

**REPORT ON
BETHLEHEM AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2023**

BETHLEHEM AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2023

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INTRODUCTORY SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2023, 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.

Respectfully submitted,

Gorman & Associates, P.C.

December 21, 2023

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)

FEDERAL AUDIT CLEARINGHOUSE
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WASHINGTON, D.C. 20202

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6 DANFORTH DRIVE
EASTON, PA 18045

FINANCIAL SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania 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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bethlehem Area School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Bethlehem Area School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bethlehem Area School District, as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bethlehem Area School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 2-G to the financial statements, in 2022-23, the District adopted new accounting guidance, GASB Statement No. 96, SBITA's. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bethlehem Area School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bethlehem Area School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bethlehem Area School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-16, the schedules associated with the District's Defined Benefit Pension Plan, and the Schedules of the District's OPEB Plans, on pages 90-99, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

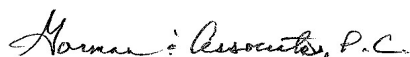
Supplementary Information

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 accompanying combining and individual nonmajor fund financial statements 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bethlehem Area School District's 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,



Northampton, Pennsylvania
December 7, 2023

**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, 2023**

The discussion and analysis of Bethlehem Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to enhance their understanding of the District's financial performance.

The Management 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 June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

MISSION STATEMENT AND PURPOSE

- Mission - The Bethlehem Area School District in partnership with the home and community is committed to providing a safe and supportive environment in which each student will attain the knowledge, skills, and attitudes necessary to become a productive citizen and self-directed, lifelong learner in our technologically demanding and culturally diverse society.
- Purpose - Eliminate race and family income as predictors of school success by guaranteeing equitable access to opportunities for personalized learning and growth.

FINANCIAL HIGHLIGHTS

- * The District-wide total net position increased by \$50,837,447 to a balance of (\$239,666,170).
- * The governmental net position has increased by \$13,904,757 to a balance of \$81,667,765.
- * The business type net position has increased by \$2,030,828 to a balance of (\$4,032,212).
- * The fiduciary type net position has decreased by \$886,387 to a balance of \$23,892,875.
- * The District's Unassigned General Fund Balances have decreased by \$6,880,256 to a balance of \$14,054,183 or 4.2% of expenditures.

In total, this yielded a net General Fund surplus of 4.73% or \$15,576,266 for the year ended June 30, 2023. Together with the beginning fund balance of \$52,308,953, the BASD ended the fiscal year with a total general fund balance of \$67,885,219. This fund balance is reduced by \$725,579 in non-spendable assets; \$94,240 restricted; \$42,000,000 committed to the Capital Reserve fund for future capital improvements; \$4,000,000 assigned to mitigate future increases in the state pension rate; and \$7,011,217 assigned for appropriations in the 2023-24 budget. The resulting undesignated fund balance on June 30, 2023 is \$14,054,183 or 4.2% 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.

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

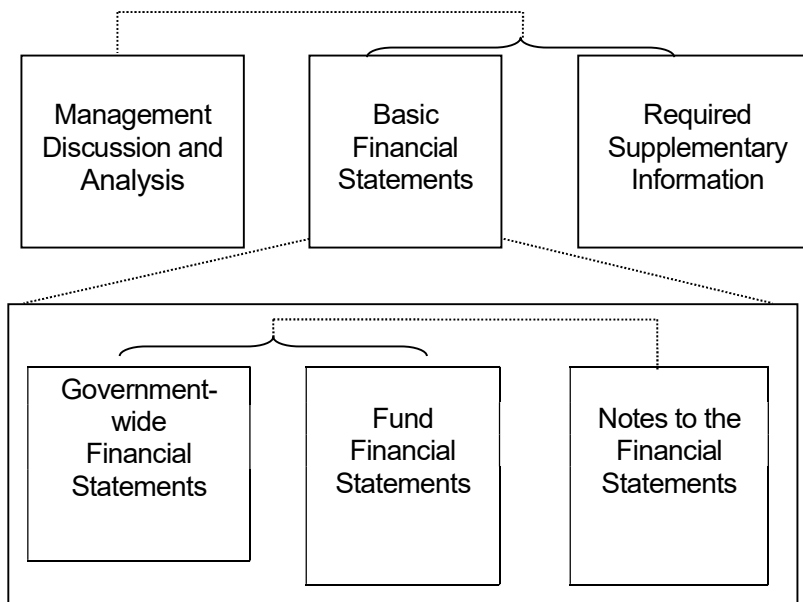
The first two statements are government-wide financial statements 1) the Statement of Net Position and 2) the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like a business. For this District this is our Food Service Fund and Child Care Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

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

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



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

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

**Figure A-2
Major Features of Bethlehem Area School District's
Government-wide and Fund Financial Statements**

	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

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 District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 the net position has 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, one must consider additional factors, such as the increasing property tax base, outlook for future growth, strength of financial planning and policies, 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.
- ***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, however more detail and additional information, such as cash flows is provided in the Fund Financial Statements.

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position is (\$239,666,170) at June 30, 2023. This reflects an increase in net position of \$50,837,447 from the previous fiscal year. Table A-1 summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District.

**Table A-1
Net Position (In Millions)
Fiscal Year Ended June 30, 2023**

	<u>2023</u>			<u>2022</u>		
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>
Current assets	\$ 133.3	\$ 7.1	\$ 140.4	\$ 116.1	\$ 5.6	\$ 121.7
Non-Current assets	256.8	0.3	257.1	250.2	0.1	250.3
Deferred Outflow of Resources	85.5	1.5	87.0	90.5	1.7	92.2
Total Assets & Deferred Outflow of Resources	\$ 475.6	\$ 8.9	\$ 484.5	\$ 456.8	\$ 7.4	\$ 464.2
Current and other liabilities	\$ 60.8	\$ 0.4	\$ 61.2	\$ 58.0	\$ 0.4	\$ 58.4
Long-term liabilities	607.5	12.2	619.7	611.2	11.6	622.8
Deferred Inflow of Resources	42.9	0.3	43.2	72.0	1.4	73.4
Total Liabilities & Deferred Inflow of Resources	711.2	12.9	724.1	741.2	13.4	754.6
Net Position						
Net Investment in Capital Assets	\$ -	\$ 0.3	\$ 0.3	\$ -	\$ 0.1	\$ 0.1
Unrestricted	(235.6)	(4.3)	(239.9)	(284.4)	(6.1)	(290.5)
Total Net Position	\$ (235.6)	\$ (4.0)	\$ (239.6)	\$ (284.4)	\$ (6.0)	\$ (290.4)
Total Liabilities, Deferred Inflow of Resources, & Net Position	\$ 475.6	\$ 8.9	\$ 484.5	\$ 456.8	\$ 7.4	\$ 464.2

Most of the District's net position is invested in capital assets (buildings, land, and equipment) totaling \$257,087,220. The remaining unrestricted net portion is a combination of restricted and unrestricted amounts. The restricted capital projects balance of \$13,781,379 is set aside to fund capital projects as planned by the District. The unrestricted net position reflects a negative balance of (\$299,287,000).

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania, and the local taxes assessed to community taxpayers.

Additional information is provided in the notes to the financial statements.

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

Table A-2 takes the information from that Statement and rearranges it slightly, so that you can compare the District's total revenues for the 2021-2022 and 2022-2023 fiscal years.

