRICANE EDUCATION RECOVERY PROGRAM | | | | | | - | - | 72,272 | 72,272 | 72,272 | |
| PASSED THROUGH THE PDE | | | | | | | | | | | 3 |
| TITLE IA - IMPROVING BASIC PROGRAMS | I | 84.010 | 013-19-0034 A | 7/1/18-9/30/19 | \$ 3,975,826 | 1,124,812 | 941,904 | 182,908 | 182,908 | - | |
| TITLE IA - IMPROVING BASIC PROGRAMS | I | 84.010 | 013-20-0034 A | 7/1/19-9/30/20 | \$ 3,902,153 | 2,861,739 | - | 3,896,407 | 3,896,407 | 1,034,668 | |
| TITLE I - SCHOOL INTERVENTION | I | 84.010 | 042-19-0034 | 7/1/18-9/30/19 | \$ 71,691 | 35,846 | 25,959 | 9,887 | 9,887 | - | |
| TITLE I - SCHOOL INTERVENTION | I | 84.010 | 042-20-0034 | 7/1/19-9/30/20 | \$ 545,484 | 506,521 | - | 436,841 | 436,841 | (69,680) | |
| TOTAL TITLE I CLUSTER | | | | | | 4,528,918 | 967,863 | 4,526,043 | 4,526,043 | 964,988 | |
| PASSED THROUGH THE PDE | | | | | | | | | | | 3 |
| TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION | I | 84.367 | 020-19-0034 A | 7/1/18-9/30/19 | \$ 562,427 | 159,154 | 100,599 | 23,742 | 23,742 | (34,813) | |
| TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION | I | 84.367 | 020-20-0034 A | 7/1/19-9/30/20 | \$ 572,442 | 343,565 | - | 485,176 | 485,176 | 141,611 | |
| TOTAL TITLE IIA PROGRAM | | | | | | 502,719 | 100,599 | 508,918 | 508,918 | 106,798 | |
| PASSED THROUGH THE PDE | | | | | | | | | | | 3 |
| TITLE III - LEP / IMMIGRANT STUDENTS | I | 84.365 | 010-19-0034 A | 7/1/18-9/30/19 | \$ 174,352 | 37,362 | 34,300 | 3,062 | 3,062 | - | |
| TITLE III - LEP / IMMIGRANT STUDENTS | I | 84.365 | 010-20-0034 A | 7/1/19-9/30/20 | \$ 175,623 | 140,498 | - | 175,623 | 175,623 | 35,125 | |
| TOTAL TITLE III PROGRAM | | | | | | 177,860 | 34,300 | 178,685 | 178,685 | 35,125 | |
| PASSED THROUGH THE PDE | | | | | | | | | | | 3 |
| TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT | I | 84.424 | 144-19-0034 A | 7/1/18-9/30/19 | \$ 263,853 | 131,927 | 31,142 | 100,785 | 100,785 | - | |
| TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT | I | 84.424 | 144-20-0034 A | 7/1/19-9/30/20 | \$ 298,593 | 199,062 | - | 247,168 | 247,168 | 48,106 | |
| TOTAL TITLE IV PROGRAM | | | | | | 330,989 | 31,142 | 347,953 | 347,953 | 48,106 | |
| PASSED THROUGH THE COLONIAL I.U. #20 | | | | | | | | | | | 3 |
| IDEA | I | 84.027 | N/A | 7/1/18-9/30/19 | \$ 1,962,248 | - | - | - | - | - | 1 |
| IDEA | I | 84.027 | N/A | 7/1/19-9/30/20 | \$ 1,926,296 | 1,926,296 | - | 1,926,296 | 1,926,296 | - | 1 |
| IDEA - SECTION 619A | I | 84.173 | N/A | 7/1/18-9/30/19 | \$ 9,744 | 9,744 | 9,744 | - | - | - | 1 |
| IDEA - SECTION 619A | I | 84.173 | N/A | 7/1/19-9/30/20 | \$ 12,540 | 12,540 | - | 12,540 | 12,540 | - | 1 |
| PASSED THROUGH THE LANCASTER-LEBANON I.U. #13 | | | | | | | | | | | 2 |
| IDEA | I | 84.027 | N/A | 7/1/18-6/30/19 | \$ 25,000 | 23,944 | 23,944 | - | - | - | 2 |
| IDEA | I | 84.027 | N/A | 7/1/19-6/30/20 | \$ 25,000 | - | - | 25,000 | 25,000 | 25,000 | 2 |
| TOTAL IDEA CLUSTER | | | | | | 1,972,524 | 33,688 | 1,963,836 | 1,963,836 | 25,000 | |
| PASSED THROUGH THE PDE | | | | | | | | | | | 3 |
| COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND | I | 84.425D | FA-200-20-0034 | 3/13/20-9/30/21 | \$ 3,218,394 | - | - | 482,993 | 482,993 | 482,993 | |
| PASSED THROUGH THE PDE | | | | | | | | | | | 3 |
| SCHOOL SAFETY NATIONAL ACTIVITIES | I | 84.184 | N/A | 7/1/19-6/30/20 | \$ 275 | 275 | 275 | - | - | - | |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | | | | \$ 7,570,248 | \$ 1,167,867 | \$ 8,137,663 | \$ 8,137,663 | \$ 1,735,282 | |

