

**REPORT ON
BETHLEHEM AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2021**

BETHLEHEM AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2021

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INTRODUCTORY SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
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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, 2021, 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 7, 2021



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, 2021, and have issued our report thereon dated December 7, 2021.

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 16, 2021.

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 7, 2021. 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 2020-21 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.

OTHER INFORMATION

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,



December 7, 2021

REPORT DISTRIBUTION LIST

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

ONE COPY TO: (Electronically Submitted)	BUREAU OF THE CENSUS DATA PREPARATION DIVISION
ONE COPY TO: (Electronically Submitted)	COMMONWEALTH OF PENNSYLVANIA OFFICE OF THE BUDGET/BUREAU OF AUDITS
ONE COPY TO:	U.S. DEPARTMENT OF EDUCATION 400 MARYLAND AVENUE, SW WASHINGTON, D.C. 20202
ONE COPY TO:	COLONIAL INTERMEDIATE UNIT 6 DANFORTH DRIVE EASTON, PA 18045
ONE COPY TO:	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
ONE COPY TO:	INTERMEDIATE UNIT 1 ONE INTERMEDIATE UNIT DRIVE COAL CENTER, PA 15423-9642
ONE COPY TO:	COUNTY OF NORTHAMPTON DEPT. OF COMMUNITY & ECONOMIC DEV. 2801 EMERICK BLVD BETHLEHEM, PA 18020-8015

FINANCIAL SECTION



GORMAN & ASSOCIATES, P.C.

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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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2-G to the financial statements, the District adopted the provisions of GASB No. 84, *Fiduciary Activities*, GASB Statements No. 90, *Accounting and Financial Reporting for Majority Equity Interest* – an amendment of GASB Statements No. 14 and No. 61 and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32, and GASB Statement No. 98, *The Annual Comprehensive Financial Report*. Our opinion is not modified with respect to these matters.

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 9-20, 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 91-100, 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 7, 2021, 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 7, 2021

**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, 2021**

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, 2021. 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 13,022 students in our 22 schools for 2020-21. 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 higher than budgeted current real estate, earned income and mercantile tax yielded an increase in operating revenue indicative of local economic stability during the pandemic. State and federal revenue was under budget by \$2,710,595. Overall operating revenues were \$299,246,522 for the 2020-21 school year, \$1,388,564 or 0.47% more than budgeted.

Actual operating expenditures were lower than budgeted in the amount of \$6,132,266 or 2.08% under budget. This resulted from reduced transportation due to the pandemic hybrid schedule and less than budgeted operation & maintenance costs due to reduced utility costs and supplies. Transfers to the Capital Reserve Fund in the amount of \$3,000,000 resulted in total expenditures of \$291,521,697.

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

In total, this yielded a net General Fund surplus of 2.59% or \$7,762,879 for the year ended June 30, 2021. Together with the beginning fund balance of \$38,641,155, the BASD ended the fiscal year with a total general fund balance of \$46,404,034. This fund balance is reduced by \$251,210 in non-spendable assets, \$10,971 restricted, \$16,000,000 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 \$4,496,478 allocated toward balancing the 2021-22 operating budget. The resulting undesignated fund balance on June 30, 2021 is \$21,645,375 or 7.6% 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.

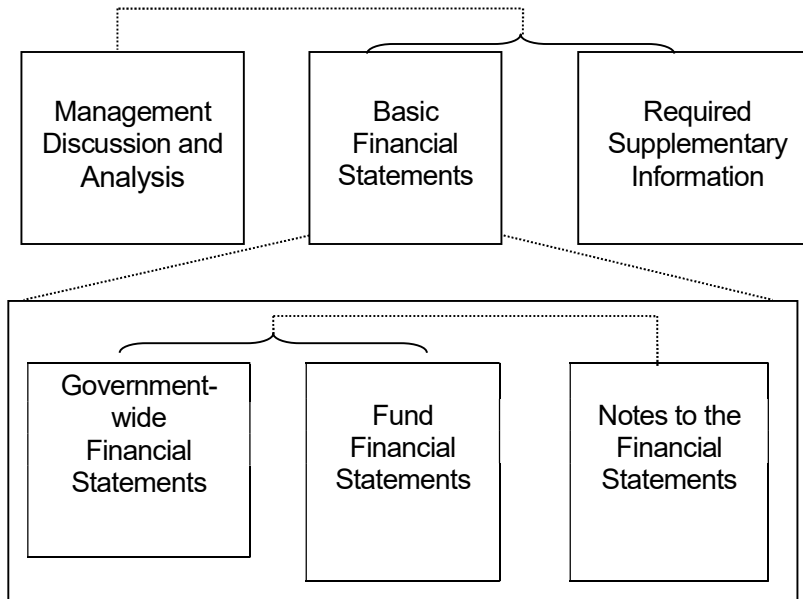
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future 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 (\$338,034,455) at June 30, 2021. This is an increase from the previous fiscal year of \$6,825,855.

**Table A-1
Net Position (In Millions)
Fiscal Year Ended June 30, 2021**

	2021			2020		
	Govern- mental Activities	Business- Type Activities	Total Primary Government	Govern- mental Activities	Business- Type Activities	Total Primary Government
Current assets	\$ 97.9	\$ 1.9	\$ 99.8	\$ 99.7	\$ 2.8	\$ 102.5
Non-Current assets	247.1	0.1	247.2	249.3	0.1	249.4
Deferred Outflow of Resources	98.0	1.7	99.7	81.4	1.3	82.7
Total Assets & Deferred Outflow of Resources	\$ 443.0	\$ 3.7	\$ 446.7	\$ 430.4	\$ 4.2	\$ 434.6
Current and other liabilities	\$ 52.5	\$ 0.9	\$ 53.4	\$ 56.4	\$ 0.5	\$ 56.9
Long-term liabilities	693.0	13.2	706.2	683.3	12.3	695.6
Deferred Inflow of Resources	24.8	0.3	25.1	26.7	0.3	27.0
Total Liabilities & Deferred Inflow of Resources	770.3	14.4	784.7	766.4	13.1	779.5
Net Position						
Net Investment in Capital Assets	\$ -	\$ 0.1	\$ 0.1	\$ -	\$ 0.1	\$ 0.1
Unrestricted	(327.3)	(10.8)	(338.1)	(336.0)	(9.0)	(345.0)
Total Net Position	\$ (327.3)	\$ (10.7)	\$ (338.0)	\$ (336.0)	\$ (8.9)	\$ (344.9)
Total Liabilities, Deferred Inflow of Resources, & Net Position	\$ 443.0	\$ 3.7	\$ 446.7	\$ 430.4	\$ 4.2	\$ 434.6

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 result 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, 2021**

	<u>2021</u>			<u>2020</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	\$ 258	\$ 1,043	\$ 1,301	\$ 610	\$ 3,255	\$ 3,865
Operating grants and contributions	50,126	5,098	55,224	44,543	5,855	50,398
Capital grants and contributions	1,965	-	1,965	1,919	-	1,919
<i>General revenues</i>						
Property taxes	177,674	-	177,674	170,640	-	170,640
Other taxes	27,317	-	27,317	24,410	-	24,410
Grants, subsidies and contributions, unrestricted	38,802	-	38,802	38,797	-	38,797
Other	1,586	3	1,589	2,975	20	2,995
TOTAL REVENUES	\$ 297,728	\$ 6,144	\$ 303,872	\$ 283,894	\$ 9,130	\$ 293,024
	-----	-----	-----	-----	-----	-----
<u>EXPENSES</u>						
Instruction	\$ 191,459	\$ -	\$ 191,459	\$ 182,446	\$ -	\$ 182,446
Instructional student support	24,503	-	24,503	23,942	-	23,942
Administrative and financial support	23,563	-	23,563	23,381	-	23,381
Operation and maintenance of plant	18,515	-	18,515	18,653	-	18,653
Pupil transportation	8,772	-	8,772	9,604	-	9,604
Student activities	2,997	-	2,997	3,628	-	3,628
Community services	178	-	178	157	-	157
Scholarships and Awards	-	-	-	-	-	-
Interest on long-term debt	10,125	-	10,125	10,612	-	10,612
Unallocated depreciation expense	8,988	-	8,988	8,292	-	8,292
Food Services	-	7,946	7,946	-	9,130	9,130
TOTAL EXPENSES	289,100	7,946	297,046	280,715	9,130	289,845
	-----	-----	-----	-----	-----	-----
Increase (decrease) in net position	\$ 8,628	\$ (1,802)	\$ 6,826	\$ 3,179	\$ -	\$ 3,179
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**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 largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, 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, 2021**

Functions/Programs	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 191,459	\$ 154,995	\$ 182,446	\$ 148,983
Instructional student support	24,503	19,000	23,942	19,994
Administrative	23,563	21,002	23,381	21,022
Operation and maintenance	18,515	16,408	18,653	17,002
Pupil transportation	8,772	5,002	9,604	6,019
Student activities	2,997	2,674	3,628	3,143
Community services	178	120	157	105
Interest on long-term debt	10,125	8,562	10,612	9,082
Unallocated depreciation expense	8,988	8,988	8,292	8,292
Total governmental activities	\$ 289,100	\$ 236,751	\$ 280,715	\$ 233,642
Less:				
Unrestricted grants, subsidies		38,802		38,797
Total needs from local taxes and other revenues		\$ (197,949)		\$ (194,845)

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, 2021**

Functions/Programs	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	\$ 5,799,079	\$ (1,053,068)	\$ 6,976,237	\$ (80,800)
Child Care	2,146,622	(752,041)	2,153,722	60,897
Less:				
Investment earnings & other misc.		3,103		28,804
Total business-type activities		\$ (1,802,006)		\$ 8,901

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

District Funds

At June 30, 2021, the District governmental funds reported a combined fund balance of \$56,378,927, an increase of \$5,523,589 from the previous year.

General fund operating revenues exceeded expenses by \$7,762,879 which resulted in the final General Fund net ending fund balance of \$46,404,034. This favorable increase is less than the budgeted shortfall of \$4,053,155.

Capital Projects Funds, including both the Capital Reserve and Capital Projects Funds, had a decrease of \$2,239,290 resulting in a Capital Project fund balance of \$9,974,893 on June 30, 2021 as a result of ongoing planned 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 higher than budgeted current real estate, earned income and mercantile tax yielded an increase in operating revenue indicative of local economic stability. State and federal revenue was under budget by \$2,710,595. Overall operating revenues were \$299,246,522 for the 2020-21 school year, \$1,388,564 or 0.47% more than budgeted.

Analysis of actual operating expenditures shows lower than budgeted spending in the amount of \$6,132,266 or 2.08% under budget. This resulted from less than budgeted transportation due to a hybrid schedule and less than budgeted operation & maintenance costs due to lower utility costs and supply purchases. Transfers to the Capital Reserve Fund in the amount of \$3,000,000 resulted in total expenditures of \$291,521,697.

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, 2021, the District had \$247,107,149 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net decrease of \$2,188,795 or 0.88% 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, 2021**

	<u>2021</u>	<u>2020</u>
Land	\$ 75,410	\$ 75,410
Site Improvements	14,248,947	14,139,538
Buildings	383,832,816	383,832,816
Furniture & Equipment	70,060,511	67,223,223
Construction in Progress	9,975,950	4,573,347
Total Capital Assets	478,193,634	469,844,334
Less Accumulated Depreciation	(231,086,485)	(220,558,391)
Total Capital Assets Net of Accumulated Depreciation	<u>\$ 247,107,149</u>	<u>\$ 249,285,943</u>

The District had significant additions in construction in progress related to HVAC Improvements at various Elementary Schools.

DEBT ADMINISTRATION

On July 1, 2020, the District had total outstanding debt of \$260,875,000. During the year, the District retired outstanding debt for a net decrease of \$11,790,000, resulting in ending outstanding debt as of June 30, 2021, of \$249,085,000.

**Table A-6
Outstanding Debt**

	<u>2021</u>	<u>2020</u>
General Obligation Notes/Bonds:		
- Bonds, Series of 2019	\$ 18,015,000	\$ 29,430,000
- Bonds, GRB Series A of 2018	30,095,000	30,110,000
- Bonds, GRB Series of 2018	40,550,000	40,585,000
- Bonds, GRB Series of 2017	30,200,000	30,250,000
- Bonds, Series B of 2016	19,700,000	19,700,000
- Bonds, Series A of 2016	33,960,000	34,225,000
- Notes, Series C of 2015	9,555,000	9,560,000
- 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	33,285,000	33,290,000
TOTAL	<u>\$ 249,085,000</u>	<u>\$ 260,875,000</u>

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

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.

FUTURE ECONOMIC FACTORS

Capital Improvement Plan

Since 1991, the school district has renovated or replaced most of its 22 schools and other properties. 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, Calypso Elementary and Governor Wolf Elementary the summer thereafter. The school district plans on a roofing project at Freedom High School during the 2021-2022 school year along with repairs to the tennis courts, auditorium lighting and replacement of the bus lift.

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, with a total notional amount of \$99,395,000 outstanding as of June 30, 2021. 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. The cessation of LIBOR will be addressed with a new index at the remarketing in November 2021.

Future Budgets

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 2021-2022 budget, this adjusted index was 3.7%. The District adopted the Resolution to not exceed the Act 1 index and is therefore precluded from filing any exception requests. The 2021-2022 final budget included an average tax increase of 2% remaining below the Act 1 max tax limit. The annual operating budget for the 2021-2022 year is \$315,820,921 is supported by a 1.59 mil increase for Northampton County and a 0.13 mil increase for Lehigh County. 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 proposed 2021-2022 final budget includes \$304.2 million for ongoing programs with \$11.5 million for academic recovery and other learning supports such as technology upgrades, hot spots and student Wi-Fi connectivity at home for a total annual budget of \$315.8 million. This represents approximately a 2.3% increase in ongoing programs and a 4.58% overall increase from the 2020-2021 budget of \$302 million. The increase in mandated costs of pension (+\$2M), charter schools (+\$1.7M) and special education (+2.6M). The growth in these largest mandates have continued to outpace the growth in BASD operating costs for many years. These mandated costs are increasing faster than other operations at over 5% without corresponding subsidy growth to fund these mandatory services.

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

The annual budget also supports tuition payments to other outside programs such as Bethlehem Area Vocational Technical School at \$7.4 million, Northampton Community College at \$2.5 million and Colonial Intermediate Unit at \$14 million. Our tuition to charter schools is \$33.9 million which is our entire state Basic Education Subsidy leaving zero state funding for the over 13,000 students in our BASD public schools.

Additionally, the District's Built by Bethlehem Roadmap identifies four components necessary for student success: Organizational, Academic, Student Services and School Community/Culture. This "comprehensive" school experience is critical to our mission as a public school and guided our efforts throughout the budget process.