**Table A-2
Changes in Net Position (In Thousands)
Fiscal Year Ended June 30, 2023 and 2022**

	<u>2023</u>			<u>2022</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	\$ 499	\$ 3,261	\$ 3,760	\$ 472	\$ 2,032	\$ 2,504
Operating grants and contributions	57,761	8,084	65,845	56,517	11,721	68,238
Capital grants and contributions	16,344	-	16,344	13,284	-	13,284
<i>General revenues</i>						
Property taxes	186,531	-	186,531	185,002	-	185,002
Other taxes	31,838	-	31,838	28,497	-	28,497
Grants, subsidies and contributions, unrestricted	52,709	-	52,709	42,497	-	42,497
Other	7,248	-	7,248	1,267	3	1,270
TOTAL REVENUES	\$ 352,930	\$ 11,345	\$ 364,275	\$ 327,536	\$ 13,756	\$ 341,292
	-----	-----	-----	-----	-----	-----
<u>EXPENSES</u>						
Instruction	\$ 197,266	\$ -	\$ 197,266	\$ 185,745	\$ -	\$ 185,745
Instructional student support	26,387	-	26,387	24,943	-	24,943
Administrative and financial support	25,176	-	25,176	24,143	-	24,143
Operation and maintenance of plant	20,671	-	20,671	18,754	-	18,754
Pupil transportation	12,452	-	12,452	9,591	-	9,591
Student activities	3,717	-	3,717	3,455	-	3,455
Community services	349	-	349	201	-	201
Scholarships and Awards	-	-	-	-	-	-
Interest on long-term debt	8,559	-	8,559	8,538	-	8,538
Unallocated depreciation expense	9,546	-	9,546	9,263	-	9,263
Day Care	-	1,862	1,862	-	1,807	1,807
Food Services	-	7,452	7,452	-	7,317	7,317
TOTAL EXPENSES	304,123	9,314	313,437	284,633	9,124	293,757
	-----	-----	-----	-----	-----	-----
Increase (decrease) in net position	\$ 48,807	\$ 2,031	\$ 50,838	\$ 42,903	\$ 4,632	\$ 47,535

**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, 2023 and 2022**

Functions/Programs	2023		2022	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 197,266	\$ 155,862	\$ 185,745	\$ 145,681
Instructional student support	26,387	18,286	24,943	16,128
Administrative	25,176	21,445	24,143	20,269
Operation and maintenance	20,671	4,557	18,754	6,769
Pupil transportation	12,452	9,330	9,591	6,306
Student activities	3,717	3,139	3,455	2,960
Community services	349	250	201	107
Interest on long-term debt	8,559	7,103	8,538	6,877
Unallocated depreciation expense	9,546	9,546	9,263	9,263
Total governmental activities	\$ 304,123	\$ 229,518	\$ 284,633	\$ 214,360
Less:				
Unrestricted grants, subsidies		52,709		42,497
Total needs from local taxes and other revenues		\$ (176,809)		\$ (171,863)

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, 2023 and 2022**

Functions/Programs	2023		2022	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	\$ 7,451,512	\$ 1,683,797	\$ 7,317,452	\$ 4,026,405
Child Care	1,862,105	182,216	1,807,476	598,234
Less:				
Investment earnings & other misc.		164,815		2,891
Total business-type activities		\$ 2,030,828		\$ 4,627,530

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

THE DISTRICT FUNDS

At June 30, 2023, District governmental funds reported a combined fund balance of \$81,667,765, an increase of \$13,904,757 from the previous year.

The schedule below indicates the fund balances and the total change in fund balances as of and between June 30, 2022 and 2023.

	Fund Balance June 30, 2023	Fund Balance June 30, 2022	Increase (Decrease)
General Fund - Unassigned	14,054,183	20,934,439	(6,880,256)
General Fund - Assigned	11,011,840	4,000,623	7,011,217
General Fund - Committed	42,000,000	27,000,000	15,000,000
Other (Nonspendable and Restricted)	14,601,742	15,827,946	(1,226,204)
TOTAL	81,667,765	67,763,008	13,904,757

General fund revenues and other sources exceeded expenditures and other uses by \$15,576,266 which resulted in an ending total General Fund balance of \$81,667,765.

With the implementation of GASB Statement #54, Capital Reserve Fund balances (authorized under Commonwealth of Pennsylvania statutes) are reported as part of the Capital Projects balances.

The District utilizes a Capital Reserve Fund to actively prepare for unexpected and proposed capital projects each year. In order to fund projects without the need for additional borrowing issues, the district has established this fund and makes budgeted transfers, as well as transfers from available in the General Fund at year end. Capital Projects Funds, including both the Capital Reserve and Capital Projects Fund, had a decrease of (\$1,671,509) resulting in a Capital Project fund balance of \$13,781,923 on June 30, 2023 as a result of ongoing planned capital improvements throughout the District.

General Fund Budget

The School District's budget is prepared according to Pennsylvania law and is based on the modified accrual basis of accounting. The most significant budgeted fund is the General Fund.

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. These types of adjustments are not prohibited by state law. The District's original and final budget amounts compared with amounts actually paid and received is provided on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual- General Fund.

The General Fund overall operating revenues of \$336,915,405 were \$9,417,924 greater than originally budgeted. Local revenues were \$8,854,124 higher than budgeted due to higher than budgeted interest rates and better than anticipated tax revenue revenues. State subsidy revenues were \$2,452,546 lower than budgeted due to lower than anticipated transportation subsidy, rental revenue and other state revenues. Federal grant revenues were \$3,016,346 higher than budgeted due to the availability of American Rescue Plan (ARP) ESSER relief funding.

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

Total expenditures of \$321,560,063 (excluding budgetary reserve) were \$8,042,418 lower than originally budgeted.

The budgetary reserve includes amounts that may be transferred into expenditure accounts for planned expenditures upon approval of the Board of School Directors. These amounts will be appropriated into expenditure categories only when the expenditure is necessary for the operation of the District. Any budget reserve amount not appropriated during the year will become part of the unassigned accumulated fund balance and available for future years' budgeting, assuming some restrictions. The budgeted budgetary reserve amount of \$3,446,665 was not needed, as there were no significant, unexpected expenditures during the year. While the District does prepare a budget with a reserve each year for unexpected emergencies, this expenditure is dependent upon actual experience during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2023, the District had \$256,779,657 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase of \$6,556,731, or 1.3% from the previous year. This is primarily due to the HVAC Improvements at various Elementary Schools and roof replacements at various schools.

**Table A-5
Governmental Activities
Capital Assets – Net of Depreciation
Fiscal Year Ended June 30, 2023**

	<u>2023</u>	<u>2022</u>
Land	\$ 75,410	\$ 75,410
Site Improvements	14,668,567	14,571,428
Buildings	398,545,367	398,465,153
Furniture & Equipment	71,783,195	70,422,111
Intangible right-to-use equipment	1,007,726	928,580
Construction in Progress	<u>24,222,633</u>	<u>7,711,535</u>
Total Capital Assets	510,302,898	492,174,217
Less Accumulated Depreciation	<u>(253,523,241)</u>	<u>(241,951,291)</u>
Total Capital Assets Net of Accumulated Depreciation	<u>\$ 256,779,657</u>	<u>\$ 250,222,926</u>

DEBT ADMINISTRATION

As of July 1, 2022, the District had total outstanding debt of \$230,480,000. During the year, the District issued \$0 in additional debt, but retired and repaid \$13,605,000 resulting in ending outstanding debt as of June 30, 2023 of \$216,875,000.

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

**Table A-6
Outstanding Debt**

	<u>2023</u>	<u>2022</u>
General Obligation Notes/Bonds:		
- Bonds, Series of 2021	\$ 25,910,000	\$ 28,140,000
- Bonds, Series A of 2021	30,285,000	30,360,000
- Bonds, Series B of 2021	39,330,000	40,800,000
- Notes, Series C of 2021	30,280,000	30,305,000
- Bonds, Series of 2019	1,960,000	4,445,000
- Bonds, Series B of 2016	19,700,000	19,700,000
- Bonds, Series A of 2016	27,350,000	33,455,000
- Notes, Series C of 2015	8,335,000	9,550,000
- Notes, Series B of 2015	3,725,000	3,725,000
- Bonds, Series A of 2015	30,000,000	30,000,000
TOTAL	<u>\$ 216,875,000</u>	<u>\$ 230,480,000</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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. The district plans on a roofing project at Freedom High School along with repairs to the tennis courts, auditorium lighting and replacement of the bus lift during the 2023-2024 school year.

Future Budgets

The revenue budget for the 2023-24 fiscal year of \$339,356,293 is \$9,753,812 higher than the original 2022-23, fiscal year budget, representing a 2.96% increase in budget revenues.

With the passage of Act 1, the District was required to pass 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 2023-24 budget, this adjusted index was 4.9%. The District adopted the Resolution to not exceed the Act 1 index and is therefore precluded from filing any exception requests. The 2023-24 final adopted budget included no tax increase. The annual operating budget for the 2023-2024 year is \$339,526,293 and is supported by a .25 mil decrease for Northampton County and a 0.09 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.