Bethlehem Area School District
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2020

| | | | | | | | | | | | |
|--|---|--------|----------------|------------------|------------|---------------|--------------|---------------|---------------|--------------|-----|
| <u>U.S. DEPT. OF HEALTH AND HUMAN SERVICES</u> | | | | | | | | | | | 3 |
| <u>PASSED THROUGH THE PA DEPARTMENT OF PUBLIC WELFARE</u> | | | | | | | | | | | |
| PROMOTING SAFE AND STABLE FAMILIES | I | 93.556 | SAP 4100066996 | 7/1/18-6/30/19 | \$ 162,152 | \$ 23,794 | \$ 23,794 | \$ - | \$ - | \$ - | |
| PROMOTING SAFE AND STABLE FAMILIES | I | 93.556 | SAP 4100066996 | 7/1/19-6/30/20 | \$ 162,152 | 129,825 | - | 162,152 | 162,152 | 32,327 | |
| TOTAL PROMOTING SAFE AND STABLE FAMILIES PROGRAM | | | | | | 153,619 | 23,794 | 162,152 | 162,152 | 32,327 | |
| | | | | | | | | | | | |
| COMMUNITY BASED CHILD ABUSE PREVENTION | I | 93.590 | SAP 4100066996 | 7/1/18-6/30/19 | \$ 2,429 | 304 | 304 | - | - | - | |
| COMMUNITY BASED CHILD ABUSE PREVENTION | I | 93.590 | SAP 4100066996 | 7/1/19-6/30/20 | \$ 2,429 | 2,125 | - | 2,429 | 2,429 | 304 | |
| TOTAL COMMUNITY BASED CHILD ABUSE PREVENTION PROGRAM | | | | | | 2,429 | 304 | 2,429 | 2,429 | 304 | |
| | | | | | | | | | | | |
| ESEA - TITLE 19 MEDICAID REIMBURSEMENT | I | 93.778 | N/A | 7/1/19-9/30/20 | N/A | 100,015 | 54,708 | 108,917 | 108,917 | 63,610 | |
| | | | | | | | | | | | |
| <u>PASSED THROUGH THE COUNTY OF YORK</u> | | | | | | | | | | | 3 |
| MENTAL HEALTH DISASTER ASSISTANCE AND EMERGENCY MENTAL HEALTH | I | 93.982 | SM063577-01 | 9/30/18-9/29/19 | N/A | 8,600 | 8,600 | - | - | - | |
| MENTAL HEALTH DISASTER ASSISTANCE AND EMERGENCY MENTAL HEALTH | I | 93.982 | SM063577-01 | 9/30/19-9/29/20 | N/A | 1,690 | - | 1,690 | 1,690 | - | |
| TOTAL MENTAL HEALTH DISASTER ASSISTANCE | | | | | | 10,290 | 8,600 | 1,690 | 1,690 | - | |
| | | | | | | | | | | | |
| TOTAL U.S. DEPT. OF HEALTH AND HUMAN SERVICES | | | | | | \$ 266,353 | \$ 87,406 | \$ 275,188 | \$ 275,188 | \$ 96,241 | |
| | | | | | | | | | | | |
| <u>U. S. DEPT. OF AGRICULTURE</u> | | | | | | | | | | | 3 |
| <u>PASSED THROUGH THE PA.</u> | | | | | | | | | | | |
| <u>DEPT OF EDUCATION</u> | | | | | | | | | | | |
| NATIONAL SCHOOL LUNCH | I | 10.555 | N/A | 7/1/18 - 6/30/19 | N/A | 483,751 | 483,751 | - | - | - | |
| NATIONAL SCHOOL LUNCH | I | 10.555 | N/A | 7/1/19 - 6/30/20 | N/A | 2,725,200 | - | 2,749,241 | 2,749,241 | 24,041 | |
| BREAKFAST PROGRAM | I | 10.553 | N/A | 7/1/18 - 6/30/19 | N/A | 59 | 59 | - | - | - | |
| BREAKFAST PROGRAM | I | 10.553 | N/A | 7/1/19 - 6/30/20 | N/A | 247 | - | 247 | 247 | - | |
| SEVERE NEED BREAKFAST | I | 10.553 | N/A | 7/1/18 - 6/30/19 | N/A | 159,149 | 159,149 | - | - | - | |
| SEVERE NEED BREAKFAST | I | 10.553 | N/A | 7/1/19 - 6/30/20 | N/A | 896,576 | - | 911,687 | 911,687 | 15,111 | |
| AFTER SCHOOL SNACK | I | 10.555 | N/A | 7/1/18 - 6/30/19 | N/A | 7,258 | 7,258 | - | - | - | |
| AFTER SCHOOL SNACK | I | 10.555 | N/A | 7/1/19 - 6/30/20 | N/A | 59,744 | - | 59,744 | 59,744 | - | |
| SUMMER FOOD | I | 10.559 | N/A | 7/1/18 - 6/30/19 | N/A | 64,204 | 64,204 | - | - | - | |
| SUMMER FOOD | I | 10.559 | N/A | 7/1/19 - 6/30/20 | N/A | 136,838 | - | 201,173 | 201,173 | 64,335 | |
| | | | | | | | | | | | |
| <u>PASSED THROUGH THE PA</u> | | | | | | | | | | | 3 |
| <u>DEPARTMENT OF AGRICULTURE</u> | | | | | | | | | | | |
| NATIONAL SCHOOL LUNCH - USDA COMMODITIES | I | 10.555 | N/A | 7/1/19 - 6/30/20 | N/A | 377,779 | (10,410) | 352,293 | 352,293 | (35,896) | 4,5 |
| TOTAL CHILD NUTRITION CLUSTER | | | | | | 4,910,805 | 704,011 | 4,274,385 | 4,274,385 | 67,591 | |
| | | | | | | | | | | | |
| <u>PASSED THROUGH THE PA</u> | | | | | | | | | | | 3 |
| <u>DEPARTMENT OF EDUCATION</u> | | | | | | | | | | | |
| FRESH FRUIT AND VEGETABLE PROGRAM | I | 10.582 | N/A | 7/1/19 - 6/30/20 | N/A | 135,395 | - | 135,395 | 135,395 | - | |
| | | | | | | 135,395 | - | 135,395 | 135,395 | - | |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | | | | 5,046,200 | 704,011 | 4,409,780 | 4,409,780 | 67,591 | |
| | | | | | | | | | | | |
| TOTAL FEDERAL FINANCIAL AWARDS | | | | | | \$ 12,882,801 | \$ 1,959,284 | \$ 12,822,631 | \$ 12,822,631 | \$ 1,899,114 | |