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

BUDGETED REVENUES

	2021-2022	2020-2021
Local	67.1%	68.8%
State	25.6%	26.5%
Federal	5.9%	3.9%
Other	1.4%	0.7%

BUDGETED EXPENDITURES

	2021-2022	2020-2021
Instruction	63.8%	62.8%
Support Services	27.1%	26.9%
Non-Instruction/Community	1.1%	1.3%
Fund Transfers	0.0%	0.0%
Debt	8.0%	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, 2021

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 72,457,017	\$ 200,582	\$ 72,657,599
Investments	6,233,575	-	6,233,575
Receivables, net	6,754,593	-	6,754,593
Internal Balances	325,905	571,335	- (1)
Due From Other Governments	11,320,529	859,696	12,180,225
Other Receivables, net	515,656	204,142	719,798
Inventories	190,569	10,150	200,719
Prepaid Expenses	60,641	42,636	103,277
Other Current Assets	28,853	-	28,853
Total Current Assets	97,887,338	1,888,541	98,875,639
Non-Current Assets:			
Restricted Cash and Investments	-	-	-
Land	75,410	-	75,410
Site Improvements (net of depreciation)	4,602,277	-	4,602,277
Building and Bldg. Improvements (net of depreciation)	225,179,085	-	225,179,085
Furniture and Equipment (net of depreciation)	7,274,427	111,109	7,385,536
Construction in Progress	9,975,950	-	9,975,950
Total Non-Current Assets	247,107,149	111,109	247,218,258
TOTAL ASSETS	344,994,487.00	1,999,650.00	346,096,897
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow of Resources - Derivatives	8,745,170	-	8,745,170
Deferred Charges on Bond Refundings, net	15,022,216	-	15,022,216
Deferred Cost on Refundings - Derivatives	10,551,434	-	10,551,434
Deferred Outflows of Resources - Related to Pensions	58,285,750	1,557,298	59,843,048
Deferred Outflows of Resources - Related to OPEB	5,439,075	128,411	5,567,486
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 443,038,132	\$ 3,685,359	\$ 445,826,251
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 571,336	\$ 325,904	\$ - (1)
Due to other governments	1,084,261	-	1,084,261
Accounts Payable	5,843,549	284,695	6,128,244
Current Portion of Long-Term Obligations	14,631,744	-	14,631,744
Accrued Salaries and Benefits	14,517,544	25,942	14,543,486
Payroll Deductions and Withholdings	12,701,360	33,868	12,735,228
Prepayments	176,382	203,550	379,932
Other Current Liabilities	3,038,886	67,020	3,105,906
Total Current Liabilities	52,565,062	940,979	52,608,801
Non-Current Liabilities:			
Bonds and Notes Payable	241,151,959	-	241,151,959
Derivative Financial Instrument Liability	22,134,423	-	22,134,423
Lease Purchase Obligations	-	-	-
Long-Term Portion of Compensated Absences	5,453,663	261,104	5,714,767
Net OPEB Liability - Single Employer Plan	42,741,197	224,986	42,966,183
Net OPEB Liability - Multiple Employer Plan	16,249,377	478,294	16,727,671
Net Defined Benefit Pension Liability	364,717,148	12,205,958	376,923,106
Net Defined Contribution Pension Liability	558,291	-	558,291
TOTAL LIABILITIES	745,571,120	14,111,321	758,785,201
DEFERRED INFLOWS OF RESOURCES			
Deferred Gain on Refundings - Derivatives	9,350,131	-	9,350,131
Deferred Inflows of Resources - Related to Pensions	8,401,839	264,479	8,666,318
Deferred Inflows of Resources - Related to OPEB	7,058,927	129	7,059,056
Deferred Inflows of Resources - Unearned Revenue	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	770,382,017	14,375,929	783,860,706
NET POSITION			
Net Investment in Capital Assets	-	111,109	111,109
Restricted For:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	-	-	-
Other Restrictions	-	-	-
Unrestricted (deficit)	(327,343,885)	(10,801,679)	(338,145,564)
TOTAL NET POSITION	(327,343,885)	(10,690,570)	(338,034,455)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 443,038,132	\$ 3,685,359	\$ 445,826,251

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, 2021

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	\$ 191,459,030	\$ 222,550	\$ 36,241,569	\$ -	\$ (154,994,911)	\$ -	\$ (154,994,911)
Instructional Student Support	24,503,224	-	5,101,048	402,069	(19,000,107)	-	(19,000,107)
Admin. & Fin'l Support Services	23,562,740	-	2,561,111	-	(21,001,629)	-	(21,001,629)
Oper. & Maint. of Plant Svcs.	18,515,239	-	2,107,656	-	(16,407,583)	-	(16,407,583)
Pupil Transportation	8,772,100	-	3,769,930	-	(5,002,170)	-	(5,002,170)
Student activities	2,997,055	22,298	300,331	-	(2,674,426)	-	(2,674,426)
Community Services	177,778	13,148	44,170	-	(120,460)	-	(120,460)
Scholarships and Awards	396	-	-	-	(396)	-	(396)
Interest on Long-Term Debt	10,125,245	-	-	1,563,138	(8,562,107)	-	(8,562,107)
Unallocated Depreciation Expense	8,987,492	-	-	-	(8,987,492)	-	(8,987,492)
TOTAL GOVERNMENTAL ACTIVITIES	289,100,299	257,996	50,125,815	1,965,207	(236,751,281)	-	(236,751,281)
BUSINESS-TYPE ACTIVITIES:							
Food Services	5,799,079	152,622	4,593,389	-	-	(1,053,068)	(1,053,068)
Day Care	2,146,622	890,330	504,251	-	-	(752,041)	(752,041)
TOTAL PRIMARY GOVERNMENT	\$ 297,046,000	\$ 1,300,948	\$ 55,223,455	\$ 1,965,207	\$ (236,751,281)	\$ (1,805,109)	\$ (238,556,390)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 177,674,381	\$ -	\$ 177,674,381
Taxes levied for specific purposes					27,316,499	-	27,316,499
Grants, subsidies, & contributions not restricted					38,802,279	-	38,802,279
Investment Earnings					72,888	89	72,977
Miscellaneous Income					1,475,071	3,014	1,478,085
Special item - Gain (Loss) on sale of capital assets					-	-	-
Extraordinary Items					38,024	-	38,024
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					245,379,142	3,103	245,382,245
CHANGES IN NET POSITION					8,627,861	(1,802,006)	6,825,855
NET POSITION - BEGINNING					(335,971,746)	(8,888,564)	(344,860,310)
NET POSITION - ENDING					\$ (327,343,885)	\$ (10,690,570)	\$ (338,034,455)

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

**Bethlehem Area School District
Balance Sheet
Governmental Funds
As of June 30, 2021**

	GENERAL	CAPITAL PROJECT FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 61,001,221	\$ 10,456,450	\$ 999,345	\$ 72,457,016
Restricted Cash	-	-	-	-
Investments	6,233,575	-	-	6,233,575
Restricted Investments	-	-	-	-
Taxes Receivable, net	6,754,593	-	-	6,754,593
Due from Other Funds	419,761	673,556	-	1,093,317
Due from Primary Government	-	-	-	-
Due from Other Governments	11,320,529	-	-	11,320,529
Due from Component Unit	-	-	-	-
Other Receivables	488,570	-	-	488,570
Inventories	190,569	-	-	190,569
Prepaid Expenditures	60,641	-	-	60,641
Other Current Assets	28,853	-	-	28,853
TOTAL ASSETS	86,498,312	11,130,006	999,345	98,627,663
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 86,498,312	\$ 11,130,006	\$ 999,345	\$ 98,627,663
<u>LIABILITIES</u>				
Due to Other Funds	\$ 3,004,748	\$ 476,022	\$ -	\$ 3,480,770
Due to Other Governments	1,084,261	-	-	1,084,261
Due to Primary Government	-	-	-	-
Due to Component Unit	-	-	-	-
Accounts Payable	2,998,880	679,091	-	3,677,971
Current Portion of Long-Term Debt	446,744	-	35,000	481,744
Accrued Salaries and Benefits	14,517,544	-	-	14,517,544
Payroll Deductions and Withholdings	12,701,360	-	-	12,701,360
Prepayments	176,382	-	-	176,382
Other Current Liabilities	-	-	964,345	964,345
TOTAL LIABILITIES	34,929,919	1,155,113	999,345	37,084,377
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned/Unavailable Property Taxes and Grants	5,164,359	-	-	5,164,359
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	40,094,278	1,155,113	999,345	42,248,736
<u>FUND BALANCES:</u>				
Nonspendable Fund Balance	251,210	-	-	251,210
Restricted Fund Balance	10,971	9,974,893	-	9,985,864
Committed Fund Balance	16,000,000	-	-	16,000,000
Assigned Fund Balance	8,496,478	-	-	8,496,478
Unassigned Fund Balance	21,645,375	-	-	21,645,375
TOTAL FUND BALANCES	46,404,034	9,974,893	-	56,378,927
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 86,498,312	\$ 11,130,006	\$ 999,345	\$ 98,627,663

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, 2021**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 56,378,927
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 \$478,193,634 and the accumulated depreciation is \$231,086,485.	247,107,149
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.	3,529
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.	9,946,473
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.	5,164,359
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.	15,022,216
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.	48,264,060
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	\$ (255,301,959)
Accrued interest on the bonds	(2,074,540)
Intergovernmental Payable	-
Compensated absences	(5,453,663)
Derivative Instrument Liability	(22,134,423)
Net Defined Benefit Pension Liability	(364,717,148)
Net Defined Contribution Pension Liability	(558,291)
Net OPEB Liability - Single Employer Plan	(42,741,197)
Net OPEB Liability - Multiple Employer Plan	(16,249,377)
Lease Purchase Obligations	-
	(709,230,598)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ (327,343,885)</u>

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, 2021

	GENERAL	CAPITAL PROJECT FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local Sources	\$ 210,530,703	\$ 5,597	\$ 4,296,952	\$ 214,833,252
State Sources	77,791,610	-	-	77,791,610
Federal Sources	10,924,239	-	-	10,924,239
TOTAL REVENUES	<u>299,246,552</u>	<u>5,597</u>	<u>4,296,952</u>	<u>303,549,101</u>
EXPENDITURES				
Instruction	188,533,539	-	-	188,533,539
Support Services	73,771,799	-	-	73,771,799
Operation of Non-Instructional Services	3,009,135	-	-	3,009,135
Capital Outlay	541,717	5,002,824	-	5,544,541
Debt Service	22,665,507	242,063	4,296,952	27,204,522
TOTAL EXPENDITURES	<u>288,521,697</u>	<u>5,244,887</u>	<u>4,296,952</u>	<u>298,063,536</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>10,724,855</u>	<u>(5,239,290)</u>	<u>-</u>	<u>5,485,565</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Bond Issues	-	-	-	-
Proceeds from Refunded Bond Issues	-	-	-	-
Proceeds from Extended Term Financing	-	-	-	-
Bond Premiums	-	-	-	-
Interfund Transfers In	-	3,000,000	-	3,000,000
Sale/Compensation for Fixed Assets	-	-	-	-
Payment to Bond Refunding Escrow Agent	-	-	-	-
Refund of Prior Year Receipts	-	-	-	-
Bond Discount	-	-	-	-
Operating Transfers Out	(3,000,000)	-	-	(3,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,000,000)</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items - Insurance Recoveries	38,024	-	-	38,024
NET CHANGE IN FUND BALANCES	<u>7,762,879</u>	<u>(2,239,290)</u>	<u>-</u>	<u>5,523,589</u>
FUND BALANCES - BEGINNING	<u>38,641,155</u>	<u>12,214,183</u>	<u>-</u>	<u>50,855,338</u>
FUND BALANCES - ENDING	<u><u>\$ 46,404,034</u></u>	<u><u>\$ 9,974,893</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 56,378,927</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, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 5,523,589**

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	\$ 10,528,094	
less - capital outlays	<u>8,349,299</u>	(2,178,795)

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.

(1,415,208)

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.

12,068,346

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.

(157,455)

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.

(146,805)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **\$ 13,693,672**

**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, 2021**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING (cont'd) \$ 13,693,672

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.

713,979

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.

(5,779,790)

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 8,627,861

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, 2021

	FOOD SERVICE	DAY CARE FUND	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 20,557	\$ 180,025	\$ 200,582
Investments	-	-	-
Due from Other Funds	353,078	218,621	571,699
Due From Other Governments	859,696	-	859,696
Other Receivables (net)	152,505	51,273	203,778
Inventories	10,150	-	10,150
Prepaid expenses	42,636	-	42,636
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	1,438,622	449,919	1,888,541
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	111,109	-	111,109
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	111,109	-	111,109
TOTAL ASSETS	1,549,731	449,919	1,999,650
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources - Related to Pensions	956,080	610,633	1,566,713
Deferred Outflows of Resources - Related to OPEB	88,068	40,344	128,412
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 2,593,879	\$ 1,100,896	\$ 3,694,775
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 352,134	\$ 70,950	\$ 423,084
Due to Other Governments	-	-	-
Accounts Payable	183,598	3,918	187,516
Compensated Absences	-	-	-
Accrued Salaries and Benefits	25,942	-	25,942
Payroll Deductions and Withholdings	2,925	30,943	33,868
Other Current Liabilities	67,020	-	67,020
Prepayments	73,227	130,323	203,550
TOTAL CURRENT LIABILITIES	704,846	236,134	940,980
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	112,281	148,823	261,104
Net Defined Benefit Pension Liability	7,253,343	4,952,615	12,205,958
Net OPEB Liability - Single Employer Plan	153,268	71,718	224,986
Net OPEB Liability - Multiple Employer Plan	292,365	185,929	478,294
TOTAL NON-CURRENT LIABILITIES	7,811,257	5,359,085	13,170,342
TOTAL LIABILITIES	8,516,103	5,595,219	14,111,322
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources - Related to Pensions	173,260	100,634	273,894
Deferred Inflows of Resources - Related to OPEB	80	49	129
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	8,689,443	5,695,902	14,385,345
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	111,109	-	111,109
Restricted for Legal Purposes	-	-	-
Unrestricted	(6,206,673)	(4,595,006)	(10,801,679)
TOTAL FUND NET POSITION	(6,095,564)	(4,595,006)	(10,690,570)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND NET POSITION	\$ 2,593,879	\$ 1,100,896	\$ 3,694,775

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, 2021

	FOOD SERVICE	DAY CARE FUND	TOTAL
OPERATING REVENUES:			
Food Service Revenue	\$ 152,622	\$ -	\$ 152,622
Charges for Services	-	530,515	530,515
Other Operating Revenues	544	362,285	362,829
TOTAL OPERATING REVENUES	<u>153,166</u>	<u>892,800</u>	<u>1,045,966</u>
	-----	-----	-----
OPERATING EXPENSES:			
Salaries	1,738,104	1,120,514	2,858,618
Employee Benefits	1,525,697	1,013,668	2,539,365
Purchased Professional and Technical Services	175	2,619	2,794
Purchased Property Service	42,298	-	42,298
Other Purchased Services	2,108,551	669	2,109,220
Supplies	351,205	7,199	358,404
Depreciation	27,869	-	27,869
Dues and Fees	5,180	694	5,874
Claims and Judgments	-	-	-
Other Operating Expenses	-	1,259	1,259
TOTAL OPERATING EXPENSES	<u>5,799,079</u>	<u>2,146,622</u>	<u>7,945,701</u>
OPERATING INCOME (LOSS)	<u>(5,645,913)</u>	<u>(1,253,822)</u>	<u>(6,899,735)</u>
	-----	-----	-----
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	40	49	89
Contributions and Donations	-	390	390
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	349,420	218,261	567,681
Federal Sources	4,243,969	285,600	4,529,569
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>4,593,429</u>	<u>504,300</u>	<u>5,097,729</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(1,052,484)</u>	<u>(749,522)</u>	<u>(1,802,006)</u>
Capital Contributions	-	-	-
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	<u>(1,052,484)</u>	<u>(749,522)</u>	<u>(1,802,006)</u>
FUND NET POSITION - BEGINNING	<u>(5,043,080)</u>	<u>(3,845,484)</u>	<u>(8,888,564)</u>
FUND NET POSITION - ENDING	<u>\$ (6,095,564)</u>	<u>\$ (4,595,006)</u>	<u>\$ (10,690,570)</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, 2021

	FOOD SERVICE	DAY CARE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 279,177	\$ 590,848	\$ 870,025
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	544	361,895	362,439
Cash Payments to Employees for Services	(3,043,336)	(2,025,453)	(5,068,789)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(1,747,395)	40,560	(1,706,835)
Cash Payments to Other Operating Expenses	(5,180)	(694)	(5,874)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(4,516,190)	(1,032,844)	(5,549,034)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	351,038	218,261	569,299
Federal Sources	3,746,261	285,600	4,031,861
Notes and Loans Received	-	-	-
Contributions and Donations	-	390	390
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	4,097,299	504,251	4,601,550
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	-	-	-
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	40	49	89
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	40	49	89
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(418,851)	(528,544)	(947,395)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	439,408	708,569	1,147,977
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 20,557</u>	<u>\$ 180,025</u>	<u>\$ 200,582</u>