Future budgets will be based on District's Built by Bethlehem Roadmap which 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.

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

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

BUDGETED REVENUES

	2023-2024	2022-2023
Local	66.9%	66.2%
State	28.1%	29.7%
Federal	4.3%	3.5%
Other	0.7%	0.6%

BUDGETED EXPENDITURES

	2023-2024	2022-2023
Instruction	60.1%	56.5%
Support Services	27.3%	29.7%
Non-Instruction/Community	0.4%	1.5%
Fund Transfers	0.0%	0.0%
Debt	12.2%	12.3%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, creditors, and other interested parties with a general overview of the School Board's finances and to show 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, 2023

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	
	ACTIVITIES	ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 105,587,157	\$ 5,842,464	\$ 111,429,621
Investments	-	-	-
Receivables, net	8,054,396	-	8,054,396
Internal Balances	29,613	773,911	- (1)
Due From Other Governments	18,526,261	199,895	18,726,156
Lease Receivable	49,734	-	49,734
Other Receivables, net	276,215	245,389	521,604
Inventories	192,127	2,860	194,987
Prepaid Expenses	533,451	34,034	567,485
Other Current Assets	41,701	-	41,701
Total Current Assets	133,290,655	7,098,553	139,585,684
Non-Current Assets:			
Land	75,410	-	75,410
Site Improvements (net of depreciation)	4,398,348	-	4,398,348
Building and Bldg. Improvements (net of depreciation)	221,371,878	-	221,371,878
Furniture and Equipment (net of depreciation)	6,450,390	307,563	6,757,953
Intangible Right To Use Equipment (net of amortization)	260,998	-	260,998
Construction in Progress	24,222,633	-	24,222,633
Total Non-Current Assets	256,779,657	307,563	257,087,220
TOTAL ASSETS	390,070,312.00	7,406,116.00	396,672,904
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Bond Refundings, net	13,273,304	-	13,273,304
Deferred Cost on Refundings - Derivatives	10,551,434	-	10,551,434
Deferred Outflows of Resources - Related to Pensions	58,998,382	1,493,303	60,491,685
Deferred Outflows of Resources - Related to OPEB	2,722,671	42,838	2,765,509
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 475,616,103	\$ 8,942,257	\$ 483,754,836
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 773,911	\$ 29,613	\$ - (1)
Due to other governments	1,991,311	-	1,991,311
Accounts Payable	12,372,931	241,661	12,614,592
Current Portion of Long-Term Obligations	14,979,613	-	14,979,613
Accrued Salaries and Benefits	15,899,809	32,387	15,932,196
Payroll Deductions and Withholdings	12,598,619	30,298	12,628,917
Prepayments	95,833	40,576	136,409
Other Current Liabilities	2,114,501	71,514	2,186,015
Total Current Liabilities	60,826,528	446,049	60,469,053
Non-Current Liabilities:			
Bonds and Notes Payable	210,234,021	-	210,234,021
Derivative Financial Instrument Liability	4,425,797	-	4,425,797
Lease Obligations	53,718	-	53,718
Long-Term Portion of Compensated Absences	5,750,370	202,392	5,952,762
Net OPEB Liability - Single Employer Plan	36,753,037	82,733	36,835,770
Net OPEB Liability - Multiple Employer Plan	14,190,042	423,350	14,613,392
Net Defined Benefit Pension Liability	335,641,647	11,493,226	347,134,873
Net Defined Contribution Pension Liability	500,442	-	500,442
TOTAL LIABILITIES	668,375,602	12,647,750	680,219,828
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow of Resources - Related to Derivatives	18,313,587	-	18,313,587
Deferred Inflows of Resources - Related to Pensions	9,528,492	199,077	9,727,569
Deferred Inflows of Resources - Related to OPEB	14,982,646	127,642	15,110,288
Deferred Inflows of Resources - Related to Leases	49,734	-	49,734
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	711,250,061	12,974,469	723,421,006
NET POSITION			
Net Investment in Capital Assets	45,531,888	307,563	45,839,451
Restricted For:			
Capital Projects	13,781,379	-	13,781,379
Unrestricted (deficit)	(294,947,225)	(4,339,775)	(299,287,000)
TOTAL NET POSITION	(235,633,958)	(4,032,212)	(239,666,170)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 475,616,103	\$ 8,942,257	\$ 483,754,836

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, 2023

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	\$ 197,265,919	\$ 319,542	\$ 41,084,610	\$ -	\$ (155,861,767)	\$ -	\$ (155,861,767)
Instructional Student Support	26,386,909	-	7,631,207	470,023	(18,285,679)	-	(18,285,679)
Admin. & Fin'l Support Services	25,176,452	-	3,731,331	-	(21,445,121)	-	(21,445,121)
Oper. & Maint. of Plant Svcs.	20,671,305	-	1,696,006	14,417,966	(4,557,333)	-	(4,557,333)
Pupil Transportation	12,451,585	-	3,121,157	-	(9,330,428)	-	(9,330,428)
Student activities	3,717,486	176,266	402,323	355	(3,138,542)	-	(3,138,542)
Community Services	348,629	3,500	95,187	-	(249,942)	-	(249,942)
Scholarships and Awards	738	-	-	-	(738)	-	(738)
Interest on Long-Term Debt	8,558,734	-	-	1,455,668	(7,103,066)	-	(7,103,066)
Unallocated Depreciation Expense	9,546,366	-	-	-	(9,546,366)	-	(9,546,366)
TOTAL GOVERNMENTAL ACTIVITIES	304,124,123	499,308	57,761,821	16,344,012	(229,518,982)	-	(229,518,982)
BUSINESS-TYPE ACTIVITIES:							
Food Services	7,451,512	1,530,044	7,605,265	-	-	1,683,797	1,683,797
Day Care	1,862,105	1,724,101	314,010	-	-	176,006	176,006
TOTAL PRIMARY GOVERNMENT	\$ 313,437,740	\$ 3,753,453	\$ 65,681,096	\$ 16,344,012	\$ (229,518,982)	\$ 1,859,803	\$ (227,659,179)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 186,530,613	\$ -	\$ 186,530,613
Taxes levied for specific purposes					31,837,913	-	31,837,913
Grants, subsidies, & contributions not restricted					52,709,198	-	52,709,198
Investment Earnings					5,885,236	164,815	6,050,051
Miscellaneous Income					1,345,945	6,210	1,352,155
Special item - Gain (Loss) on sale of capital assets					-	-	-
Extraordinary Items					16,696	-	16,696
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					278,325,601	171,025	278,496,626
CHANGES IN NET POSITION					48,806,619	2,030,828	50,837,447
NET POSITION - BEGINNING					(284,440,577)	(6,063,040)	(290,503,617)
NET POSITION - ENDING					\$ (235,633,958)	\$ (4,032,212)	\$ (239,666,170)

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

**Bethlehem Area School District
Balance Sheet
Governmental Funds
As of June 30, 2023**

	GENERAL	CAPITAL PROJECT FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 91,168,677	\$ 14,417,857	\$ 623	\$ 105,587,157
Investments	-	-	-	-
Taxes Receivable, net	8,054,396	-	-	8,054,396
Due from Other Funds	124,784	2,712,338	-	2,837,122
Due from Primary Government	-	-	357,931	357,931
Due from Other Governments	18,526,261	-	-	18,526,261
Lease Receivable	49,734	-	-	49,734
Other Receivables	275,981	-	-	275,981
Inventories	192,127	-	-	192,127
Prepaid Expenditures	533,451	-	-	533,451
Other Current Assets	41,701	-	-	41,701
TOTAL ASSETS	118,967,112	17,130,195	358,554	136,455,861
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 118,967,112	\$ 17,130,195	\$ 358,554	\$ 136,455,861
<u>LIABILITIES</u>				
Due to Other Funds	\$ 9,708,632	\$ -	\$ -	\$ 9,708,632
Due to Other Governments	1,991,311	-	-	1,991,311
Due to Component Unit	357,931	-	-	357,931
Accounts Payable	2,897,213	3,348,272	-	6,245,485
Current Portion of Long-Term Debt	543,404	-	-	543,404
Accrued Salaries and Benefits	15,899,809	-	-	15,899,809
Payroll Deductions and Withholdings	12,598,619	-	-	12,598,619
Prepayments	95,833	-	-	95,833
Other Current Liabilities	-	-	357,931	357,931
TOTAL LIABILITIES	44,092,752	3,348,272	357,931	47,798,955
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned/Unavailable Property Taxes and Leases	6,989,141	-	-	6,989,141
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	51,081,893	3,348,272	357,931	54,788,096
<u>FUND BALANCES:</u>				
Nonspendable Fund Balance	725,579	-	-	725,579
Restricted Fund Balance	94,240	13,781,923	-	13,876,163
Committed Fund Balance	42,000,000	-	-	42,000,000
Assigned Fund Balance	11,011,217	-	623	11,011,840
Unassigned Fund Balance	14,054,183	-	-	14,054,183
TOTAL FUND BALANCES	67,885,219	13,781,923	623	81,667,765
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 118,967,112	\$ 17,130,195	\$ 358,554	\$ 136,455,861