SOURCE: D-DIRECT; I- INDIRECT

Bethlehem Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Bethlehem Area School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Bethlehem Area School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bethlehem Area School District.

Note 2 – 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 3 – Organization and Scope

The District recognized 2.8% of its total general fund revenue in federal awards, and 70.8% of its total enterprise fund revenue.

Note 4 – Indirect Costs

The District did not charge any indirect costs to any of their federal grants and programs during this fiscal year. As such, the District did not use the 10% de minimis cost rate.

Note 5 – 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 awards passed through the Lancaster-Lebanon I.U. #13 under the U.S. Department of Education heading, are part of a consortium of participating school districts. However, the District is not contracted as part of the participating school districts of the Lancaster-Lebanon I.U. #13, but merely received a special award in the form of a grant for Liberty High School. In accordance with directions from the Commonwealth of Pennsylvania, these awards are reported on the basic financial statements as local source revenues.
3. The Federal Grants were passed through the following entities in the totals below:

| | <u>Total Awards</u> | <u>Total Expenditures</u> |
|---------------------------------|-----------------------------|----------------------------------|
| <u>Passed through</u> | | |
| PA Department of Education | \$ 13,833,385 | \$ 10,174,351 |
| Lancaster-Lebanon I.U. #13 | 50,000 | 25,000 |
| Colonial I.U. #20 | 3,910,828 | 1,938,836 |
| PA Department of Public Welfare | 329,162 | 273,498 |
| County of York | N/A | 1,690 |
| PA Department of Agriculture | N/A | 352,293 |
| Totals | <u>\$ 18,123,375</u> | <u>\$ 12,765,668</u> |

Bethlehem Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

4. The District received non-monetary assistance from the U.S. Department of Agriculture of \$377,779 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2019-20 fiscal year, the District used \$352,293, in commodities, and established a year-end inventory of \$35,896 at June 30, 2020.
5. 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.
6. The Medical Access grant passed through the PA Department of Education is reflected as federal source revenue on the basic financial statements; however, pursuant to instructions from the Commonwealth of PA, it is not reported as revenue on the Schedule of Expenditures of Federal Awards.

FINANCIAL STATEMENT RECONCILIATION

| | |
|--|-----------------------------|
| General Fund Federal Source Revenues | \$ 6,603,096 |
| Federal Grants in Local Sources | 1,965,526 |
| Food Service Fund Federal Revenue | <u>4,918,260</u> |
| Total Federal Revenue, per financial statements | 13,486,882 |
| Less - Medical Access Reimbursement (Federal) | (638,764) |
| Plus: Change in Donated Commodities | <u>(25,487)</u> |
| Total Federal Revenue Reported on SEFA | <u>\$ 12,822,631</u> |



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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, 2020, 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 11, 2020.

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,



December 11, 2020



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 ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2020. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2020.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



December 11, 2020

**Bethlehem Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section I - Summary of Auditor Results

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 200.516 of the Uniform Guidance? ☐ yes ☒ no

Identification of major program:

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------|------------------------------------|
| 84.010 | Title I Cluster |
| 84.425D | COVID-19 - ESSER |

Percentage of programs tested to total awards 39.1%

Dollar threshold used to distinguish between type A and type B program: \$750,000

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

**Bethlehem Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section II – Financial Statement Findings

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

There were no findings discovered, relating to the federal awards, which are required to be reported in accordance with Uniform Guidance, Section 200.516.

Audit Follow-Up Procedures

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