Bethlehem Area School District
Statement of Cash Flows - Proprietary Funds
As of June 30, 2021

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

	FOOD SERVICE	DAY CARE FUND	TOTAL
OPERATING INCOME (LOSS)	\$ (5,645,913)	\$ (1,253,822)	\$ (6,899,735)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	27,869	-	27,869
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	281,194	-	281,194
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	39,992	38,319	78,311
(Increase) Decrease in Advances to Other Funds	86,563	21,624	108,187
(Increase) Decrease in Inventories	-	-	-
(Increase) Decrease in Prepaid Expenses	(380)	-	(380)
(Increase) Decrease in Other Current Assets	-	-	-
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion to NPL	(61,158)	(34,940)	(96,098)
(Increase) Decrease in Deferred Outflows of Resources - Current Year Contributions	88,674	25,132	113,806
(Increase) Decrease in Deferred Outflows of Resources - Change in Assumptions	53,192	26,351	79,543
(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	(282,385)	(184,423)	(466,808)
(Increase) Decrease in Deferred Outflows of Resources - Diff. between Expected vs Actual Experience	-	-	-
Increase (Decrease) in Accounts Payable	137,300	(16,987)	120,313
Increase (Decrease) in Accrued Salaries and Benefits	18,840	20,726	39,566
Increase (Decrease) in Advances from Other Funds	322,243	53,840	376,083
Increase (Decrease) in Net Defined Benefit Pension Liability	447,476	255,645	703,121
Increase (Decrease) in Net OPEB Liability - Single Employer Plan	15,495	12,312	27,807
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	9,851	5,631	15,482
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	(1,972)	(1,533)	(3,505)
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	(26,743)	(16,172)	(42,915)
Increase (Decrease) in Other Current Liabilities	14,097	15,453	29,550
TOTAL ADJUSTMENTS	<u>1,129,723</u>	<u>220,978</u>	<u>1,350,701</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (4,516,190)</u>	<u>\$ (1,032,844)</u>	<u>\$ (5,549,034)</u>

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

Bethlehem Area School District
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2021

	PRIVATE- PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	CUSTODIAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 286,949	\$ 28,043,411	\$ 651,203
Restricted Cash	-	-	-
Investments	1,903	640,000	-
Due from Other Funds	-	2,262,758	-
Other Receivables	-	1,072,511	18,251
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	<u>288,852</u>	<u>32,018,680</u>	<u>669,454</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 288,852</u>	<u>\$ 32,018,680</u>	<u>\$ 669,454</u>
LIABILITIES			
Accounts Payable	\$ 96,291	\$ 4,400,588	\$ 22,446
Due to Other Funds	-	23,537	384
Due to Student Clubs	-	-	-
Other Current Liabilities	-	53,304	-
TOTAL LIABILITIES	<u>96,291</u>	<u>4,477,429</u>	<u>22,830</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>96,291</u>	<u>4,477,429</u>	<u>22,830</u>
NET POSITION			
Restricted for			
Pool Participants	-	27,541,251	-
Individuals, Organizations, and Other Governments	<u>192,561</u>	<u>-</u>	<u>646,624</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	<u>\$ 288,852</u>	<u>\$ 32,018,680</u>	<u>\$ 669,454</u>

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

Bethlehem Area School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	PRIVATE- PURPOSE TRUST FUND	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	CUSTODIAL FUNDS
ADDITIONS			
Contributions - Members	\$ -	\$ 1,493,561	\$ 90,865
Contributions - Employer	-	28,047,212	-
Contributions - Gifts and Bequests	108,210	-	53,247
Special Events	-	-	202,489
Other Income	-	215,398	14,111
INVESTMENT EARNINGS:			
Interest and Dividends	35	16,971	83
Net Increase (decrease) in Fair Value of Investments	-	-	-
Less Investment Expense	-	-	-
TOTAL ADDITIONS	<u>108,245</u>	<u>29,773,142</u>	<u>360,795</u>
	<hr style="border-top: 1px dashed black;"/>		
DEDUCTIONS			
Administrative Expense	-	779,173	1,349
Insurance Payments for Members	-	30,534,165	-
Benefits Paid to Participants or Beneficiaries	115,340	150,021	-
Payments for Student Club Activities	-	-	387,223
Other	-	-	-
TOTAL DEDUCTIONS	<u>115,340</u>	<u>31,463,359</u>	<u>388,572</u>
CHANGES IN NET POSITION	(7,095)	(1,690,217)	(27,777)
NET POSITION - BEGINNING OF YEAR	<u>199,656</u>	<u>29,231,468</u>	<u>674,401</u>
NET POSITION - END OF YEAR	<u><u>\$ 192,561</u></u>	<u><u>\$ 27,541,251</u></u>	<u><u>\$ 646,624</u></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, 2021

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH	BUDGET TO	ACTUAL
	ORIGINAL	FINAL	(BUDGETARY BASIS)	FINAL BUDGET POSITIVE (NEGATIVE)	GAAP DIFFERENCE	AMOUNTS GAAP BASIS
REVENUES						
Local Sources	\$ 206,431,544	\$ 206,431,544	\$ 210,530,703	\$ 4,099,159	\$ -	\$ 210,530,703
State Sources	79,614,228	79,614,228	77,791,610	(1,822,618)	-	77,791,610
Federal Sources	11,812,216	11,812,216	10,924,239	(887,977)	-	10,924,239
TOTAL REVENUES	297,857,988	297,857,988	299,246,552	1,388,564	-	299,246,552
EXPENDITURES						
Regular Instruction	131,912,742	131,411,333	131,284,350	126,983	-	131,284,350
Special Programs	44,077,768	44,490,129	44,377,034	113,095	-	44,377,034
Vocational Programs	7,938,290	7,938,290	7,936,717	1,573	-	7,936,717
Other Instructional Programs	2,104,770	1,610,028	1,239,319	370,709	-	1,239,319
Nonpublic School Programs	377,528	379,028	316,352	62,676	-	316,352
Adult Education Programs	2,440,633	2,440,633	2,440,633	-	-	2,440,633
Community College Sponsorship	10,000	21,700	21,675	25	-	21,675
Pre-Kindergarten	876,672	919,310	917,459	1,851	-	917,459
Pupil Personnel Services	11,802,990	11,570,168	11,397,058	173,110	-	11,397,058
Instructional Staff Services	10,157,614	9,838,229	9,700,423	137,806	-	9,700,423
Administrative Services	13,552,256	13,001,180	12,920,135	81,045	-	12,920,135
Pupil Health	2,877,843	2,893,108	2,803,776	89,332	-	2,803,776
Business Services	2,485,011	2,486,204	2,284,738	201,466	-	2,284,738
Operation & Maintenance of Plant Services	20,824,042	20,331,555	18,625,397	1,706,158	-	18,625,397
Student Transportation Services	10,839,102	10,398,846	8,076,673	2,322,173	-	8,076,673
Central Support Services	8,441,038	8,261,376	7,832,200	429,176	-	7,832,200
Other Support Services	127,279	131,446	131,399	47	-	131,399
Student Activities	3,601,553	3,086,007	2,831,360	254,647	-	2,831,360
Community Services	178,384	195,803	177,379	18,424	-	177,379
Scholarships and Awards	600	600	396	204	-	396
Facilities, Acquisition and Construction	-	541,717	541,717	-	-	541,717
Debt Service	23,027,848	22,707,273	22,665,507	41,766	-	22,665,507
TOTAL EXPENDITURES	297,653,963	294,653,963	288,521,697	6,132,266	-	288,521,697
Excess (Deficiency) of Revenues Over Expenditures	204,025	3,204,025	10,724,855	7,520,830	-	10,724,855
OTHER FINANCING SOURCES (USES)						
Proceeds From Extended Term Financing	-	-	-	-	-	-
Interfund Transfers In	-	-	-	-	-	-
Other Financing Sources Not Listed Elsewhere	2,500	-	-	-	-	-
Sale/Compensation for Fixed Assets	80,000	80,000	-	(80,000)	-	-
Fund Transfers Out	-	(3,000,000)	(3,000,000)	-	-	(3,000,000)
Transfer to Component Units	-	-	-	-	-	-
Budgetary Reserve	(4,339,680)	(4,339,680)	-	4,339,680	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(4,257,180)	(7,259,680)	(3,000,000)	4,259,680	-	(3,000,000)
Special Items	-	-	-	-	-	-
Extraordinary Items - Insurance Recoveries	-	2,500	38,024	35,524	-	38,024
NET CHANGE IN FUND BALANCES	(4,053,155)	(4,053,155)	7,762,879	11,816,034	-	7,762,879
FUND BALANCE - JULY 1, 2020	\$ 39,366,308	\$ 39,366,308	\$ 38,641,155	\$ (725,153)	\$ -	\$ 38,641,155
FUND BALANCE - JUNE 30, 2021	\$ 35,313,153	\$ 35,313,153	\$ 46,404,034	\$ 11,090,881	\$ -	\$ 46,404,034

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, 2021**

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, 2021

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 2020-21 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 2020-21 was \$7,936,717.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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 2020-21 was \$2,440,633.

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, 2021**

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, 2021**

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 funds are:

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, 2021**

Daycare Fund

The District offers before and after care for elementary age students. This fund accounts for the financial transactions related to these services.

Fiduciary Funds

Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: Pension (and other employee benefit) trust funds, investment trust funds, Private-purpose trust funds and Custodial funds. The School District has three Fiduciary Funds

Self-Insured Employee Benefit Trust – This fund is a considered a pension and other employee benefit trust fund and is reported as such in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. This Fund is a separate legal entity and considered a component unit. The purpose of this fund is for the self-funding of the School District's employee's health, prescription, dental, and other related benefits.

Scholarship Fund – This fund is a considered a private purpose trust fund and is reported as such in the Statement of Net Position Fiduciary Funds and the Statement of Changes in Fiduciary Net Position. 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.

Student Activity Fund – This fund is considered a custodial fund and is reported as such in the Statement of Net Position Fiduciary Funds and the Statement of Changes in Fiduciary Net Position. Custodial funds are used to report fiduciary activities that are not required to be reported in one of the other three Fiduciary fund types.

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

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

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

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

E. Budgetary Process

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

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

Accelerated Budget Process Option

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

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

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

Board Resolution Option

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

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021**

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 2020-21 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 2020-21 fiscal year the School District implemented the following new generally accepted accounting principles:

GASB 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.

GASB Statement No. 90 (Accounting and Financial Reporting for Majority Equity Interests). This Statement is designed 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.

GASB Statement No. 97 (Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans). This Statement is designed to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for the IRC Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans.

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.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021**

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.

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.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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, 2021, 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, 2021, the inventory shown in the governmental activities column of the government-wide statement of net position is \$190,569 and \$10,150, 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 \$190,569, taken as of June 30, 2021; 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, 2021, consist of:

Purchased Food	\$	-
Donated Commodities		10,150
Purchased Supplies		-
Total	\$	<u>10,150</u>

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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, 2021**

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, 2021, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements reported on the modified accrual basis of accounting.

Net Position

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

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

Fund Balance Categories

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

Nonspendable Fund Balance

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

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021**

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, 2021

The details of the \$709,230,598 differences are:

Bonds payable	\$ 249,050,000
Less: Issuance discount (to be amortized as interest expense)	(200,399)
Add: Issuance premium (to be amortized as a contra to interest expense)	6,452,358
Derivative Instrument Liability	22,134,423
Lease Purchase Obligations	-
Accrued interest payable	2,074,540
Net Defined Benefit Pension Liability	364,717,148
Net Defined Contribution Pension Liability	558,291
Net OPEB Liability - Single Employer Plan	42,741,197
Net OPEB Liability - Multiple Employer Plan	16,249,377
Compensated absences	<u>5,453,663</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	<u>\$ 709,230,598</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, 2021

	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	\$ 179,089,589	\$ (1,415,208)	\$ -	\$ -	\$ 177,674,381
Taxes Levied for Specific Purposes	27,316,499	-	-	-	27,316,499
Interest and Investment Earnings	4,401,261	(31,421)	-	(4,296,952)	72,888
Miscellaneous	1,181,714	-	-	-	1,181,714
Contributions and Donations	293,357	-	-	-	293,357
Charges for Services	373,381	(115,385)	-	-	257,996
Grants, Subsidies & Contributions Not Restricted	38,737,205	-	-	-	38,737,205
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating Grants and Contributions	-	-	-	-	-
STATE SOURCES:					
Operating & Capital Grants and Contributions	39,054,905	-	-	-	39,054,905
FEDERAL SOURCES:					
Operating & Capital Grants and Contributions	13,101,191	-	-	-	13,101,191
SPECIAL AND EXTRAORDINARY SOURCES:					
Proceeds from Bond Issues	-	-	-	-	-
Bond Premiums	-	-	-	-	-
Proceeds from Extended Term Financing	-	-	-	-	-
Extraordinary Item - Insurance Recoveries	38,024	-	-	-	38,024
Gain or (Loss) on Disposal of Assets	-	-	-	-	-
TOTAL REVENUES	303,587,126	(1,562,014)	-	(4,296,952)	297,728,160
EXPENDITURES/EXPENSES					
Instruction	188,533,540	4,149,444	(1,223,954)	-	191,459,030
Instructional Student Support	23,901,257	600,448	1,519	-	24,503,224
Admin. & Fin'l Support Services	23,168,472	560,337	(166,069)	-	23,562,740
Oper. & Maint. Of Plant Svcs.	18,625,397	381,790	(491,948)	-	18,515,239
Pupil Transportation	8,076,673	170,254	525,173	-	8,772,100
Student Activities	2,831,360	74,575	91,120	-	2,997,055
Community Services	177,379	399	-	-	177,778
Scholarships & Awards	396	-	-	-	396
Capital Outlay	5,544,540	-	(5,544,540)	-	-
Debt Service	27,204,523	-	-	(17,079,278)	10,125,245
Transfers Out	-	-	-	-	-
Depreciation - Unallocated	-	-	8,987,492	-	8,987,492
Special Item - Derivative Termination Fee	-	-	-	-	-
TOTAL EXPENDITURES/EXPENSES	298,063,537	5,937,247	2,178,793	(17,079,278)	289,100,299
NET CHANGE FOR THE YEAR	\$ 5,523,589	\$ (7,499,261)	\$ (2,178,793)	\$ 12,782,326	\$ 8,627,861

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

The Capital Project (Construction Fund) contains a deficit fund balance of \$145,793 as of June 30, 2021. Which will be eliminated by future transfer from the General Fund. The governmental activities has a \$327,343,885 in deficit net position, and the business-type activities comprised of food service fund \$6,095,564 and day care fund \$4,595,006 have a deficit Net Position of \$10,690,570.

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, 2021.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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, 2021, \$999,345 of the District's bank balance of \$7,235,681 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	999,345
TOTAL	<u>\$ 999,345</u>

Reconciliation to Financial Statements

Uncollateralized Amount above	\$ 999,345
Plus: Insured Amount	6,726,516
Less: Outstanding Checks	-
Carrying Amount - Cash Balances	7,725,861
Plus: Petty Cash	317
Deposit in Pooled Investments Considered Cash Equivalents	100,638,462
Less: Certificates of Deposit considered Investments by School Code	(6,725,478)
TOTAL CASH PER FINANCIAL STATEMENTS	<u>\$ 101,639,162</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, 2021

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, 2021

As of June 30, 2021, the District had the following investments:

<i>Investment</i>	<i>Maturities</i>	<i>Fair Value</i>
PSDLAF/PSDMAX		\$ 88,833,237
PSDMAX - Restricted		-
PA Treasurer's Invest Program		1,368
PLGIT Class		11,803,857
PLGIT- CD's		4,996,575
Lafayette Ambassador Bank -CD		600
KNBT - CD's		1,303
PSDLAF - CD's		1,877,000
TOTAL		\$ 107,513,940

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, 2021, 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. Of the General Fund's investments, 7.43% were held in U.S. Treasury Bills. Of the governmental activities' investments, 6.43% were held in U.S. Treasury Bills. For all investments held entity-wide, 4.65% were invested in U.S. Treasury Bills.