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, 2023**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	81,667,765
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**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 \$510,302,898 and the accumulated depreciation is \$253,523,241.		256,779,657
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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.		(7,762,153)
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Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		6,939,407
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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.		13,273,304
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This represents the deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension/OPEB Liability.		37,209,915
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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:		(623,741,853)
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>(235,633,958)</u>
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The Accompanying Notes are an integral part of these financial statements.

Bethlehem Area School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	<u>GENERAL</u>	<u>CAPITAL PROJECT FUNDS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 227,157,551	\$ 14,944,799	\$ 5,599,045	\$ 247,701,395
State Sources	95,278,566	-	-	95,278,566
Federal Sources	14,479,288	-	-	14,479,288
TOTAL REVENUES	<u>336,915,405</u> -----	<u>14,944,799</u> -----	<u>5,599,045</u> -----	<u>357,459,249</u> -----
EXPENDITURES				
Instruction	205,065,806	-	-	205,065,806
Support Services	88,414,303	140,171	-	88,554,474
Operation of Non-Instructional Services	4,273,114	-	-	4,273,114
Capital Outlay	65,349	16,450,782	-	16,516,131
Debt Service	23,741,491	-	5,599,045	29,340,536
TOTAL EXPENDITURES	<u>321,560,063</u>	<u>16,590,953</u>	<u>5,599,045</u>	<u>343,750,061</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>15,355,342</u>	<u>(1,646,154)</u>	<u>-</u>	<u>13,709,188</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Leases	79,146	-	-	79,146
Sale/Compensation for Fixed Assets	99,727	-	-	99,727
Transfers In (Out)	25,355	(25,355)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>204,228</u>	<u>(25,355)</u>	<u>-</u>	<u>178,873</u>
SPECIAL/EXTRAORDINARY ITEMS				
Extraordinary Items - Insurance Recoveries	16,696	-	-	16,696
NET CHANGE IN FUND BALANCES	15,576,266	(1,671,509)	-	13,904,757
FUND BALANCES - BEGINNING	52,308,953	15,453,432	623	67,762,385
FUND BALANCES - ENDING	<u>\$ 67,885,219</u>	<u>\$ 13,781,923</u>	<u>\$ 623</u>	<u>\$ 81,667,142</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, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 13,904,757**

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	\$ 11,571,950	
less - capital outlays	<u>18,128,682</u>	6,556,732

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.

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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.

954,560

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.

12,445,602

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.

(399,283)

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.

(446)

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.

2,737,154

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.

(79,146)

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.

12,686,689

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 48,806,619**

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, 2023

	FOOD SERVICE	DAY CARE FUND	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 5,177,578	\$ 664,886	\$ 5,842,464
Due from Other Funds	571,277	203,130	774,407
Due From Other Governments	199,895	-	199,895
Other Receivables (net)	218,058	26,835	244,893
Inventories	2,860	-	2,860
Prepaid expenses	34,034	-	34,034
TOTAL CURRENT ASSETS	6,203,702	894,851	7,098,553
NON-CURRENT ASSETS:			
Machinery & Equipment (net)	307,563	-	307,563
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	307,563	-	307,563
TOTAL ASSETS	6,511,265	894,851	7,406,116
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources - Related to Pensions	1,000,704	515,744	1,516,448
Deferred Outflows of Resources - Related to OPEB	28,096	14,742	42,838
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 7,540,065	\$ 1,425,337	\$ 8,965,402
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 21,230	\$ 50,674	\$ 71,904
Accounts Payable	193,676	5,694	199,370
Accrued Salaries and Benefits	32,387	-	32,387
Payroll Deductions and Withholdings	208	30,090	30,298
Other Current Liabilities	71,514	-	71,514
Prepayments	40,576	-	40,576
TOTAL CURRENT LIABILITIES	359,591	86,458	446,049
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	84,215	118,177	202,392
Net Defined Benefit Pension Liability	6,859,809	4,633,417	11,493,226
Net OPEB Liability - Single Employer Plan	38,879	43,854	82,733
Net OPEB Liability - Multiple Employer Plan	252,685	170,665	423,350
TOTAL NON-CURRENT LIABILITIES	7,235,588	4,966,113	12,201,701
TOTAL LIABILITIES	7,595,179	5,052,571	12,647,750
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources - Related to Pensions	85,862	136,360	222,222
Deferred Inflows of Resources - Related to OPEB	99,392	28,250	127,642
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	7,780,433	5,217,181	12,997,614
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	307,563	-	307,563
Unrestricted	(547,931)	(3,791,844)	(4,339,775)
TOTAL FUND NET POSITION	(240,368)	(3,791,844)	(4,032,212)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND NET POSITION	\$ 7,540,065	\$ 1,425,337	\$ 8,965,402

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, 2023

	FOOD SERVICE	DAY CARE FUND	TOTAL
OPERATING REVENUES:			
Food Service Revenue	\$ 1,524,892	\$ -	\$ 1,524,892
Charges for Services	-	1,301,668	1,301,668
Other Operating Revenues	5,152	428,643	433,795
TOTAL OPERATING REVENUES	1,530,044	1,730,311	3,260,355
	-----	-----	-----
OPERATING EXPENSES:			
Salaries	1,984,345	1,055,859	3,040,204
Employee Benefits	1,164,066	774,126	1,938,192
Purchased Professional and Technical Services	-	1,815	1,815
Purchased Property Service	50,075	-	50,075
Other Purchased Services	3,576,137	1,174	3,577,311
Supplies	617,628	20,940	638,568
Depreciation	53,848	-	53,848
Dues and Fees	5,413	3,077	8,490
Claims and Judgments	-	3,682	3,682
Other Operating Expenses	-	1,432	1,432
TOTAL OPERATING EXPENSES	7,451,512	1,862,105	9,313,617
OPERATING INCOME (LOSS)	(5,921,468)	(131,794)	(6,053,262)
	-----	-----	-----
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	143,192	21,623	164,815
State Sources	922,513	203,130	1,125,643
Federal Sources	6,682,752	110,880	6,793,632
TOTAL NON-OPERATING REVENUES (EXPENSES)	7,748,457	335,633	8,084,090
INCOME (LOSS) BEFORE CONTRIBUTIONS	1,826,989	203,839	2,030,828
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	1,826,989	203,839	2,030,828
FUND NET POSITION - BEGINNING	(2,067,357)	(3,995,683)	(6,063,040)
FUND NET POSITION - ENDING	<u>\$ (240,368)</u>	<u>\$ (3,791,844)</u>	<u>\$ (4,032,212)</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, 2023

	FOOD SERVICE	DAY CARE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 1,429,256	\$ 1,313,996	\$ 2,743,252
Cash Received from Other Operating Revenue	5,152	426,395	431,547
Cash Payments to Employees for Services	(2,627,152)	(1,923,468)	(4,550,620)
Cash Payments to Suppliers for Goods and Services	(3,699,892)	(65,859)	(3,765,751)
Cash Payments to Other Operating Expenses	(5,413)	(3,077)	(8,490)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(4,898,049)	(252,013)	(5,150,062)
	-----	-----	-----
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	110,880	110,880
State Sources	942,194	203,130	1,145,324
Federal Sources	7,109,664	-	7,109,664
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	8,051,858	314,010	8,365,868
	-----	-----	-----
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(259,124)	-	(259,124)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(259,124)	-	(259,124)
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	143,192	21,623	164,815
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	143,192	21,623	164,815
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,037,877	83,620	3,121,497
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,139,701	581,266	2,720,967
	-----	-----	-----
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,177,578	\$ 664,886	\$ 5,842,464

Bethlehem Area School District
Statement of Cash Flows - Proprietary Funds
As of June 30, 2023

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

	FOOD SERVICE	DAY CARE FUND	TOTAL
OPERATING INCOME (LOSS)	\$ (5,921,468)	\$ (131,794)	\$ (6,053,262)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	53,848	-	53,848
Donated Commodities Used	523,560	-	523,560
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	(95,636)	10,560	(85,076)
(Increase) Decrease in Advances to Other Funds	761,837	3,202	765,039
(Increase) Decrease in Inventories	2,423	-	2,423
(Increase) Decrease in Prepaid Expenses	7,094	-	7,094
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion to NPL	(40,188)	(19,303)	(59,491)
(Increase) Decrease in Deferred Outflows of Resources - Current Year Contributions	(7,153)	9,570	2,417
(Increase) Decrease in Deferred Outflows of Resources - Change in Assumptions	159,861	82,315	242,176
(Increase) Decrease in Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	(23,827)	-	(23,827)
Increase (Decrease) in Accounts Payable	45,390	3,541	48,931
Increase (Decrease) in Accrued Salaries and Benefits	(37,310)	(7,806)	(45,116)
Increase (Decrease) in Advances from Other Funds	(23,636)	576	(23,060)
Increase (Decrease) in Net Defined Benefit Pension Liability	537,678	258,231	795,909
Increase (Decrease) in Net OPEB Liability - Single Employer Plan	(8,322)	(8,645)	(16,967)
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	(66,793)	(32,077)	(98,870)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	(746,710)	(370,070)	(1,116,780)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	4,636	1,806	6,442
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	(19,544)	(7,504)	(27,048)
Increase (Decrease) in Other Current Liabilities	(3,789)	(44,615)	(48,404)
TOTAL ADJUSTMENTS	<u>1,023,419</u>	<u>(120,219)</u>	<u>903,200</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (4,898,049)</u>	<u>\$ (252,013)</u>	<u>\$ (5,150,062)</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, 2023

	PRIVATE- PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	CUSTODIAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 197,240	\$ 20,394,205	\$ 656,636
Investments	600	-	-
Due from Other Funds	-	6,177,280	2,000
Other Receivables	-	34,178	8,833
Prepaid Expenses	-	-	5,890
TOTAL ASSETS	<u>197,840</u>	<u>26,605,663</u>	<u>673,359</u>
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 197,840</u>	<u>\$ 26,605,663</u>	<u>\$ 673,359</u>
LIABILITIES			
Accounts Payable	\$ 12,175	\$ 3,545,198	\$ 16,343
Due to Other Funds	-	9,541	730
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	<u>12,175</u>	<u>3,554,739</u>	<u>17,073</u>
DEFERRED INFLOWS OF RESOURCES	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>12,175</u>	<u>3,554,739</u>	<u>17,073</u>
NET POSITION			
Restricted for			
Pool Participants	-	23,050,924	-
Individuals, Organizations, and Other Governments	185,665	-	656,286
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	<u>\$ 197,840</u>	<u>\$ 26,605,663</u>	<u>\$ 673,359</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, 2023

	PRIVATE- PURPOSE TRUST FUND	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	CUSTODIAL FUNDS
ADDITIONS			
Contributions - Members	\$ -	\$ 1,529,129	\$ 380,924
Contributions - Employer	-	33,243,860	-
Contributions - Gifts and Bequests	106,040	-	37,411
Special Events	-	-	309,722
Other Income	-	513,811	8,191
INVESTMENT EARNINGS:			
Interest and Dividends	7,764	797,117	24,592
Net Increase (decrease) in Fair Value of Investments	-	-	-
Less Investment Expense	-	-	-
TOTAL ADDITIONS	<u>113,804</u>	<u>36,083,917</u>	<u>760,840</u>
	-----	-----	-----
DEDUCTIONS			
Administrative Expense	-	1,687,026	12,858
Insurance Payments for Members	-	35,263,136	-
Benefits Paid to Participants or Beneficiaries	122,400	5,197	-
Payments for Student Club Activities	-	-	754,331
Other	-	-	-
TOTAL DEDUCTIONS	<u>122,400</u>	<u>36,955,359</u>	<u>767,189</u>
CHANGES IN NET POSITION	(8,596)	(871,442)	(6,349)
NET POSITION - BEGINNING OF YEAR	<u>194,261</u>	<u>23,922,366</u>	<u>662,635</u>
NET POSITION - END OF YEAR	<u><u>\$ 185,665</u></u>	<u><u>\$ 23,050,924</u></u>	<u><u>\$ 656,286</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, 2023

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	(GAAP BASIS)	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Local Sources	\$ 218,303,427	\$ 218,303,427	\$ 227,157,551	\$ 8,854,124
State Sources	97,731,112	97,731,112	95,278,566	(2,452,546)
Federal Sources	11,462,942	11,462,942	14,479,288	3,016,346
TOTAL REVENUES	327,497,481	327,497,481	336,915,405	9,417,924
EXPENDITURES				
Regular Instruction	145,115,419	143,263,875	142,930,360	333,515
Special Programs	47,322,365	51,909,504	48,950,636	2,958,868
Vocational Programs	7,016,786	7,016,786	7,016,786	-
Other Instructional Programs	2,702,064	2,631,087	2,178,575	452,512
Nonpublic School Programs	273,000	273,000	228,858	44,142
Adult Education Programs	2,522,596	2,522,752	2,522,681	71
Community College Sponsorship	20,000	20,000	15,757	4,243
Pre-Kindergarten	1,144,943	1,246,849	1,222,153	24,696
Pupil Personnel Services	14,408,515	14,923,352	14,590,414	332,938
Instructional Staff Services	10,391,800	10,450,072	10,072,096	377,976
Administrative Services	14,711,197	15,142,806	14,946,040	196,766
Pupil Health	3,005,855	3,266,686	3,147,275	119,411
Business Services	2,607,276	2,961,481	2,440,904	520,577
Operation & Maintenance of Plant Services	22,280,427	23,162,226	22,043,472	1,118,754
Student Transportation Services	11,334,882	12,574,926	12,420,041	154,885
Central Support Services	9,264,459	9,423,956	8,613,272	810,684
Other Support Services	133,129	140,913	140,789	124
Student Activities	3,941,174	4,394,469	3,921,718	472,751
Community Services	205,059	422,275	350,658	71,617
Scholarships and Awards	2,000	6,450	738	5,712
Facilities, Acquisition and Construction	-	65,349	65,349	-
Debt Service	23,217,500	23,783,667	23,741,491	42,176
TOTAL EXPENDITURES	321,620,446	329,602,481	321,560,063	8,042,418
Excess (Deficiency) of Revenues Over Expenditures	5,877,035	(2,105,000)	15,355,342	17,460,342
OTHER FINANCING SOURCES (USES)				
Proceeds From Leases	-	-	79,146	79,146
Interfund Transfers In	-	-	25,355	25,355
Other Financing Sources Not Listed Elsewhere	2,025,000	2,000,000	-	(2,000,000)
Sale/Compensation for Fixed Assets	80,000	80,000	99,727	19,727
Fund Transfers Out	(4,535,370)	-	-	-
Budgetary Reserve	(3,446,665)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(5,877,035)	2,080,000	204,228	(1,875,772)
Special Items	-	-	-	-
Extraordinary Items - Insurance Recoveries	-	25,000	16,696	(8,304)
NET CHANGE IN FUND BALANCES	-	-	15,576,266	15,576,266
FUND BALANCE - JULY 1, 2022	\$ 47,645,375	\$ 47,645,375	\$ 52,308,953	\$ 4,663,578
FUND BALANCE - JUNE 30, 2023	\$ 47,645,375	\$ 47,645,375	\$ 67,885,219	\$ 20,239,844

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, 2023**

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, 2023

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 2022-23 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 2022-23 was \$7,016,786.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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 2022-23 was \$2,522,681.

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, 2023**

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, 2023**

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 governmental 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.