Reconciliation to Financial Statements

Total Investments Above	\$ 107,513,940
Less: Deposits in Investment Pool Considered Cash Equivalents	(100,638,462)
Total Investments Per Financial Statements	\$ 6,875,478

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, 2021. 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, 2021

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 \$4,390,521,150. In accordance with Act I of 2006, the District receives \$4,753,587 in property tax reduction funds for the 2020-21 fiscal year. The tax rate for the Northampton and Lehigh Counties were \$5.617 and \$1.865, respectively per \$100 of assessed valuation or 56.17 mills and 18.65 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	6,754,593	-	-	-	-	6,754,593
Accounts	488,570	-	152,505	51,273	1,090,762	1,783,110
Intergovernmental	11,320,529	-	859,696	-	-	12,180,225
GROSS RECEIVABLES	18,563,692	-	1,012,201	51,273	1,090,762	20,717,928
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 18,563,692	\$ -	\$ 1,012,201	\$ 51,273	\$ 1,090,762	\$ 20,717,928

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	\$ 5,164,359	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 5,164,359	\$ -

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

Capital Assets

Capital asset balances and activity for the year ending June 30, 2021, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 75,410	\$ -	\$ -	\$ 75,410
Construction in Progress	4,573,347	5,544,540	(141,937)	9,975,950
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	4,648,757	5,544,540	(141,937)	10,051,360
Capital Assets being depreciated:				
Site Improvements	14,139,538	109,409	-	14,248,947
Buildings and Improvements	383,832,816	-	-	383,832,816
Furniture and Equipment	67,223,223	2,837,288	-	70,060,511
TOTAL CAPITAL ASSETS BEING DEPRECIATED	465,195,577	2,946,697	-	468,142,274
Less accumulated depreciation for:				
Site Improvements	(9,290,686)	(355,984)	-	(9,646,670)
Buildings and Improvements	(149,745,676)	(8,908,055)	-	(158,653,731)
Furniture and Equipment	(61,522,029)	(1,264,055)	-	(62,786,084)
TOTAL ACCUMULATED DEPRECIATION	(220,558,391)	(10,528,094)	-	(231,086,485)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	244,637,186	(7,581,397)	-	237,055,789
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 249,285,943	\$ (2,036,857)	\$ (141,937)	\$ 247,107,149
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 2,059,736	\$ -	\$ -	\$ 2,059,736
Less accumulated depreciation	(1,920,758)	(27,869)	-	(1,948,627)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 138,978	\$ (27,869)	\$ -	\$ 111,109

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

Regular Instruction	\$ 335,026
Special Instruction	1,698
Vocational Instruction	415
Other Instruction	546
Adult Instruction	-
Community College Instruction	-
Pre-Kindergarten	108
Pupil Services	-
Instructional Staff Svcs.	1,057
Administrative Services	723
Health Services	-
Business Services	444
Operation & Maintenance of Plant Svcs.	335,735
Pupil Transportation	525,173
Central Services	241,011
Other Support Services	-
Student Activities	98,666
Community Services	-
Depreciation - unallocated	8,987,492
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$ 10,528,094

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, 2021

Commitments

Encumbrances

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

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

Long-Term Construction Commitments

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

	CONTRACT AMOUNT	EXPENDED TO 6/30/21	OUTSTANDING COMMITMENTS
<u>Farmersville ES HVAC</u>			
D'Huy Engineering	\$ 320,000	\$ 247,897	\$ 72,103
Trefz Mechanical	3,054,092	76,455	2,977,637
Johnson Controls, Inc	551,525	158,717	392,808
Wind Gap Electric, Inc	982,200	170,550	811,650
SUB-TOTAL	4,907,817	653,619	4,254,198
<u>ASA Paker ES HVAC</u>			
JBM Mechanical	2,715,182	2,236,779	478,403
Wind Gap Electric	516,000	454,843	61,157
SUB-TOTAL	3,231,182	2,691,622	539,560
<u>Spring Garden ES HVAC</u>			
Trefz Mechanical	3,153,965	3,038,191	115,774
Wind Gap Electric	679,090	588,617	90,473
SUB-TOTAL	3,833,055	3,626,808	206,247
<u>Freemansburg ES HVAC</u>			
D'Huy Engineering	227,500	60,650	166,850
SUB-TOTAL	227,500	60,650	166,850
<u>Broughal Middle School Parking</u>			
Nathan Contracting L.P.	296,888	21,438	275,450
SUB-TOTAL	296,888	21,438	275,450
<u>Transportation Building</u>			
Walter Brucker & Company, Inc.	100,200	71,796	28,404
SUB-TOTAL	100,200	71,796	28,404
<u>Spark Center Restoration</u>			
Walter Brucker & Company, Inc.	306,400	68,715	237,685
SUBTOTAL	306,400	68,715	237,685
 GRAND TOTAL	 \$ 12,903,042	 \$ 7,194,648	 \$ 5,708,394

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

Short-Term Debt

Interfund Receivables and Payables

The following interfund receivables and payables were in existence on June 30, 2021:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 419,761	\$ 3,004,748
Enterprise (Food Service) Fund	353,078	352,134
Enterprise (Day Care) Fund	218,621	70,950
Capital Project Fund	-	405,722
Capital Reserve Fund	673,557	70,300
Special Revenue (BASD Authority General Fd) Fund	-	-
Self - Insurance Trust Fund (Blended Component Unit)	2,262,758	23,537
Private Purpose Trust Funds	-	-
Custodial (Activity) Fund	-	384
	<hr/>	<hr/>
TOTAL	<u>\$ 3,927,775</u>	<u>\$ 3,927,775</u>

The District also made the following interfund transfers during the fiscal year ended June 30, 2021:

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 3,000,000
Capital Projects (Capital Reserve) Fund	3,000,000	-
Self - Insurance Trust Fund (Blended Component Unit)	-	-
Enterprise (Food Service) Fund	-	-
	<hr/>	<hr/>
TOTAL	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

Long-Term Liabilities

Long-term liability balances and activity for the year ended June 30, 2021 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	\$ 268,932,254	\$ 22,255	\$ 13,617,550	\$ 255,336,959	\$ 14,185,000
Capital Leases	278,347	-	278,347	-	-
Total general obligation debt	269,210,601	22,255	13,895,897	255,336,959	14,185,000
<i>Other Liabilities:</i>					
<i>Vested Employee Benefits:</i>					
Vacation Pay	1,650,782	75,597	-	1,726,379	239,501
Sick Pay	4,014,540	159,488	-	4,174,028	207,243
Net Defined Contribution Pension Obligation	548,321	9,970	-	558,291	-
Net Defined Benefit Pension Liability	340,767,777	23,949,371	-	364,717,148	-
Net OPEB Liability - Single Employer Plan	35,848,091	6,893,106	-	42,741,197	-
Net OPEB Liability - Multiple Employer Plan	15,721,439	527,938	-	16,249,377	-
Derivative Financial Instruments	28,010,378	-	5,875,955	22,134,423	-
Total Other Liabilities	426,561,328	31,615,470	5,875,955	452,300,843	446,744
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 695,771,929	\$ 31,637,725	\$ 19,771,852	\$ 707,637,802	\$ 14,631,744
BUSINESS TYPE ACTIVITIES					
<i>Other Liabilities:</i>					
<i>Vested Employee Benefits:</i>					
Vacation Pay	\$ 65,954	\$ -	\$ 19,596	\$ 46,358	\$ -
Sick Pay	116,092	98,654	-	214,746	-
Net Defined Benefit Pension Liability	11,502,837	703,121	-	12,205,958	-
Net OPEB Liability - Single Employer Plan	197,179	27,807	-	224,986	-
Net OPEB Liability - Multiple Employer Plan	462,812	15,482	-	478,294	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	\$ 12,344,874	\$ 845,064	\$ 19,596	\$ 13,170,342	\$ -

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	\$ 10,114,210	\$ 10,828,212
Lease debt	954	954
Refund of Prior Year Receipts	10,081	10,081
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	\$ 10,125,245	\$ 10,839,247

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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, 2021, are:

FISCAL YEAR	PRINCIPAL	INTEREST
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
2025-26	4,350,000	772,744
2026-30	16,790,000	1,257,415
Sub-Total	\$ 33,285,000	\$ 6,593,453
Unamortized Bond Discount	(47,731)	
Total Outstanding	\$ 33,237,269	

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, 2021, are:

FISCAL YEAR	PRINCIPAL	INTEREST
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
2026-31	-	7,500,000
2031-36	30,000,000	4,593,250
Sub-Total	\$ 30,000,000	\$ 19,593,250
Unamortized Bond Premium	2,716,038	
Total Outstanding	\$ 32,716,038	

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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, 2021, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2021-22	\$ -	\$ 124,706
2022-23	-	124,706
2023-24	-	124,706
2024-25	-	124,706
2025-26		124,706
2026-31	2,310,000	558,733
2031-32	1,415,000	23,878
Sub-Total	\$ 3,725,000	\$ 1,206,141
Unamortized Bond Discount	(56,313)	
Total Outstanding	\$ 3,668,687	

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, 2021, are:

FISCAL YEAR	PRINCIPAL	INTEREST
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
2025-26	1,370,000	197,675
2026-30	4,420,000	288,219
Sub-Total	\$ 9,555,000	\$ 1,692,506
Unamortized Bond Discount	-	
Total Outstanding	\$ 9,555,000	

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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, 2021, are:

FISCAL YEAR	PRINCIPAL	INTEREST
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
2025-26	9,240,000	460,434
2026-29	2,245,000	92,713
Sub-Total	\$33,960,000	\$ 5,844,097
Unamortized Bond Premium	3,260,252	
Total Outstanding	<u>\$37,220,252</u>	

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, 2021, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2021-22	\$ -	\$ 590,925
2022-23	-	590,925
2023-24	-	590,925
2024-25	-	590,925
2025-26	-	590,925
2026-31	10,000	2,954,506
2031-36	19,690,000	2,092,031
Sub-Total	\$ 19,700,000	\$ 8,001,162
Unamortized Bond Discount	(96,355)	
Total Outstanding	<u>\$ 19,603,645</u>	

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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, 2021 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2021-22	\$ 13,570,000	\$ 561,500
2022-23	2,485,000	160,125
2023-24	1,960,000	49,000
Sub-Total	\$ 18,015,000	\$ 770,625
Unamortized Bond Premium	1,982,148	
Total Outstanding	<u>\$ 19,997,148</u>	

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, 2021**

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 \$5,986,481 as of June 30, 2021. 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, 2021, 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, 2021

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, 2021. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2021, the SIFMA rate was 0.1314%, whereas 60% of LIBOR plus 0.345 % was 0.4455%.

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, 2021, 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, 2021, using the variable interest rate in effect at year end are:

FISCAL YEAR	PRINCIPAL	INTEREST	Interest Rate	TOTAL
			Swaps, Net	
2021-22	\$ 50,000	\$ 167,947	\$ 1,036,457	\$ 1,254,404
2022-23	50,000	167,669	1,036,457	1,254,126
2023-24	50,000	167,391	1,036,457	1,253,848
2024-25	50,000	167,112	1,036,457	1,253,569
2025-26	50,000	166,834	1,036,457	1,253,291
2026-30	29,950,000	362,147	2,230,646	32,542,793
SUB-TOTAL	30,200,000	\$ 1,199,100	\$ 7,412,931	\$ 38,812,031
Unamortized Premium	-			
TOTAL OUTSTANDING	\$ 30,200,000			

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.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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.

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 \$7,613,880 as of June 30, 2021. 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, 2021, 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, 2021. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2021, the SIFMA rate was 0.1314%, whereas 68% of LIBOR was 0.0683%.

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, 2021, 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, 2021, using the variable rate in effect at year end are:

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021**

FISCAL YEAR	PRINCIPAL	INTEREST	Interest Rate Swaps, Net	TOTAL
2021-22	\$ 35,000	\$ 221,430	\$ 1,482,037	\$ 1,738,467
2022-23	1,340,000	214,702	1,420,927	2,975,629
2023-24	1,425,000	206,953	1,294,775	2,926,728
2024-25	2,050,000	196,034	1,163,615	3,409,649
2025-26	2,130,000	184,430	1,027,168	3,341,598
2026-31	27,020,000	507,407	2,894,229	30,421,636
2031-32	6,550,000	2,983	88,726	6,641,709
SUB-TOTAL	40,550,000	\$ 1,533,939	\$ 9,371,477	\$ 51,455,416
Unamortized Premium	-			
TOTAL OUTSTANDING	\$ 40,550,000			

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 \$8,534,063 as of June 30, 2021. 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, 2021

Credit Risk. As of June 30, 2021, 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, 2021. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2021, the SIFMA rate was 0.1314%, whereas 60% of LIBOR plus .346% was 0.4455%.

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, 2021, 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
2021-22	\$ 15,000	\$ 164,435	\$ 1,116,753	\$ 1,296,188
2022-23	15,000	164,353	1,116,753	1,296,106
2023-24	15,000	164,271	1,116,753	1,296,024
2024-25	15,000	164,189	1,116,753	1,295,942
2025-26	15,000	164,107	1,116,753	1,295,860
2026-31	15,830,000	771,489	5,188,486	21,789,975
2031-32	14,190,000	45,237	291,979	14,527,216
SUB-TOTAL	30,095,000	\$ 1,638,081	\$ 11,064,230	\$ 42,797,311
Unamortized Premium	-			
TOTAL OUTSTANDING	\$ 30,095,000			

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, 2021

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
2021-22	\$ 218,031	\$ 2,725
TOTAL OUTSTANDING	\$ 218,031	\$ 2,725

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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>
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
2025-26	4,350,000	-	-	1,370,000	9,240,000	-	50,000	2,130,000	15,000	-	17,155,000
2026-31	16,790,000	-	2,310,000	4,420,000	2,245,000	10,000	29,950,000	27,020,000	15,830,000	-	98,575,000
2031-36	-	30,000,000	1,415,000	-	-	19,690,000	-	6,550,000	14,190,000	-	71,845,000
TOTAL	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
LESS PAYABLE WITHIN ONE YEAR	5,000	-	-	5,000	505,000	-	50,000	35,000	15,000	13,570,000	14,185,000
LONG-TERM PRINCIPAL DUE AFTER ONE YEAR	\$ 33,280,000	\$ 30,000,000	\$ 3,725,000	\$ 9,550,000	\$ 33,455,000	\$ 19,700,000	\$ 30,150,000	\$ 40,515,000	\$ 30,080,000	\$ 4,445,000	\$ 234,900,000

<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>
2021-22	\$ 1,291,744	\$ 1,500,000	\$ 124,706	\$ 351,647	\$ 2,084,137	\$ 590,925	\$ 1,254,404	\$ 1,738,467	\$ 1,296,188	\$ 14,131,500	\$ 24,363,718
2022-23	5,140,497	1,500,000	124,706	1,542,634	7,663,938	590,925	1,254,126	2,975,629	1,296,106	2,645,125	24,733,686
2023-24	5,131,234	1,500,000	124,706	1,552,731	8,343,688	590,925	1,253,848	2,926,728	1,296,024	2,009,000	24,728,884
2024-25	5,144,819	1,500,000	124,706	1,524,600	9,674,187	590,925	1,253,570	3,409,649	1,295,942	-	24,518,398
2025-26	5,122,744	1,500,000	124,706	1,567,675	9,700,434	590,925	1,253,291	3,341,598	1,295,860	-	24,497,233
2026-31	18,047,415	7,500,000	2,868,733	4,708,219	2,337,713	2,964,506	32,542,793	30,421,635	21,789,975	-	123,180,989
2031-36	-	34,593,250	1,438,878	-	-	21,782,031	-	6,641,709	14,527,216	-	78,983,084
TOTAL	\$ 39,878,453	\$ 49,593,250	\$ 4,931,141	\$ 11,247,506	\$ 39,804,097	\$ 27,701,162	\$ 38,812,032	\$ 51,455,415	\$ 42,797,311	\$ 18,785,625	\$ 325,005,992

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021**

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 \$5,986,481, at June 30, 2021.

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 \$7,613,880, at June 30, 2021.

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 \$8,534,063, at June 30, 2021.

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 \$1,724,361, \$4,797,600, and \$2,223,210, 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 \$1,724,361, \$4,797,600 and \$2,223,210 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 \$9,350,131, 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 \$8,745,170, in deferred outflows of resources.

Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2021

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, 2021**

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, \$101,053 and \$113,693 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, 2021. 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 \$207,243, 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 \$3,966,785, 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, 2021, that will use currently available financial resources is \$239,501, 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 \$35,130, and \$11,228, 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, 2021, of \$1,486,878, 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.pa.gov.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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% (Membership Class T-C) or at 6.50% (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% (Membership Class T-C) or at 7.50% (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% (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, 2021

Employer Contributions

The school districts' contractually required contribution rate for fiscal year ended June 30, 2021 was 33.69% 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 \$37,412,668 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$376,923,106 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 rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the District's proportion was 0.7740 percent, which was an increase of 0.0130 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized pension expense of \$41,724,832. At June 30, 2021, 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	\$ 42,287	\$ -
Changes in Assumptions	-	-
Net difference between projected and actual contributions made	-	527,708
Net difference between projected and actual earnings on pension plan investments	16,750,000	-
Difference between expected and actual experience	-	8,137,000
Changes in proportion of the Net Pension Liability	5,530,000	-
District contributions subsequent to the measurement date	37,412,668	-
Total	<u>\$ 59,734,955</u>	<u>\$ 8,664,708</u>

\$37,412,668 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, 2022. 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
2021	\$ 332,000
2022	2,077,966
2023	6,392,466
2024	4,900,193
Thereafter	(45,046)
Total	<u>\$ 13,657,579</u>

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021**

Actuarial Assumptions

The total pension liability as of June 30, 2020, was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020 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, 2020 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	15.0%	5.2%
Private Equity	15.0%	7.2%
Fixed Income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-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, 2020.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021**

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	\$ 471,514,000	\$ 381,110,000	\$ 304,526,000

Pension 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.

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 \$62,894 for the year ended June 30, 2021.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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

At June 30, 2021, the District reported a liability of \$558,291 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021.

For the year ended June 30, 2021, the District recognized pension expense of \$45,499. The following table reflects the changes to the pension obligation during the year:

	<u>2020-21</u>
Total Defined Contribution Pension Liability - beginning	\$ 548,321
Service Cost	22,623
Interest	18,050
Changes in Benefit Terms	-
Difference between expected and actual experience	-
Changes in assumptions	31,568
Benefit payments	(62,271)
Net change in total Pension Liability	<u>9,970</u>
Total Defined Contribution Pension Liability - ending	\$ 558,291
Interest Rate	1.86%
Plan Members	53
Covered Payroll	\$ 6,217,420

Actuarial Assumptions

The total pension liability as of June 30, 2021, 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 – 1.86%.

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	\$ 17,940	\$ -
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	25,649	-
Changes in proportion of the net defined contribution pension liability	-	-
District contributions subsequent to the measurement date	62,894	-
Total	\$ 106,483	\$ -

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021**

Funded Status and Funding Process

The funded status of the benefits as of June 30, 2021, was as follows:

	Retirement Incentive Benefit Governmental Activity
Actuarial accrued liability (a)	\$ 558,291
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	\$ 558,291
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 6,217,420
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	9.0%

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 off 1.86%, 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 (0.86%) or 1-percentage point higher (2.86%) 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 0.86%	Current Discount Rate 1.86%	1% Increase 2.86%
District's proportionate share of the net OPEB Pension liability	\$ 578,320	\$ 558,291	\$ 537,397

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

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021**

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, 2020, 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, 2020, 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, 2021 was 0.82% 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 \$910,608 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$16,727,671 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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, 2021, the District's proportion was 0.7743 percent, which was an increase of 0.0133 percent from its proportion measured as of June 30, 2020.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

For the year ended June 30, 2021, the District recognized OPEB expense of \$911,529. At June 30, 2021, 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	\$ 2,944	\$ -
Changes in Assumptions	315,000	-
Net difference between projected and actual contributions made	-	4,581
Net difference between projected and actual investment earnings	29,000	-
Difference between expected and actual experience	154,000	-
Changes in proportion of the Net OPEB Liability	324,000	-
District contributions subsequent to the measurement date	910,608	-
Total	\$ 1,735,552	\$ 4,581

\$910,608 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 OPEB liability as of June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Amount
2021	\$ 117,000
2022	112,529
2023	108,529
2024	238,525
2025	152,039
Thereafter	91,741
Total	\$ 820,363

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2020, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.66% - 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, 2021**

- 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, 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 following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- 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	50.3%	-1.0%
US Core Fixed Income	46.5%	-0.1%
Non-US Developed Fixed	3.2%	-0.1%
	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, 2020.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.66%. 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, 2021**

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 2.66% which represents the S&P 20-year Municipal Bond Rate at June 30, 2020, 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, 2020, 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, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 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, 2020, 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
System net OPEB liability	\$ 16,728,000	\$ 16,730,000	\$ 16,732,000

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 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
District's proportionate share of the net OPEB liability	\$ 19,075,000	\$ 16,730,000	\$ 14,789,000

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, 2021**

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, 2021**

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, 2021**

Employees Covered by Benefit Terms

At June 30, 2021, 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 \$42,966,186, was measured as of June 30, 2021, 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	1.86%
Projected salary increases	3.50% to 6.25%
Healthcare inflation rate	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% 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, 2020.	

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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>2020-21</u>
Total OPEB Liability	
Service Cost	\$ 1,888,218
Interest	1,254,674
Changes in Benefit Terms	-
Difference between expected and actual experience	-
Changes in assumptions	4,870,904
Benefit payments	<u>(1,092,883)</u>
Net change in total OPEB Liability	6,920,913
Total OPEB Liability - beginning	<u>36,045,270</u>
Total OPEB Liability - ending	<u>\$ 42,966,183</u>
 Covered employee payroll	 <u>\$ 98,214,972</u>

Total OPEB Liability as a percentage of covered employee payroll 43.75%

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

For the year ended June 30, 2021, the School recognized OPEB expense of \$2,666,444. At June 30, 2021, 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	\$ 2,887,170	\$ -
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	-	7,002,044
Changes in proportion of the Net OPEB Liability	-	-
District contributions subsequent to the measurement date	<u>892,334</u>	<u>-</u>
Total	<u>\$ 3,779,504</u>	<u>\$ 7,002,044</u>

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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>
2022	\$ (476,448)
2023	(476,448)
2024	(476,448)
2025	(476,448)
2026	(476,448)
Thereafter	<u>(1,732,634)</u>
Total	<u>\$ (4,114,874)</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 (0.86%) or 1-percentage point higher (2.86%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>0.86%</u>	<u>Discount Rate</u>	<u>2.86%</u>
		<u>1.86%</u>	
District's proportionate share of the net OPEB liability	\$ 46,177,576	\$ 42,966,183	\$ 39,837,583

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</u>	<u>Current</u>	<u>1% Increase</u>
		<u>Trend Rate</u>	
System net OPEB liability	\$ 37,079,562	\$ 42,966,183	\$ 50,026,802

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

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	\$ 5,362,583	\$ -	\$ -	\$ 314,710	\$ 5,677,293
Current Year Contributions	36,491,906	62,894	884,085	888,197	38,327,082
Change in Assumption	(1,610)	17,940	2,866,015	305,370	3,187,715
Diff in Projected Vs Actual Contributions	(512,474)	-	-	(4,452)	(516,926)
Difference in Investment Earnings	16,282,491	-	-	28,169	16,310,660
Diff. between Expected vs Actual Experience	(7,887,755)	25,649	(7,054,475)	149,585	(14,766,996)
Diff. between Prop. Share vs Actual POS	42,287	-	-	2,944	45,231
Net Pension Liability	\$ 364,717,148	\$ -	\$ -	\$ -	\$ 364,717,148
Net Defined Contribution Pension Liability	\$ -	\$ 558,291	\$ -	\$ -	\$ 558,291
Net OPEB Liability	\$ -	\$ -	\$ 42,741,197	\$ 16,249,377	\$ 58,990,574

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	\$ 167,417	\$ -	\$ -	\$ 9,290	\$ 176,707
Current Year Contributions	920,762	-	8,249	22,411	951,422
Change in Assumption	1,610	-	21,155	9,630	32,395
Diff in Projected Vs Actual Contributions	(15,234)	-	-	(129)	(15,363)
Difference in Investment Earnings	467,509	-	-	831	468,340
Diff. between Expected vs Actual Experience	(249,245)	-	52,431	4,415	(192,399)
Diff. between Prop. Share vs Actual POS	-	-	-	-	-
Net Pension Liability	\$ 12,205,958	\$ -	\$ -	\$ -	\$ 12,205,958
Net Defined Contribution Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB Liability	\$ -	\$ -	\$ 224,986	\$ 478,294	\$ 703,280

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	\$ 5,854,000
Current Year Contributions	39,278,504
Change in Assumption	3,220,110
Diff in Projected Vs Actual Contributions	(532,289)
Difference in Investment Earnings	16,779,000
Diff. between Expected vs Actual Experience	(14,959,395)
Diff. between Prop. Share vs Actual POS	45,231
Net Pension Liability	\$ 376,923,106
Net Defined Contribution Pension Liability	\$ 558,291
Net OPEB Liability	\$ 59,693,854

RECONCILIATION TO FINANCIAL STATEMENTS		
	Governmental	Business-Type
<i>Pension - Pension and Defined Contribution Plans</i>	<i>Activities</i>	<i>Activities</i>
Net Pension Liability	\$ 364,717,148	\$ 12,205,958
Net Defined Contribution Pension Liability	558,291	-
Deferred Outflow Related to Pensions	(58,285,750)	(1,557,298)
Deferred Inflows Related to Pensions	8,401,839	264,479
Total liab. Net deferred inflows/outflows	\$ 315,391,528	\$ 10,913,139
<i>OPEB - Single & Multiple Employer Plans</i>		
Net OPEB Liability	\$ 58,990,574	\$ 703,280
Deferred Outflows Related to OPEB	(5,439,075)	(128,411)
Deferred Inflows Related to OPEB	7,058,927	129
Total liab. Net deferred inflows/outflows	\$ 60,610,426	\$ 574,998

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021**

Note 6 – Risk Management

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

Note 7 – Fund Balance Allocations

Nonspendable Fund Balance

The General Fund had \$251,210, in nonspendable fund balance at June 30, 2021, comprised of \$190,569, of inventories on hand at year-end and \$60,641, 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 \$10,120,686 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 \$145,793, in deficit fund balance at year end within this fund is considered restricted. In addition, the General Fund has \$10,971 restricted for unspent donations.

Committed Fund Balance

The School Board has committed \$16,000,000 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 (\$4,496,478) for balance of the 2021-22 General Fund Budget.

Note 8 – Net Position Restrictions

The net position for governmental activities, shown on the government-wide statement of net position has an overall deficit of \$327,343,885. The business-type activities column reflects a deficit of \$10,690,570, with \$111,109 invested in capital assets with no related debt.

Note 9 – Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2021.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021

Litigation

In accordance with management, there are no legal matters that could materially affect the financial position of the District as of June 30, 2021.

Note 10 – New Accounting Pronouncements

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

- 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.
- 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.
- 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.
- 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.
- 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.
- 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

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2021**

interest in the service utility of the underlying PPP asset at the end of the arrangement. Effective date: Periods beginning after June 15, 2022.

- Statement No. 96, *Subscription-Based Information Technology Arrangements* – This statement provided guidance on accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to use subscription asset – and intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. 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, 2021

	<u>2020-21</u>	<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)	0.7740%	0.7610%	0.7602%	0.7520%	0.7550%	0.7466%	0.7642%
District's proportionate share of the net pension liability (asset)	\$ 381,110,000	\$ 356,016,000	\$ 364,934,000	\$ 371,401,000	\$ 374,154,000	\$ 323,393,000	\$ 302,476,000
District's covered employee payroll	111,049,771	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	343.19%	327.09%	347.36%	362.61%	371.63%	329.31%	316.73%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	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, 2021

	<u>2020-21</u>	<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>
Contractually required contribution	\$ 37,412,668	\$ 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
Contributions in relation to the contractually required contribution	<u>37,412,668</u>	<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>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 111,049,771	\$ 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
Contributions as a percentage of covered employee payroll	33.69%	33.45%	32.60%	31.74%	29.20%	25.00%	20.50%	16.00%	11.50%	8.00%

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, 2021

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total Defined Contribution Pension Liability - beginning	\$ 548,321	\$ 569,576	\$ 581,333	\$ 575,595
Service Cost	22,623	25,267	23,628	27,837
Interest	18,050	16,628	17,975	14,353
Changes in Benefit Terms	-	-	-	-
Difference between expected and actual experience	-	13,337	-	23,156
Changes in assumptions	31,568	(8,455)	3,248	(9,752)
Benefit payments	<u>(62,271)</u>	<u>(68,032)</u>	<u>(56,608)</u>	<u>(49,856)</u>
Net change in total Pension Liability	<u>9,970</u>	<u>(21,255)</u>	<u>(11,757)</u>	<u>5,738</u>
Total Defined Contribution Pension Liability - ending	\$ 558,291	\$ 548,321	\$ 569,576	\$ 581,333
Interest Rate	1.86%	3.36%	2.98%	3.13%
Plan Members	53	53	53	53
Covered Payroll	\$ 6,217,420	\$ 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, 2021

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
District's proportionate share of the net defined contribution pension liability (asset)	\$ 558,291	\$ 548,321	\$ 569,576	\$ 581,333
District's covered employee payroll	\$ 6,217,420	\$ 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	8.98%	8.82%	9.56%	9.76%

**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, 2021**

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
District's proportion of the net OPEB liability	0.7743%	0.7610%	0.7602%	0.7520%	0.7550%
District's proportionate share of the net OPEB liability (asset)	\$ 16,730,000	\$ 16,185,000	\$ 15,850,000	\$ 15,321,000	\$ 16,263,000
District's covered-employee payroll	111,049,771	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	15.07%	14.87%	15.09%	14.96%	16.15%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	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, 2021

	<u>2020-21</u>	<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>
Contractually required contribution	\$ 910,608	\$ 914,288	\$ 871,990	\$ 850,120	\$ 835,636	\$ 824,911	\$ 859,508	\$ 888,203	\$ 797,409	\$ 572,089
Contributions in relation to the contractually required contribution	<u>910,608</u>	<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>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 111,049,771	\$ 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
Contributions as a percentage of covered employee payroll	0.82%	0.84%	0.83%	0.83%	0.83%	0.84%	0.90%	0.93%	0.86%	0.65%

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, 2021

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total OPEB Liability				
Service Cost	\$ 1,888,218	\$ 2,344,633	\$ 2,149,964	\$ 2,205,429
Interest	1,254,674	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	4,870,904	(1,794,503)	522,450	(711,366)
Benefit payments	<u>(1,092,883)</u>	<u>(1,011,025)</u>	<u>(1,043,053)</u>	<u>(1,607,802)</u>
Net change in total OPEB Liability	6,920,913	(6,725,603)	2,926,111	(97,966)
Total OPEB Liability - beginning	<u>36,045,270</u>	<u>42,770,873</u>	<u>39,844,762</u>	<u>39,942,728</u>
Total OPEB Liability - ending	<u>\$ 42,966,183</u>	<u>\$ 36,045,270</u>	<u>\$ 42,770,873</u>	<u>\$ 39,844,762</u>
 Covered employee payroll	 <u>\$ 98,214,972</u>	 <u>\$ 98,214,972</u>	 <u>\$ 96,491,297</u>	 <u>\$ 96,491,297</u>
 Total OPEB Liability as a percentage of covered employee payroll	 43.75%	 36.70%	 44.33%	 41.29%

**Bethlehem Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2021**

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, 2021**

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 2.79% as of June 30, 2020 to 2.66% as of June 30, 2021.