Debt Service Fund

Debt Service Fund(s) account for resources accumulated to provide for payment of general long-term debt principal and interest. The Pennsylvania Local Government unit Debt Act authorized Pennsylvania public Schools to maintain this fund.

The district currently does not have any Debt Service Fund(s).

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.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

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.

Day Care 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.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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

D. Basis of Accounting

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

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

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

E. Budgetary Process

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

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

Accelerated Budget Process Option

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

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

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

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Board Resolution Option

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

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2022-23 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 2022-23 fiscal year the School District implemented the following new generally accepted accounting principles:

GASB Statement No. 81 (Conduit Debt Obligations). The objective of this Statement is provides 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.

GASB Statement No. 94 (PPP's). The objectives of the statement are to improve financial reporting related to public-private and public-public partnership arrangements (PPPs). A PPP is defined in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96 (SBITA's). 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.

GASB Statement No. 99 (Omnibus 2022). The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

H. Pensions

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

I. Other Postemployment Benefits

Multiple Employer Cost Sharing OPEB Plan

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

Single Employer OPEB Plan

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

J. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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

Investments

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

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

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

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

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

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

Receivables and Payables

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

Property Tax Levy

Property taxes, which were levied during the fiscal year ended June 30, 2023, 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, 2023, the inventory shown in the governmental activities column of the government-wide statement of net position is \$192,127 and \$2,860, 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 \$192,127, taken as of June 30, 2023; 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, 2023, consist of:

Purchased Food	\$	-
Donated Commodities		2,860
Purchased Supplies		-
Total	\$	<u>2,860</u>

Prepaid Expenses

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

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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:

	Governmental Activities	Business-Type Activities
Description	Estimated Lives	Estimated Lives
Buildings and Improvements	15 - 40 years	15 - 40 years
Furniture and Equipment	5 - 20 years	5 - 12 years
Intangible right-to-use Equipment	Length of Lease	Length of Lease
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, 2023

Leases

Lessee:

The School District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$20,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor:

The School District is a lessor for various leases of buildings. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

SBITAs (Subscription Based Information Technology Arrangements)

Occasionally the District enters into Subscription-Based Information Technology Arrangements. These arrangements grant the District the right to access use of software that is hosted by third-party vendors over a specified contract term. Unlike traditional software, the District does not take

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

physical possession of or have the right to control the software; instead, it accesses the uses the software remotely.

In the entity-wide financial statements, SBITAs are reported as intangible assets based on the present value of future subscription payments to be made over the life of the arrangement. Correspondingly, a liability is recognized for the future payments, and it is amortized over the life of the SBITA. The amortization expense related to the intangible asset and any interest expense associated with the recognized liability are reported in the Statement of Activities.

In the fund financial statements, under the modified accrual basis of accounting, expenditures are recognized for SBITA payments when they are due. Therefore, no intangible asset or corresponding liability is reported in the governmental fund statements. The expenditures related to SBITA payments are recognized in the fund's Statement of Revenues, Expenditures, and Changes in Fund Balances in the period they payment is due.

Other 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, 2022, 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.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

Fund Balance Categories

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Contributions of Capital

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

Note 3 - Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position.

The governmental fund balance sheet includes reconciliation between "fund balance - total governmental funds" and "net position - governmental activities" as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds".

The details of the \$623,741,853 differences are:

Bonds/Notes payable	\$ 216,875,000
Less: Issuance discount (to be amortized as interest expense)	(126,791)
Add: Issuance premium (to be amortized as a contra to interest expense)	7,775,812
Derivative Instrument Liability	4,425,797
Lease Purchase Obligations	199,927
Accrued interest payable	1,756,570
Net Defined Benefit Pension Liability	335,641,647
Net Defined Contribution Pension Liability	500,442
Net OPEB Liability - Single Employer Plan	36,753,037
Net OPEB Liability - Multiple Employer Plan	14,190,042
Compensated absences	5,750,370
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	<u><u>\$ 623,741,853</u></u>

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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.

	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	\$ 185,576,053	\$ 954,560	\$ -	\$ -	\$ 186,530,613
Taxes Levied for Specific Purposes	31,837,913	-	-	-	31,837,913
Interest and Investment Earnings	11,484,727	(446)	-	(4,029,045)	7,455,236
Miscellaneous	687,399	-	99,727	-	787,126
Contributions and Donations	558,819	-	-	-	558,819
Charges for Services	499,308	-	-	-	499,308
Grants, Subsidies & Contributions Not Restricted	48,827,395	-	-	-	48,827,395
INTERMEDIATE SOURCES:					
Operating Grants and Contributions	56,728	-	-	-	56,728
STATE SOURCES:					
Operating & Capital Grants and Contributions	46,451,171	-	-	-	46,451,171
FEDERAL SOURCES:					
Operating & Capital Grants and Contributions	31,479,737	-	-	-	31,479,737
SPECIAL AND EXTRAORDINARY SOURCES:					
Proceeds from Leases	79,146	-	-	(79,146)	-
Extraordinary Item - Insurance Recoveries	16,696	-	-	-	16,696
Gain or (Loss) on Disposal of Assets	99,727	-	(99,727)	-	-
TOTAL REVENUES	357,654,819	954,114	-	(4,108,191)	354,500,742
EXPENDITURES/EXPENSES					
Instruction	205,065,806	(8,176,695)	376,808	-	197,265,919
Instructional Student Support	27,809,785	(1,424,322)	1,446	-	26,386,909
Admin. & Fin'l Support Services	26,141,005	(1,120,246)	155,693	-	25,176,452
Oper. & Maint. Of Plant Svcs.	22,086,517	(907,566)	(507,646)	-	20,671,305
Pupil Transportation	12,517,168	(459,062)	393,479	-	12,451,585
Student Activities	3,921,718	(197,486)	(6,746)	-	3,717,486
Community Services	350,658	(2,029)	-	-	348,629
Scholarships & Awards	738	-	-	-	738
Capital Outlay	16,516,131	-	(16,516,131)	-	-
Debt Service	29,340,536	-	-	(19,211,802)	10,128,734
Depreciation - Unallocated	-	-	9,546,366	-	9,546,366
TOTAL EXPENDITURES/EXPENSES	343,750,062	(12,287,406)	(6,556,731)	(19,211,802)	305,694,123
NET CHANGE FOR THE YEAR	\$ 13,904,757	\$ 13,241,520	\$ 6,556,731	\$ 15,103,611	\$ 48,806,619

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

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 governmental activities has a \$235,633,958 in deficit net position, and the business-type activities comprised of food service fund \$240,368 and day care fund \$3,791,844 have a deficit net position of \$4,032,212.

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, 2023.

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, 2023, \$623 of the District's bank balance of \$1,223 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		623
TOTAL	\$	623

Reconciliation to Financial Statements

Uncollateralized Amount above	\$	623
Plus: Insured Amount		600
Less: Outstanding Checks		-
Carrying Amount - Cash Balances		1,223
Plus: Petty Cash		304
Deposit in Pooled Investments Considered Cash Equivalents		132,676,775
Less: Certificates of Deposit considered Investments by School Code		(600)
TOTAL CASH PER FINANCIAL STATEMENTS	\$	132,677,702

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

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.
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.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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.

As of June 30, 2023, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
PSDLAF/PSDMAX		\$ 111,109,710
PLGIT Class		21,567,065
Lafayette Ambassador Bank -CD		600
TOTAL		\$ 132,677,375

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, 2023, 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.

Reconciliation to Financial Statements

Total Investments Above	\$ 132,677,375
Less: Deposits in Investment Pool Considered Cash Equivalents	(132,676,775)
Total Investments Per Financial Statements	\$ 600

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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, 2023. 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.