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 – 2.66% - 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, 2018 determined the employer contribution rate for fiscal year 2020.
- 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, 2021**

Other Postemployment Benefits – Single Employer Healthcare Plan

Changes of benefit terms

None

Changes in assumptions

The discount rate changed from 3.36% to 1.86%. 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 6.25%
- Healthcare cost trend rate – 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% 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 1.86% is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2020.

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

**Bethlehem Area School District
Combining Balance Sheet
All Capital Project Funds
As of June 30, 2021**

	CAPITAL RESERVE FUND	CAPITAL PROJECT FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 9,529,450	\$ 927,000	\$ 10,456,450
Restricted Cash	-	-	-
Investments	-	-	-
Restricted Investments	-	-	-
Other Receivables	-	-	-
Due from Other Funds	673,556	-	673,556
Due from Primary Government	-	-	-
Receivables from Other Governments	-	-	-
Other Recoverable Disbursements	-	-	-
Prepaid Expenditures	-	-	-
Inventories	-	-	-
TOTAL ASSETS	10,203,006	927,000	11,130,006
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 10,203,006	\$ 927,000	\$ 11,130,006
<u>LIABILITIES</u>			
Accounts Payable	\$ 12,020	\$ 667,071	\$ 679,091
Due to Other Funds	70,300	405,722	476,022
Due to Primary Government	-	-	-
Interest Payable	-	-	-
Current Portion of Long-Term Debt	-	-	-
Accrued Salaries and Benefits	-	-	-
Payable to Other Governments	-	-	-
Prepayments	-	-	-
Compensated Absences	-	-	-
TOTAL LIABILITIES	82,320	1,072,793	1,155,113
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned/Unavailable Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	82,320	1,072,793	1,155,113
FUND BALANCES:			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	10,120,686	(145,793)	9,974,893
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	-	-
TOTAL FUND BALANCES	10,120,686	(145,793)	9,974,893
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 10,203,006	\$ 927,000	\$ 11,130,006

Bethlehem Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2021

	CAPITAL RESERVE FUND	CAPITAL PROJECT FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES			
Local Sources	\$ 5,402	\$ 195	\$ 5,597
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUES	<u>5,402</u>	<u>195</u>	<u>5,597</u>
	-----	-----	-----
EXPENDITURES			
Instruction	-	-	-
Support Services	-	-	-
Operation of Non-Instructional Services	-	-	-
Capital Outlay	3,182,686	1,820,138	5,002,824
Debt Service	242,063	-	242,063
TOTAL EXPENDITURES	<u>3,424,749</u>	<u>1,820,138</u>	<u>5,244,887</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,419,347)</u>	<u>(1,819,943)</u>	<u>(5,239,290)</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	3,000,000	-	3,000,000
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>
NET CHANGE IN FUND BALANCES	(419,347)	(1,819,943)	(2,239,290)
FUND BALANCES - BEGINNING	<u>10,540,033</u>	<u>1,674,150</u>	<u>12,214,183</u>
FUND BALANCES - ENDING	<u>\$ 10,120,686</u>	<u>\$ (145,793)</u>	<u>\$ 9,974,893</u>

**Bethlehem Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2021**

	Bethlehem Township	Freemansburg	Fountain Hill	Hanover Township	City of Bethlehem Lehigh	Northampton	Total
<u>Current Real Estate Taxes</u>							
Assessed Value	\$ 899,143,600	\$ 47,710,200	\$ 230,109,100	\$ 559,474,450	\$ 1,452,545,700	\$ 1,201,538,100	\$ 4,390,521,150
Millage Rate	0.05617	0.05617	0.01865	0.05617	0.01865	0.05617	Avg.
Total Tax to be Collected	50,504,896	2,679,882	4,291,535	31,425,681	27,089,977	67,490,398	183,482,369
Less: Act 1 Deduction	1,342,192	101,524	180,081	690,046	768,242	1,671,502	4,753,587
Total Taxable Duplicate	49,162,704	2,578,358	4,111,453	30,735,635	26,321,735	65,818,896	178,728,781
Plus:							
Additions	-	-	-	-	-	-	-
Over/Under	30,159	(222)	4,686	6,506	15,713	31,150	87,992
Penalties	65,846	4,169	5,988	23,890	41,955	101,946	243,794
Total Taxes to be Collected	49,258,709	2,582,305	4,122,127	30,766,031	26,379,403	65,951,992	179,060,567
Less -							
Discounts	850,907	42,778	65,117	517,866	433,952	1,107,968	3,018,588
Reductions	12,773	567	-	4,314	35,204	39,684	92,542
Refunds	4,769	528	4,768	3,960	13,849	14,427	42,301
TIF Payments	-	-	-	-	-	-	-
Deletions	31,916	-	-	2,050	19,816	-	53,782
Returned to County	826,111	116,050	113,857	192,883	521,839	1,391,497	3,162,237
Outstanding	-	-	-	-	-	-	-
Net Current Real Estate Taxes Collected	\$ 47,532,233	\$ 2,422,382	\$ 3,938,385	\$ 30,044,958	\$ 25,354,743	\$ 63,398,416	\$ 172,691,117
<u>Current Interim Real Estate Taxes Collected</u>	\$ 359,057	\$ 9,063	\$ 645	\$ 256,037	\$ 54,391	\$ 588,191	\$ 1,267,384
<u>Current Per Capita Taxes</u>						<u>Combined</u>	
No. of Persons Assessed	20,649	2,476	3,560	9,782	-	59,436	95,903
Tax Rate	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
Taxable Valuation	\$ 206,490	\$ 24,760	\$ 35,600	\$ 97,820	\$ -	\$ 594,360	\$ 959,030
Plus -							
Additions	770	220	260	510	-	2,050	3,810
Adjustments	16	3	15	7	-	68	109
Penalties	452	56	78	209	-	1,219	2,014
Collections made by the District	-	-	-	-	-	-	-
Taxes to be Collected	207,728	25,039	35,953	98,546	-	597,697	964,963
Less -							
Discounts	2,418	170	261	1,281	-	4,650	8,780
Exonerations	2,800	90	140	1,600	-	3,710	8,340
Deletions	8,460	1,310	2,120	4,540	-	44,660	61,090
Returned to Delinquent Tax Collector	58,790	13,490	17,830	19,950	-	278,621	388,681
Outstanding	-	-	-	-	-	-	-
Reductions	-	-	-	-	-	-	-
Net Current Per Capita Taxes Collected	\$ 135,260	\$ 9,979	\$ 15,602	\$ 71,175	\$ -	\$ 266,056	\$ 498,072

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2021

6000 - Revenue from Local Sources		Budget	Actual	Variance
6111	Current Real Estate Taxes	\$ 170,676,691	\$ 172,691,117	\$ 2,014,426
6112	Interim Real Estate Taxes	2,807,065	1,267,384	(1,539,681)
6113	Public Utility	175,000	191,844	16,844
6114	Payment in Lieu of Taxes	311,000	430,775	119,775
6120	Current Per Capita Taxes - 679	241,750	249,036	7,286
6141	Current Per Capita Taxes - 511	241,750	249,036	7,286
6143	Local Services Tax	335,000	328,857	(6,143)
6151	Earned Income Tax	14,151,393	16,046,779	1,895,386
6153	Real Estate Transfer Tax	4,135,842	3,708,377	(427,465)
6157	Act 511 Mercantile Taxes	3,800,000	4,875,422	1,075,422
6211	Discounts Taken On Current Real Estate Taxes	-	-	-
6411	Delinquent Real Estate Taxes	5,000,000	5,131,088	131,088
6420	Delinquent Per Capita Taxes	140,000	442,020	302,020
6457	Delinquent Mercantile Taxes	95,000	794,353	699,353
6510	Interest	724,763	98,711	(626,052)
6530	Gains or Losses on Sale of Investments	-	-	-
6710	Admissions	110,000	-	(110,000)
6740	Fees	63,000	18,373	(44,627)
6750	Other Student Activity Income	-	3,925	3,925
6810	Revenue From Local Governmental Units	-	-	-
6821	State Revenue Received From Other PA Pass Through	-	500	500
6832	Federal IDEA Revenues Received as Pass Through	1,963,836	2,078,237	114,401
6837	Federal Revenue Received From Other Sources	-	98,715	98,715
6910	Rentals	180,000	208,022	28,022
6920	Contributions	394,000	293,357	(100,643)
6941	Regular Day School Tuition	1,000	-	(1,000)
6942	Summer School	47,500	960	(46,540)
6944	Receipts from Other LEA's - Education	265,000	336,975	71,975
6970	Services provided to Other Funds	300,000	-	(300,000)
6980	Revenue from Community Services	5,000	13,148	8,148
6991	Refunds of Prior Yr. Expenditures	86,800	751,077	664,277
6992	Energy Efficient Revenues	-	-	-
6999	Miscellaneous	180,154	222,615	42,461
TOTAL REVENUE FROM LOCAL SOURCES		206,431,544	210,530,703	4,099,159
7000 - Revenue from State Sources				
7111	Basic Subsidy - ESBE	33,971,899	33,971,837	(62)
7112	Basic Subsidy - ESBE	4,092,164	3,853,481	(238,683)
7160	Orphan Tuition	425,000	556,705	131,705
7250	Migratory Children	400	1,120	720
7271	Special Education	8,028,585	8,153,348	124,763
7292	Pre-K Counts	875,000	863,394	(11,606)
7299	Program revenues not listed previously	-	-	-
7311	Pupil Transportation Subsidy	1,609,380	1,747,993	138,613
7312	Nonpublic and Charter School Pupil Transportation	1,050,000	1,343,265	293,265
7320	Rentals	1,704,593	1,563,138	(141,455)
7330	Health Services	325,000	319,848	(5,152)
7340	State Property Tax Reduction Allocation	4,765,368	4,765,368	-
7360	Safe Schools	-	-	-
7361	School Safety and Security	210,000	107,542	(102,458)
7369	Other Safe School Grants	15,000	-	(15,000)
7505	Ready to Learn Grant	1,797,733	1,797,733	-
7599	Other State revenue not listed elsewhere	1,145,658	117,454	(1,028,204)
7810	FICA Revenue	-	-	-
7820	Retirement Revenue	19,598,448	18,629,384	(969,064)
TOTAL REVENUE FROM STATE SOURCES		\$ 79,614,228	\$ 77,791,610	\$ (1,822,618)

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2021

8000 - Revenue from Federal Sources		Budget	Actual	Variance
8110	Payments for Federally Impacted Areas	\$ 49,600	\$ 65,074	\$ 15,474
8514	Title I	5,127,614	4,638,322	(489,292)
8515	Title IIA, IID	581,857	606,855	24,998
8516	Title III	201,571	245,496	43,925
8517	Title IV	322,171	236,110	(86,061)
8580	Child Care Grants	164,581	190,295	25,714
8741	ESSER I	4,389,822	3,160,157	(1,229,665)
8742	GEER Funds	-	586,289	586,289
8749	Other CARES Act Funding	-	749,125	749,125
8810	Medical Assistance Reimbursements (Access)	850,000	348,369	(501,631)
8820	Medical Assistance Reimbursement for Health Related	125,000	98,147	(26,853)
TOTAL REVENUE FROM FEDERAL SOURCES		11,812,216	10,924,239	(887,977)
9000 - Other Financing Sources				
9200	Proceeds from Extended Term Financing	-	-	-
9400	Sale of or Compensation for Loss of Fixed Assets	80,000	-	(80,000)
9910	Other Financing Sources Not Listed Elsewhere	-	-	-
TOTAL OTHER FINANCING SOURCES		80,000	-	(80,000)
TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 297,937,988	\$ 299,246,552	\$ 1,308,564
1000 - Instruction				
1110	Regular Programs - Elem./Secondary	\$ 124,575,742	\$ 124,454,137	\$ 121,605
1190	Federally Funded Regular Programs	6,835,591	6,830,213	5,378
1211	Life Skills Support - Public	2,221,979	2,180,635	41,344
1221	Deaf or Hearing Impaired Support	401,286	401,286	-
1224	Blind or Visually Impaired Support	21,601	21,601	-
1225	Speech & Language Impaired	1,589,878	1,589,878	-
1231	Emotional Support	5,743,908	5,749,710	(5,802)
1233	Autistic Support	5,099,843	5,398,128	(298,285)
1241	Learning Support - Public	16,093,584	16,093,584	-
1243	Gifted Support	1,039,824	1,041,999	(2,175)
1260	Physical Support	198,106	198,106	-
1270	Multi-Handicapped Support	929,611	929,611	-
1280	Early Intervention Support	91,359	108,984	(17,625)
1290	Other Support	11,059,150	10,663,512	395,638
1390	Other Vocational Education Programs	7,938,290	7,936,717	1,573
1420	Summer School	447,902	305,167	142,735
1430	Homebound Instruction	312,956	89,590	223,366
1441	Adjudicated/Court Placed Programs	35,962	64,141	(28,179)
1442	Alternative Education Program	606,959	568,871	38,088
1450	Instructional Programs Outside Established Schools	205,949	211,265	(5,316)
1490	Additional Other Instructional Program	300	285	15
1500	Nonpublic School Programs	379,028	316,352	62,676
1690	Other Adult Education Programs	-	-	-
1693	Community College Sponsorship	2,440,633	2,440,633	-
1700	Higher Education Programs	21,700	21,675	25
1801	Pre-K Instruction	875,441	865,149	10,292
1802	Pre-K Admin Support	43,869	46,103	(2,234)
1806	Pre-K Professional Development	-	6,207	(6,207)
Total Instruction		\$ 189,210,451	\$ 188,533,539	\$ 676,912

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2021

2000 - Support Services	Budget	Actual	Variance
2111 Supervision of Student Services - Head of Component	\$ 110,031	\$ 111,553	\$ (1,522)
2119 Supervision of Student Services - All Other Supervision	502,074	511,052	(8,978)
2120 Guidance Services	7,112,296	7,081,173	31,123
2130 Attendance Services	345,885	347,059	(1,174)
2140 Psychological Services	1,644,527	1,646,027	(1,500)
2160 Social Work Services	1,400,905	1,287,993	112,912
2170 Student Accounting Services	454,450	412,201	42,249
2220 Technology Support Services	170,151	110,718	59,433
2230 Educational Television Services	139,723	139,865	(142)
2240 Computer Assisted Instruction Services	1,039,483	1,057,167	(17,684)
2250 School Library Services	2,249,821	2,218,582	31,239
2260 Instructional & Curriculum Dev. Service	2,521,003	2,471,309	49,694
2271 Instructional Staff Development Services	3,608,270	3,636,165	(27,895)
2272 Instructional Staff Development Service	109,478	64,189	45,289
2280 Nonpublic Support Services	-	2,428	(2,428)
2290 Other Instructional Staff Services	300	-	300
2310 Board Services	164,203	139,547	24,656
2320 Board Treasurer Services	200	188	12
2330 Tax Assessment & Collection Service	1,192,383	1,192,383	-
2340 Staff Relations	-	578	(578)
2350 Legal Services	515,576	446,703	68,873
2360 Office of the Superintendent Services	534,042	542,524	(8,482)
2370 Community Relations Services	133,297	120,435	12,862
2380 Office of the Principal Services	10,348,613	10,349,330	(717)
2390 Other Administration Services	112,866	128,447	(15,581)
2419 Supervision of Health Services - All Other	183,458	182,322	1,136
2420 Medical Services	7,000	2,170	4,830
2430 Dental Services	12,000	3,749	8,251
2440 Nursing Services	2,438,065	2,370,626	67,439
2450 Non Public Health Service	247,585	235,459	12,126
2490 Other Health Services	5,000	9,450	(4,450)
2511 Supervision of Fiscal Services	397,666	388,619	9,047
2513 Receiving and Disbursing Funds Services	479,258	358,203	121,055
2514 Payroll Services	375,873	355,901	19,972
2515 Financial Accounting Services	108,592	111,566	(2,974)
2516 Internal Auditing Services	221,872	186,699	35,173
2519 Other Fiscal Services	342,699	342,699	-
2520 Purchasing Services	97,076	91,329	5,747
2530 Warehousing and Distributing Services	206,370	209,363	(2,993)
2540 Printing, Publishing and Duplicating Services	256,798	240,359	16,439
2611 Supervision of Oper and Maint. of Plant - Head	299,327	324,650	(25,323)
2619 Supervision of Oper and Maint. of Plant - Other	562,306	435,681	126,625
2620 Operation of Building Services	17,265,575	15,696,050	1,569,525
2630 Care and Upkeep of Grounds Services	996,791	1,035,371	(38,580)
2640 Care and Upkeep of Equipment Services	-	1,945	(1,945)
2650 Vehicle Operation and Maint. Services	124,846	137,984	(13,138)
2660 Security Services	1,082,710	993,716	88,994
2711 Supervision of Student Trans. Svcs - Head	-	-	-
2719 Supervision of Student Transportation Services	954,917	947,421	7,496
2720 Vehicle Operation Services	5,932,380	4,992,262	940,118
2730 Monitoring Services	994,233	812,474	181,759
2740 Vehicle Servicing and Maintenance Services	1,382,062	1,324,516	57,546
2750 Nonpublic Transportaion	1,135,254	-	1,135,254
Sub-Total - Support Services	\$ 70,519,290	\$ 65,808,200	\$ 4,711,090