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 \$4,469,844,350. In accordance with Act I of 2006, the District receives \$4,743,877 in property tax reduction funds for the 2022-23 fiscal year. The tax rate for the Northampton and Lehigh Counties were \$5.845 and \$1.832, respectively per \$100 of assessed valuation or 58.45 mills and 18.32 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	8,054,396	-	-	-	-	8,054,396
Accounts	275,981	-	218,058	26,835	43,011	563,885
Leases	49,734	-	-	-	-	-
Intergovernmental	18,526,261	-	199,895	-	-	18,726,156
GROSS RECEIVABLES	26,906,372	-	417,953	26,835	43,011	27,344,437
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 26,906,372	\$ -	\$ 417,953	\$ 26,835	\$ 43,011	\$ 27,344,437

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 6,939,407	\$ -
Leases - General Fund	-	49,734
TOTAL	\$ 6,939,407	\$ 49,734

Capital Assets

Capital asset balances and activity for the year ending June 30, 2023, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 75,410	\$ -	\$ -	\$ 75,410
Construction in Progress	7,711,535	16,822,909	(311,811)	24,222,633
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED/AMORTIZED	7,786,945	16,822,909	(311,811)	24,298,043
Capital Assets being depreciated/amortized:				-
Site Improvements	14,571,428	97,140	-	14,668,568
Buildings and Improvements	398,465,153	80,214	-	398,545,367
Furniture and Equipment	70,422,111	1,361,084	-	71,783,195
Intangible right-to-use equipment	928,580	79,146	-	1,007,726
TOTAL CAPITAL ASSETS BEING DEPRECIATED/AMORTIZED	484,387,272	1,617,584	-	486,004,856
Less accumulated depreciation/amortization for:				
Site Improvements	(9,972,342)	(297,878)	-	(10,270,220)
Buildings and Improvements	(167,773,726)	(9,399,763)	-	(177,173,489)
Furniture and Equipment	(63,833,791)	(1,499,014)	-	(65,332,805)
Intangible right-to-use equipment	(371,432)	(375,296)	-	(746,728)
TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION	(241,951,291)	(11,571,951)	-	(253,523,242)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION/AMORTIZATION	242,435,981	(9,954,367)	-	232,481,614
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION/AMORTIZATION	\$ 250,222,926	\$ 6,868,542	\$ (311,811)	\$ 256,779,657
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 2,080,900	\$ 259,123	\$ -	\$ 2,340,023
Less accumulated depreciation	(1,978,613)	(53,847)	-	(2,032,460)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 102,287	\$ 205,276	\$ -	\$ 307,563

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

Instruction	\$ 920,205
Instructional Student Support	1,446
Admin. & Fin'l Support Services	205,364
Oper. & Maint. of Plant Svcs.	360,274
Pupil Transportation	472,374
Student activities	65,922
Community Services	-
Scholarships and Awards	-
Depreciation - unallocated	9,546,366
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$ 11,571,951

The District's governmental activities and the business-type activities did not dispose of any equipment during the year.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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 6/30/23	OUTSTANDING COMMITMENTS
<u>Miller Heights ES HVAC</u>			
D'huy Engineering	\$ 451,612	\$ 436,410	\$ 15,202
Wind Gap Electrical	1,091,700	905,397	186,303
Trefz Mechanical	4,745,000	4,335,148	409,852
<u>James Buchanon ES HVAC</u>			
D'huy Engineering	350,104	85,676	264,428
Trefz Mechanical	3,565,553	3,214,674	350,879
Ace electric	721,820	490,374	231,446
<u>Hanover ES HVAC</u>			
D'huy Engineering	328,430	77,937	250,493
Trefz Mechanical	3,262,000	2,926,298	335,702
Ace electric	721,800	490,266	231,534
<u>Lockdown Shades</u>			
ALP	74,954	-	74,954
<u>Student Transportation Vans</u>			
Rohrer	139,800	-	139,800
<u>Freedom HS Roof Reipairs</u>			
JLK Contracting	275,100	232,177	42,923
D'huy Engineering	32,500	16,987	15,513
<u>Liberty HS Roof Repairs</u>			
JLK Contracting	176,210	145,170	31,040
D'huy Engineering	19,355	18,388	967
<u>Exterior Stair & Balconey Repair</u>			
Ondra-Huyett Assoc	369,744	364,638	5,106
D'huy Engineering	24,033	24,033	-
<u>EV Chartging Station</u>			
Hobbs	192,650	138,532	54,118
D'huy Engineering	13,000	10,260	2,740
GRAND TOTAL	\$ 16,555,365	\$ 13,912,365	\$ 2,643,000

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

Lease Receivables

Liberty HS Natatorium

Effective July 1, 2021, The District entered into a 48-month lease as Lessor for the use of Liberty High School Natatorium. An initial lease receivable was recorded in the amount of \$39,667. The District will receive annual fixed payments of \$10,000. The lease has an interest rate of 0.56%. The District recognized \$10,000 in lease revenue and \$0 in interest revenue during the current fiscal year related to this lease. As of June 30, 2023, the District's receivable for lease payments was \$19,833. Also, the District has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$19,833.

The future lease payments as of June 30, 2023, were as follows:

FISCAL YEAR	PRINCIPAL
2023-24	\$ 9,889
2024-25	9,944
Totals	\$ 19,833

Donegan Fowler Family Center

Effective August 1, 2021, the District entered into a 36-month lease as Lessor for the use of the Donegan Fowler Family Center. An initial lease receivable was recorded in the amount of \$79,021. The District will receive annual fixed payments of \$10,000. The lease has an interest rate of 0.411%. The District recognized \$22,905 in lease revenue and \$231 in interest revenue during the current fiscal year related to this lease. As of June 30, 2023, the District's receivable for lease payments was \$29,901. Also, the District has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$29,901.

The future lease payments as of June 30, 2023 were as follows:

FISCAL YEAR	PRINCIPAL
2023-24	\$ 27,588
2024-25	2,313
Totals	\$ 29,901

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Short-Term Debt

Interfund Receivables and Payables

The following interfund receivables and payables were in existence on June 30, 2023:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 124,784	\$ 9,708,633
Enterprise (Food Service) Fund	571,277	21,230
Enterprise (Day Care) Fund	203,130	50,674
Capital Project Fund	2,712,338	-
Capital Reserve Fund	-	-
Special Revenue (BASD Authority General Fd) Fund	-	-
Self - Insurance Trust Fund (Blended Component Unit)	6,177,280	9,542
Private Purpose Trust Funds	-	-
Custodial (Activity) Fund	2,000	730
TOTAL	\$ 9,790,809	\$ 9,790,809

The District also made the following interfund transfers during the fiscal year ended June 30, 2023:

	TRANSFER IN	TRANSFER OUT
General Fund	\$ 25,355	\$ -
Capital Projects (Capital Reserve) Fund	-	25,355
Self - Insurance Trust Fund (Blended Component Unit)	-	-
Enterprise (Food Service) Fund	-	-
TOTAL	\$ 25,355	\$ 25,355

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Long-Term Liabilities

Long-term liability balances and activity for the year ended June 30, 2023 were:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
General Obligation Debt:					
<i>Bonds and Notes Payable:</i>					
Bonds	\$ 227,207,214	\$ 7,116	\$ 14,705,640	\$ 212,508,690	\$ 1,265,000
Notes	13,224,509	5,822	1,215,000	12,015,331	13,025,000
Total general obligation debt	240,431,723	12,938	15,920,640	224,524,021	14,290,000
<i>Lease Obligations</i>	531,384	79,146	410,602	199,928	146,209
Other Liabilities:					
<i>Vested Employee Benefits:</i>					
Vacation Pay	1,679,709	-	190,046	1,489,663	301,320
Sick Pay	4,096,275	707,835	-	4,804,110	242,084
Net Defined Contribution Pension Obligation	552,734	-	52,292	500,442	-
Net Defined Benefit Pension Liability	304,945,179	30,696,468	-	335,641,647	-
Net OPEB Liability - Single Employer Plan	44,820,258	-	8,067,221	36,753,037	-
Net OPEB Liability - Multiple Employer Plan	17,990,597	-	3,800,555	14,190,042	-
Derivative Financial Instruments	10,635,566	-	6,209,769	4,425,797	-
Total Other Liabilities	385,251,702	31,483,449	18,730,485	398,004,666	689,613
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 625,683,425	\$ 31,496,387	\$ 34,651,125	\$ 622,528,687	\$ 14,979,613
BUSINESS TYPE ACTIVITIES					
Other Liabilities:					
<i>Vested Employee Benefits:</i>					
Vacation Pay	\$ 43,559	\$ -	\$ 11,369	\$ 32,190	\$ -
Sick Pay	212,546	-	42,344	170,202	-
Net Defined Benefit Pension Liability	10,697,317	795,909	-	11,493,226	-
Net OPEB Liability - Single Employer Plan	99,700	-	16,967	82,733	-
Net OPEB Liability - Multiple Employer Plan	522,220	-	98,870	423,350	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	\$ 11,575,342	\$ 795,909	\$ 169,550	\$ 12,201,701	\$ -