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2021

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sub-Total - Support Services (Carried Forward)		\$ 70,519,290	\$ 65,808,200	\$ 4,711,090
2818	System Wide Technology Services	3,502,491	3,489,730	12,761
2820	Information Services	-	-	-
2821	Supervision of Information Services	320,776	304,371	16,405
2823	Public Information Services	253,556	212,901	40,655
2831	Supervision of Staff Services	363,573	375,391	(11,818)
2832	Recruitment and Placement Services	220,252	200,448	19,804
2833	Staff Accounting Services	571,783	587,080	(15,297)
2834	Staff Development Services - Non-Instructional	392,895	343,551	49,344
2835	Health Services	384,881	279,409	105,472
2836	Staff Development Services - Non-Instructional	327,871	245,148	82,723
2840	Data Processing Services	1,626,638	1,464,204	162,434
2850	State and Federal Agency Liaison Services	296,660	329,967	(33,307)
2910	Support Services not listed elsewhere	131,446	131,399	47
	Total Support Services	78,912,112	73,771,799	5,140,313
<u>3000 - Operation of Non-Instructional Services</u>				
3210	School Sponsored Student Activities	549,888	504,321	45,567
3250	School Sponsored Athletics	2,536,119	2,327,039	209,080
3300	Community Services	195,803	139,486	56,317
3330	Public Library Services	-	37,893	(37,893)
3400	Scholarships and Awards	600	396	204
	Total Non-Instructional Services	3,282,410	3,009,135	273,275
<u>4000 - Facilities Acquisition, Construction, and Improvement Svcs.</u>				
4200	Existing Site Improvement Services	-	-	-
4400	Architecture and Engineering Services	352,638	352,638	-
4500	Building Acquisition and Contruction Services	-	-	-
4600	Existing Building Improvement Services	189,079	189,079	-
	Total Facilities Acquisition, Construction, and Improvement Svcs.	541,717	541,717	-
<u>5000 - Other Expenditures and Financing Uses</u>				
5110	Debt Service	22,671,048	22,655,426	15,622
5130	Refund of Prior Yr. Receipts	36,225	10,081	26,144
5230	Capital Projects Fund Transfers	3,000,000	3,000,000	-
5251	Food Service Fund Transfers	-	-	-
5310	Transfers To Component Units	-	-	-
5900	Budgetary Reserve	4,339,680	-	4,339,680
	Total Other Expenditures and Financing Uses	30,046,953	25,665,507	4,381,446
	TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 301,993,643	\$ 291,521,697	\$ 10,471,946

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 297,937,988	\$ 299,246,552	\$ 1,308,564
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>301,993,643</u>	<u>291,521,697</u>	<u>10,471,946</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(4,055,655)	7,724,855	11,780,510
Special Items	-	-	-
Extraordinary Items - Insurance Recoveries	<u>2,500</u>	<u>38,024</u>	<u>35,524</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES AFTER SPECIAL ITEMS AND EXTRAORDINARY ITEMS	(4,053,155)	7,762,879	11,816,034
FUND BALANCE - JULY 1, 2020	<u>39,366,308</u>	<u>38,641,155</u>	<u>(725,153)</u>
FUND BALANCE - JUNE 30, 2021	<u>\$ 35,313,153</u>	<u>\$ 46,404,034</u>	<u>\$ 11,090,881</u>

**Bethlehem Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2021**

FUND BALANCE - JULY 1, 2020 **\$ 10,540,033**

REVENUES AND OTHER FINANCING SOURCES

Interest	\$ 5,402	
Proceeds from Extended Term Financing	-	
Transfer from General Fund	3,000,000	3,005,402
TOTAL FUNDS AVAILABLE		13,545,435

EXPENDITURES

INSTRUCTIONAL SERVICES:

Equipment	-	
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SUPPORT SERVICES:

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

CAPITAL OUTLAY:

Professional Services	187,268	
Other Purchased Services	-	
Land Improvements	-	
Construction Services	2,995,418	
Communications	-	
Building Acquisition	-	
Dues and Fees	-	

DEBT SERVICE:

Debt Service - Interest	6,088	
Debt Service - Principal	235,975	

Other Financing Uses:

Transfer to General Fund	-	3,424,749
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FUND BALANCE - JUNE 30, 2021 **\$ 10,120,686**

**Bethlehem Area School District
Special Revenue (Authority General Fund) Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2021**

FUND BALANCE - JULY 1, 2020		\$	-
<u>REVENUES AND OTHER FINANCING SOURCES</u>			
Proceeds from Refunding Bond Issues	\$	-	
Transfer from General Fund		-	
Interest Earnings		<u>4,296,952</u>	<u>4,296,952</u>
TOTAL FUNDS AVAILABLE			4,296,952
<u>EXPENDITURES AND OTHER FINANCING USES</u>			
SUPPORT SERVICES:			
Professional Services		-	
Advertising		-	
Printing		-	
Dues and Fees		-	
NON-INSTRUCTIONAL SERVICES:			
Equipment		-	
DEBT SERVICE:			
Bond Principal		100,000	
Bond Interest		4,196,952	
OTHER FINANCING USES:			
Payment to Refunding Bond Issue Escrow Agent		<u>-</u>	<u>4,296,952</u>
FUND BALANCE - JUNE 30, 2021		<u>\$</u>	<u>-</u>

**Bethlehem Area School District
Capital Project Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2021**

FUND BALANCE - JULY 1, 2020 \$ 1,674,150

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	195		195
TOTAL FUNDS AVAILABLE			1,674,345

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	-		
Printing	-		
Insurance	-		
Supplies	-		
Construction Services	1,820,138		
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	-		1,820,138

FUND BALANCE - JUNE 30, 2021 **\$ (145,793)**

Bethlehem Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2021

REVENUES

Sales	\$ 98,571	
Donated Commodities	255,448	
Special Events	54,051	
Federal Equipment Grant	-	
State Subsidies	349,420	
Federal Subsidies	3,988,521	
Gain (Loss) on Sale of Fixed Assets	-	
Interest earnings	40	
Rentals	-	
Transfers from General Fund	-	
Miscellaneous	544	
Contributions	-	
TOTAL REVENUES	-	\$ 4,746,595

COST OF COMMODITIES

Beginning Inventory	35,896	
Food Service Management - Food	1,116,628	
Donated Commodities	255,448	
Ending Inventory	(10,150)	
TOTAL COST OF COMMODITIES SOLD		1,397,822
GROSS PROFIT		3,348,773

OPERATING EXPENSES

Salaries	1,738,104	
Self-Insured Medical Benefits	541,885	
Self-Insured Dental Benefits	3,744	
Self-Insured Prescriptions	16,088	
Fica Tax	130,521	
Retirement Contributions	762,503	
Other Benefits	70,956	
Other Professional Services	-	
Employee Training	175	
Refuse	-	
Repairs and Maintenance	39,839	
Electricity	-	
Bottled Gas	-	
Rentals	2,459	
Communications	4,612	
Food Service Management Costs	987,299	
Travel	12	
Supplies	50,134	
Technology Supplies	19,877	
Small Tools	-	
Depreciation	27,869	
Dues and Fees	5,180	4,401,257
TOTAL EXPENSES		4,401,257
CHANGES IN FUND NET POSITION		(1,052,484)
FUND NET POSITION - JULY 1, 2020		(5,043,080)
FUND NET POSITION - JUNE 30, 2021		\$ (6,095,564)

Bethlehem Area School District
Day Care Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2021

REVENUES

Regular Day School Tuition	\$ 530,515	
Revenue from Community Service Activities	359,425	
State Revenue	-	
Fica Revenue	39,695	
Retirement Revenue	178,566	
Other Cares Act Funding	159,600	
Donations	390	
ESSER 1	126,000	
Miscellaneous	2,860	
Earnings on Investments	49	
TOTAL REVENUES		\$ 1,397,100

OPERATING EXPENSES

Salaries	1,120,514	
Self-ins. Medical Benefits	318,588	
Self-ins. Dental Benefits	25,239	
Self-ins. Prescriptions	107,575	
Self-Ins. Eye Care	166	
Fica Tax	81,474	
Retirement Contributions	438,799	
Workers Compensation	11,713	
Unemployment Compensation	17,417	
Other Benefits	12,697	
Professional Services	2,619	
Disposal	-	
Other Purchased Services	-	
Small Equipment	1,132	
Advertising	-	
Communications	172	
Travel	497	
Repairs and Maintenance	-	
Supplies	7,199	
Meals/Refreshments	-	
Depreciation	-	
Miscellaneous	127	
Dues and Fees	694	
Bad Debt Expense	-	
TOTAL EXPENSES		2,146,622
CHANGES IN FUND NET POSITION		(749,522)
FUND NET POSITION - JULY 1, 2020		(3,845,484)
FUND NET POSITION - JUNE 30, 2021		<u>\$ (4,595,006)</u>

**Bethlehem Area School District
Self-Insurance Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021**

ADDITIONS

Contributions from Other Funds	\$ 28,047,212	
Cobra and Co-Pay Payments	1,493,561	
Unemployment Comp. Payments	144,735	
Transfers from General Fund (Primary Government)	-	
Interest Earnings	16,971	
Wellness Revenue	68,523	
Other Misc. Revenue	2,140	
TOTAL REVENUES		\$ 29,773,142

DEDUCTIONS

Staff Health Services	17,938	
Staff Health Software	18,112	
Eye Care Insurance	9,580	
Unemployment	149,263	
Workers Compensation	758	
Medical Insurance	22,886,738	
Dental	1,326,937	
Prescription	6,310,910	
Stop Loss Insurance	732,355	
Dues, Fees, and Supplies	10,768	
TOTAL EXPENSES		31,463,359
CHANGES IN NET POSITION		(1,690,217)
NET POSITION - JULY 1, 2020		29,231,468
NET POSITION - JUNE 30, 2021		<u>\$ 27,541,251</u>

**Self-Insurance Fund
Statement of Fiduciary Net Position
As of June 30, 2021**

ASSETS

Cash and Cash Equivalents	\$ 28,043,411	
Investments	640,000	
Due From Other Funds	2,262,758	
Other Receivables	1,072,511	
Prepaid Expenses	-	
Other Current Assets	-	
TOTAL ASSETS		<u>\$ 32,018,680</u>

LIABILITIES

Accounts Payable	\$ 4,400,588	
Due to Other Funds	23,537	
Other Current Liabilities	53,304	
TOTAL LIABILITIES		4,477,429

NET POSITION

Restricted for:		
Pool Participants		<u>27,541,251</u>
TOTAL LIABILITIES AND FUND NET POSITION		<u>\$ 32,018,680</u>

**Bethlehem Area School District
Activity Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021**

ADDITIONS

Interest Income	\$ 83	
Admissions	22,496	
Book Store Sales	-	
Student Organization Membership Dues and Fees	68,369	
Special Events	202,489	
Contributions & Donations	53,247	
Other Activity Income	14,111	
TOTAL REVENUES		\$ 360,795

DEDUCTIONS

Professional and Technical Services	14,046	
Rentals	6,299	
Transportation Services	-	
Communications	41,653	
Travel	155	
Supplies	131,094	
Food	9,793	
Dues & Fees	1,349	
Donations	64,282	
Student Fees for Instruction Related Events	8,107	
Miscellaneous Expenses	111,794	
TOTAL EXPENSES		388,572

CHANGES IN NET POSITION (27,777)

NET POSITION - JULY 1, 2020 674,401

NET POSITION - JUNE 30, 2021 **\$ 646,624**

**Activity Fund
Statement of Fiduciary Net Position
Net OPEB Liability - Single Employer Plan**

ASSETS

Cash and Cash Equivalents	\$ 651,203	
Investments	-	
Due From Other Funds	-	
Other Receivables	18,251	
Prepaid Expenses	-	
Other Current Assets	-	
TOTAL ASSETS		\$ 669,454

LIABILITIES

Accounts Payable	\$ 22,446	
Due to Other Funds	384	
Other Current Liabilities	-	
TOTAL LIABILITIES		22,830

NET POSITION

Restricted for:
Individuals, organizations, and other governments 646,624

TOTAL LIABILITIES AND FUND NET POSITION **\$ 669,454**

**Bethlehem Area School District
Private-Purpose Trust Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021**

ADDITIONS

Contributions & Donations	\$ 108,210	
Interest Income	35	
Dividends on Investments	-	
Gain(Loss) on Investments	-	
TOTAL REVENUES		\$ 108,245

DEDUCTIONS

Admin. Fees	-	
Awards	115,340	
TOTAL EXPENSES		115,340

CHANGES IN NET POSITION (7,095)

NET POSITION - JULY 1, 2020 199,656

NET POSITION - JUNE 30, 2021 **\$ 192,561**

**Private-Purpose Trust Fund
Statement of Fiduciary Net Position
As of June 30, 2021**

ASSETS

Cash and Cash Equivalents	\$ 286,949	
Investments	1,903	
Due From Other Funds	-	
Other Receivables	-	
Prepaid Expenses	-	
Other Current Assets	-	
TOTAL ASSETS		\$ 288,852

LIABILITIES

Accounts Payable	\$ 96,291	
Due to Other Funds	-	
Other Current Liabilities	-	
TOTAL LIABILITIES		96,291

NET POSITION

Restricted for:		
Individuals, organizations, and other governments		192,561
TOTAL LIABILITIES AND FUND NET POSITION		\$ 288,852

Bethlehem Area School District
Schedule on General Obligation Bonds - Series of 2011
For the Year Ended June 30, 2021

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	<u>\$ 6,593,453</u>	<u>\$ 33,285,000</u>

Schedule on General Obligation Bonds - Series A of 2015
For the Year Ended June 30, 2021

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	<u>\$ 19,593,250</u>	<u>\$ 30,000,000</u>

Bethlehem Area School District
Schedule on General Obligation Notes - Series B of 2015
For the Year Ended June 30, 2021

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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>\$ 1,206,141</u>	<u>\$ 3,725,000</u>

Schedule on General Obligation Notes - Series C of 2015
For the Year Ended June 30, 2021

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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>\$ 1,692,506</u>	<u>\$ 9,555,000</u>

Bethlehem Area School District
Schedule on General Obligation Bonds - Series A of 2016
For the Year Ended June 30, 2021

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 5,844,097	\$ 33,960,000

Schedule on General Obligation Bonds - Series B of 2016
For the Year Ended June 30, 2021

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 8,001,162	\$ 19,700,000

Schedule on Guaranteed Revenue Bonds - Series of 2017
For the Year Ended June 30, 2021

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2021-22	\$ 1,204,404	\$ 50,000
2022-23	1,204,126	50,000
2023-24	1,203,848	50,000
2024-25	1,203,570	50,000
2025-26	1,203,291	50,000
2026-27	1,089,438	6,760,000
2027-28	807,235	7,175,000
2028-29	506,122	7,615,000
2029-30	189,998	8,400,000
TOTAL OUTSTANDING	\$ 8,612,032	\$ 30,200,000

Bethlehem Area School District
Schedule on Guaranteed Revenue Bonds - Series of 2018
For the Year Ended June 30, 2021

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2021-22	\$ 1,703,467	\$ 35,000
2022-23	1,635,629	1,340,000
2023-24	1,501,728	1,425,000
2024-25	1,359,649	2,050,000
2025-26	1,211,598	2,130,000
2026-27	1,044,953	4,760,000
2027-28	870,520	4,965,000
2028-29	689,089	5,195,000
2029-30	498,035	5,910,000
2030-31	299,038	6,190,000
2031-32	91,709	6,550,000
TOTAL OUTSTANDING	<u>\$ 10,905,415</u>	<u>\$ 40,550,000</u>

Schedule on Guaranteed Revenue Bonds - Series A of 2018
For the Year Ended June 30, 2021

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2021-22	\$ 1,281,188	\$ 15,000
2022-23	1,281,106	15,000
2023-24	1,281,024	15,000
2024-25	1,280,942	15,000
2025-26	1,280,860	15,000
2026-27	1,280,777	15,000
2027-28	1,280,695	15,000
2028-29	1,280,613	15,000
2029-30	1,217,840	2,200,000
2030-31	900,050	13,585,000
2031-32	337,216	14,190,000
TOTAL OUTSTANDING	<u>\$ 12,702,311</u>	<u>\$ 30,095,000</u>

Schedule on General Obligation Bonds - Series of 2019
For the Year Ended June 30, 2021

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2021-22	\$ 561,500	\$ 13,570,000
2022-23	160,125	2,485,000
2023-24	49,000	1,960,000
TOTAL OUTSTANDING	<u>\$ 770,625</u>	<u>\$ 18,015,000</u>

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, 2021

<u>FEDERAL GRANTOR PROJECT TITLE</u>	<u>SOURCE CODE</u>	<u>CFDA NUMBER</u>	<u>GRANTOR PASS THROUGH NUMBER</u>	<u>GRANT PERIOD</u>	<u>AWARD AMOUNT</u>	<u>TOTAL RECEIVED</u>	<u>ACCRUED OR (DEFERRED) AT 7/01/20</u>	<u>REVENUE</u>	<u>EXPENDI- TURES</u>	<u>ACCRUED OR (DEFERRED) AT 6/30/21</u>	<u>FOOTNOTES</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>											
<u>PASSED THROUGH THE PA COMMISSION ON CRIME AND DELINQUENCY (PCCD)</u>											4
COVID-19 - CORONAVIRUS RELIEF FUND	I	21.019	2020-CS-01-34068	3/1/20-10/30/20	\$ 720,525	\$ 720,525	\$ -	\$ 720,525	\$ 720,525	\$ -	
<u>PASSED THROUGH THE COUNTY OF NORTHAMPTON</u>											
COVID-19 - CORONAVIRUS RELIEF FUND	I	21.019	2020-CS-01-34068	3/1/20-12/30/20	\$ 98,715	98,715	-	98,715	98,715	-	4
<u>PASSED THROUGH THE COMMUNITY SERVICES FOR CHILDREN, INC</u>											
COVID-19 - CORONAVIRUS RELIEF FUND	I	21.019	N/A	3/1/20-11/30/20	\$ 75,600	75,600	-	75,600	75,600	-	4
<u>PASSED THROUGH THE PDE OFFICE OF CHILD DEVELOPMENT AND EARLY LEARNING</u>											
COVID-19 - CORONAVIRUS RELIEF FUND	I	21.019	161-19-0107	8/14/20-12/31/20	\$ 28,600	28,600	-	28,600	28,600	-	4
TOTAL CORONAVIRUS RELIEF FUND						923,440	-	923,440	923,440	-	
TOTAL U.S. DEPARTMENT OF THE TREASURY						\$ 923,440	\$ -	\$ 923,440	\$ 923,440	\$ -	
<u>U.S. DEPARTMENT OF EDUCATION</u>											
IMPACT AID PUBLIC LAW 81-874	D	84.041	N/A	7/1/19-6/30/20	\$ -	65,074	-	65,074	65,074	-	
TOTAL IMPACT AID CLUSTER						65,074	-	65,074	65,074	-	
<u>PASSED THROUGH THE PA DEPARTMENT OF EDUCATION (PDE)</u>											
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	-	-	-	4
<u>PASSED THROUGH THE PDE</u>											
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-20-0034 A	7/1/19-9/30/20	\$ 3,902,153	1,040,414	1,034,668	5,746	5,746	-	4
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-21-0034 A	7/1/20-9/30/21	\$ 4,287,702	2,910,733	-	4,165,973	4,165,973	1,255,240	
TITLE I - SCHOOL INTERVENTION	I	84.010	042-19-0034	7/1/19-9/30/20	\$ 545,484	38,963	(69,680)	108,643	108,643	-	
TITLE I - SCHOOL INTERVENTION	I	84.010	042-20-0034	7/1/20-9/30/21	\$ 501,515	462,937	-	357,960	357,960	(104,977)	
TOTAL TITLE I CLUSTER						4,453,047	964,988	4,638,322	4,638,322	1,150,263	
<u>PASSED THROUGH THE PDE</u>											
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	020-19-0034 A	7/1/18-9/30/19	\$ 562,427	-	(34,813)	34,813	34,813	-	4
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	020-20-0034 A	7/1/19-9/30/20	\$ 572,442	228,877	141,611	77,396	77,396	(9,870)	
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	020-21-0034 A	7/1/20-9/30/21	\$ 561,370	377,905	-	494,645	494,645	116,740	
TOTAL TITLE IIA PROGRAM						606,782	106,798	606,854	606,854	106,870	
<u>PASSED THROUGH THE PDE</u>											
TITLE III - LEP / IMMIGRANT STUDENTS	I	84.365	010-20-0034 A	7/1/19-9/30/20	\$ 175,623	35,125	35,125	-	-	-	4
TITLE III - LEP / IMMIGRANT STUDENTS	I	84.365	010-21-0034 A	7/1/20-9/30/21	\$ 293,328	195,552	-	245,496	245,496	49,944	
TOTAL TITLE III PROGRAM						230,677	35,125	245,496	245,496	49,944	
<u>PASSED THROUGH THE PDE</u>											
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	144-20-0034 A	7/1/19-9/30/20	\$ 298,593	99,531	48,106	51,218	51,218	(207)	4
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	144-21-0034 A	7/1/20-9/30/21	\$ 297,171	158,491	-	184,892	184,892	26,401	
TOTAL TITLE IV PROGRAM						258,022	48,106	236,110	236,110	26,194	

**Bethlehem Area School District
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2021**

<u>PASSED THROUGH THE COLONIAL I.U. #20</u>											4
IDEA	I	84.027	N/A	7/1/19-9/30/20	\$ 1,926,296	-	-	-	-	-	1
IDEA	I	84.027	N/A	7/1/20-9/30/21	\$ 2,054,685	1,942,341	-	2,054,685	2,054,685	112,344	1
IDEA - SECTION 619A	I	84.173	N/A	7/1/19-9/30/20	\$ 12,540	-	-	-	-	-	1
IDEA - SECTION 619A	I	84.173	N/A	7/1/20-9/30/21	\$ 11,550	11,550	-	11,550	11,550	-	1
<u>PASSED THROUGH THE LANCASTER-LEBANON I.U. #13</u>											4
IDEA	I	84.027	N/A	7/1/19-6/30/20	\$ 25,000	25,000	25,000	-	-	-	2
IDEA	I	84.027	N/A	7/1/20-6/30/21	\$ 10,000	10,000	-	2,002	2,002	(7,998)	2
<u>PASSED THROUGH THE I.U. #1</u>											4
IDEA	I	84.027	N/A	7/1/19-6/30/20	\$ 10,000	10,000	-	10,000	10,000	-	3
TOTAL IDEA CLUSTER						<u>1,998,891</u>	<u>25,000</u>	<u>2,078,237</u>	<u>2,078,237</u>	<u>104,346</u>	
<u>PASSED THROUGH THE PCCD</u>											4
COVID-19 - ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF (ESSER) FUND	I	84.425D	2020-ES-01-35273	3/13/20-9/30/22	\$ 452,553	-	-	450,741	450,741	450,741	
<u>PASSED THROUGH THE PDE</u>											4
COVID-19 - ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF (ESSER) FUND	I	84.425D	FA-200-20-0034	3/13/20-9/30/21	\$ 3,218,394	3,218,394	482,993	2,709,415	2,709,415	(25,986)	
COVID-19 - GOVERNOR'S EMERGENCY EDUCATION RELIEF (GEER) FUND	I	84.425C	253-20-0034	3/13/20-9/30/21	\$ 398,450	398,450	-	398,450	398,450	-	
COVID-19 - GOVERNOR'S EMERGENCY EDUCATION RELIEF (GEER) FUND	I	84.425C	254-20-0034	3/13/20-9/30/21	\$ 389,988	102,628	-	140,544	140,544	37,916	
COVID-19 - GOVERNOR'S EMERGENCY EDUCATION RELIEF (GEER) FUND	I	84.425C	252-20-0034	3/13/20-9/30/21	\$ 177,268	74,639	-	47,294	47,294	(27,345)	
TOTAL EDUCATION STABILIZATION FUND THROUGH THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT						<u>3,794,111</u>	<u>482,993</u>	<u>3,746,444</u>	<u>3,746,444</u>	<u>435,326</u>	
TOTAL U.S. DEPARTMENT OF EDUCATION						<u>\$ 11,478,876</u>	<u>\$ 1,735,282</u>	<u>\$ 11,616,537</u>	<u>\$ 11,616,537</u>	<u>\$ 1,872,943</u>	
<u>U.S. DEPT. OF HEALTH AND HUMAN SERVICES</u>											4
<u>PASSED THROUGH THE PA DEPARTMENT OF PUBLIC WELFARE</u>											4
PROMOTING SAFE AND STABLE FAMILIES	I	93.556	SAP 4100066996	7/1/19-6/30/20	\$ 162,152	32,327	32,327	-	-	-	
PROMOTING SAFE AND STABLE FAMILIES	I	93.556	SAP 4100066996	7/1/20-6/30/21	\$ 187,866	151,879	-	187,866	187,866	35,987	
TOTAL PROMOTING SAFE AND STABLE FAMILIES PROGRAM						<u>184,206</u>	<u>32,327</u>	<u>187,866</u>	<u>187,866</u>	<u>35,987</u>	
COMMUNITY BASED CHILD ABUSE PREVENTION	I	93.590	SAP 4100066996	7/1/19-6/30/20	\$ 2,429	304	304	-	-	-	
COMMUNITY BASED CHILD ABUSE PREVENTION	I	93.590	SAP 4100066996	7/1/20-6/30/21	\$ 2,429	2,126	-	2,429	2,429	303	
TOTAL COMMUNITY BASED CHILD ABUSE PREVENTION PROGRAM						<u>2,430</u>	<u>304</u>	<u>2,429</u>	<u>2,429</u>	<u>303</u>	
ESEA - TITLE 19 MEDICAID REIMBURSEMENT	I	93.778	N/A	7/1/20-9/30/21	N/A	125,744	63,610	98,147	98,147	36,013	
<u>PASSED THROUGH THE COMMUNITY SERVICES FOR CHILDREN, INC</u>											4
COVID-19 - CHILD CARE DEVELOPMENT BLOCK GRANT	I	93.575	N/A	7/1/20-6/30/21	N/A	210,000	-	210,000	210,000	-	
TOTAL U.S. DEPT. OF HEALTH AND HUMAN SERVICES						<u>\$ 522,380</u>	<u>\$ 96,241</u>	<u>\$ 498,442</u>	<u>\$ 498,442</u>	<u>\$ 72,303</u>	

**Bethlehem Area School District
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2021**

U. S. DEPT. OF AGRICULTURE

PASSED THROUGH THE PDE

NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/19-6/30/20	N/A	24,041	24,041	-	-	-	4
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/20-6/30/21	N/A	-	-	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/19-6/30/20	N/A	-	-	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/20-6/30/21	N/A	-	-	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/19-6/30/20	N/A	15,111	15,111	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/20-6/30/21	N/A	-	-	-	-	-	
AFTER SCHOOL SNACK	I	10.555	N/A	7/1/19-6/30/20	N/A	-	-	-	-	-	
AFTER SCHOOL SNACK	I	10.555	N/A	7/1/20-6/30/21	N/A	16,575	-	20,874	20,874	4,299	
SUMMER FOOD	I	10.559	N/A	7/1/19-6/30/20	N/A	(64,335)	64,335	-	-	128,670	
SUMMER FOOD	I	10.559	N/A	7/1/20-6/30/21	N/A	2,800,115	-	3,852,848	3,852,848	1,052,733	

PASSED THROUGH THE PA

DEPARTMENT OF AGRICULTURE

NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/1/20-6/30/21	N/A	255,448	(35,896)	281,194	281,194	(10,150)	4
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TOTAL CHILD NUTRITION CLUSTER

3,046,955	67,591	4,154,916	4,154,916	1,175,552	5,6
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PASSED THROUGH THE PDE

FRESH FRUIT AND VEGETABLE PROGRAM	I	10.582	N/A	7/1/20-6/30/21	N/A	114,799	-	114,799	114,799	-	4
						114,799	-	114,799	114,799	-	

TOTAL U.S. DEPARTMENT OF AGRICULTURE

\$ 3,161,754	\$ 67,591	\$ 4,269,715	\$ 4,269,715	\$ 1,175,552
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TOTAL FEDERAL FINANCIAL AWARDS

\$ 16,086,450	\$ 1,899,114	\$ 17,308,134	\$ 17,308,134	\$ 3,120,798
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SOURCE: D-DIRECT; I-INDIRECT

Bethlehem Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

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, 2021. 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 4.3% of its total general fund revenue in federal awards, and 74.2% 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. #20 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 awards passed through the Intermediate Unit #1 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.

Bethlehem Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

4. The Federal Grants were passed through the following entities in the totals below:

<u>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Department of Education	\$ 16,254,180	\$ 13,011,006
PA Commission on Crime & Delinquency	1,173,078	1,171,266
Community Services for Children, Inc.	75,600	285,600
Intermediate Unit #1	10,000	10,000
Lancaster-Lebanon I.U. #13	35,000	2,002
Colonial I.U. #20	4,005,071	2,066,235
PA Department of Public Welfare	354,876	288,442
PDE Office of Child Dev. & Early Learning	28,600	28,600
Northampton County	98,715	98,715
PA Department of Agriculture	N/A	281,194
Totals	<u>\$ 22,035,120</u>	<u>\$ 17,243,060</u>

5. The District received non-monetary assistance from the U.S. Department of Agriculture of \$255,448 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2020-21 fiscal year, the District used \$281,194, in commodities, and established a year-end inventory of \$10,150 at June 30, 2021.
6. 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.
7. 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	\$ 10,924,239
Federal Grants in Local Sources	2,176,951
Day Care Fund Federal Revenue	285,600
Food Service Fund Federal Revenue	4,243,968
Total Federal Revenue, per financial statements	17,630,758
Less - Medical Access Reimbursement (Federal)	(348,369)
Plus: Change in Donated Commodities	25,745
Total Federal Revenue Reported on SEFA	<u>\$ 17,308,134</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, 2021, 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 7, 2021.

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 7, 2021



**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, 2021. 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, 2021.

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 7, 2021

**Bethlehem Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

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
10.553, 10.555, 10.559	Child Nutrition Cluster
21.019	COVID-19 - Coronavirus Relief Fund

Percentage of programs tested to total awards 29.3%

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, 2021**

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.