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	\$ 8,475,468	\$ 9,642,623
Lease debt	1,226	1,226
Refund of Prior Year Receipts	82,040	82,040
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	\$ 8,558,734	\$ 9,725,889

Lease – 1516 Equipment

On July 1, 2021, the District entered into a 28-month lease as lessee for the use of equipment. An initial lease liability was recorded in the amount of \$928,580 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$133,051. The District is required to make monthly fixed payments of \$33,284. The lease has an interest rate of 0.308%. The equipment has a 3-year estimated useful life. The value of the right to use asset as of June 30, 2023 was \$928,580 with accumulated amortization of \$742,864.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

The future principal and interest lease payments as of June 30, 2023, are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 133,051	\$ 85
Total Outstanding	\$ 133,051	\$ 85

Lease – Turf Tank

On April 1, 2023, the District entered a 6-year lease as lessee for the use of an automatic field liner. An initial lease liability was recorded in the amount of \$56,488. As of June 30, 2023, the value of the lease liability was \$46,487. The District is required to make annual fixed payments of \$10,000. The lease has an interest rate of 2.478%. The equipment has a 6-year estimated useful life. The value of the right to use asset as of June 30, 2023 was \$56,488 with accumulated amortization of \$2,354.

The future principal and interest lease payments as of June 30, 2023, are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 8,848	\$ 1,152
2024-25	9,067	933
2025-26	2,292	708
2026-27	9,522	478
2027-28	9,758	242
Total Outstanding	\$ 39,487	\$ 3,513

Lease – Folder/Inserter

On March 1, 2023, the District entered a 5-year lease as lessee for the use of office equipment. An initial lease liability was recorded in the amount of \$22,658. As of June 30, 2023, the value of the lease liability was \$20,389. The District is required to make quarterly fixed payments of \$1,210. The lease has an interest rate of 2.822%. The equipment has a 5-year estimated useful life. The value of the right to use asset as of June 30, 2023 was \$22,658 with accumulated amortization of \$1,511.

The future principal and interest lease payments as of June 30, 2023, are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 4,311	\$ 530
2024-25	4,434	407
2025-26	4,560	281
2026-27	4,690	151
2027-28	2,395	25
Total Outstanding	\$ 20,390	\$ 1,394

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.

Bethlehem Area School District
Notes to Basic Financial Statements
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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, 2023, are:

FISCAL YEAR	PRINCIPAL	INTEREST
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
2028-33	6,950,000	7,326,250
2033-36	23,050,000	1,767,000
Sub-Total	\$ 30,000,000	\$ 16,593,250
Unamortized Bond Premium	2,300,174	
Total Outstanding	\$ 32,300,174	

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, 2023, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ -	\$ 124,706
2024-25	-	124,706
2025-26	-	124,706
2026-27	-	124,706
2027-28	-	124,706
2028-32	3,725,000	333,198
Sub-Total	\$ 3,725,000	\$ 956,728
Unamortized Bond Discount	(44,668)	
Total Outstanding	\$ 3,680,332	

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

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, 2023, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 1,265,000	\$ 287,731
2024-25	1,280,000	244,600
2025-26	1,370,000	197,675
2026-27	1,390,000	146,759
2027-28	1,365,000	93,886
2028-30	1,665,000	47,574
Sub-Total	\$ 8,335,000	\$ 1,018,225
Unamortized Bond Discount		-
Total Outstanding	\$ 8,335,000	

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, 2023, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 7,090,000	\$ 1,253,688
2024-25	8,775,000	899,187
2025-26	9,240,000	460,434
2026-27	745,000	45,838
2027-28	750,000	30,937
2028-29	750,000	15,938
Sub-Total	\$ 27,350,000	\$ 2,706,022
Unamortized Bond Premium	1,509,612	
Total Outstanding	\$ 28,859,612	

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,

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

(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, 2023, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ -	\$ 590,925
2024-25	-	590,925
2025-26	-	590,925
2026-27	-	590,925
2027-28	-	590,925
2028-33	4,670,000	2,953,887
2033-36	15,030,000	910,800
Sub-Total	\$ 19,700,000	\$ 6,819,312
Unamortized Bond Discount	(82,122)	
Total Outstanding	\$ 19,617,878	

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, 2023 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 1,960,000	\$ 49,000
Sub-Total	\$ 1,960,000	\$ 49,000
Unamortized Bond Premium	30,271	
Total Outstanding	\$ 1,990,271	

General Obligation Bonds – Series of 2021

On July 6, 2021 the District issued \$28,140,000 of General Obligation Bonds- Series of 2021. Proceeds of the Bonds were used to currently refund the School District's outstanding GOB, Series of 2011, currently outstanding in the aggregate principal amount of 33,285,000 and to pay the costs associated with the issuance of the Bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The Bonds matures from November 15, 2022 to November 15, 2029. The outstanding debt service requirements, using fixed interest rate of 5.0% with total interest indebtedness of \$7,067,433.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

The outstanding debt service requirements at June 30, 2023 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 2,335,000	\$ 1,237,125
2024-25	3,845,000	1,082,625
2025-26	4,020,000	886,000
2026-27	4,165,000	681,375
2027-28	4,345,000	468,625
2028-30	7,200,000	313,000
Sub-Total	\$ 25,910,000	\$ 4,668,750
Unamortized Bond Premiums	3,935,754	
Total Outstanding	\$ 29,845,754	

General Obligation Notes – Series A of 2021

On November 1, 2021 the District issued \$30,435,000 of General Obligation Notes- Series A of 2021. Proceeds of the Notes were used: (1) to currently refund the General Obligation Notes – Series of 2017 by transferring the liability to the BASD Authority; and (2) pay the cost of issue. These Notes are issued to the BASD Authority to guarantee their issuance of the Series A of 2021 revenue bonds.

Since this Note is between the School District and its component unit (Bethlehem Area School District Authority), it is not shown on the Statement of Net Position as obligated debt since the Authority is blended into the financial statements; therefore, the Authority's long-term receivable, equal to the principal outstanding balance of the Notes, are eliminated for financial reporting.

General Obligation Notes – Series B of 2021

On November 1, 2021 the District issued \$40,800,000 of General Obligation Notes- Series B of 2021. Proceeds of the Notes were used: (1) to currently refund the General Obligation Notes – Series of 2018 by transferring the liability to the BASD Authority; and (2) pay the cost of issue. These Notes are issued to the BASD Authority to guarantee their issuance of the Series B of 2021 revenue bonds.

Since this Note is between the School District and its component unit (Bethlehem Area School District Authority), it is not shown on the Statement of Net Position as obligated debt since the Authority is blended into the financial statements; therefore, the Authority's long-term receivable, equal to the principal outstanding balance of the Notes, are eliminated for financial reporting.

General Obligation Notes – Series C of 2021

On November 1, 2021 the District issued \$30,330,000 of General Obligation Notes- Series C of 2021. Proceeds of the Notes were used: (1) to currently refund the General Obligation Notes – Series A of 2018 by transferring the liability to the BASD Authority; and (2) pay the cost of issue. These Notes are issued to the BASD Authority to guarantee their issuance of the Series C of 2021 revenue bonds.

Since this Note is between the School District and its component unit (Bethlehem Area School District Authority), it is not shown on the Statement of Net Position as obligated debt since the Authority is blended into the financial statements; therefore, the Authority's long-term receivable, equal to the principal outstanding balance of the Notes, are eliminated for financial reporting.

Component Unit Debt

Guaranteed Revenue Bonds – Series A of 2021

On November 1, 2021, the Bethlehem Area School District Authority issued \$30,435,000 of Guaranteed Lease Revenue Bonds – Series A of 2021. The purpose of this issue is (1) to currently refund the Guaranteed Lease Revenue Bonds – Series of 2017, which was used to refund a portion of the Bethlehem Area School District's General Obligation Bonds, Series of 2005, and (2) to pay the

**Bethlehem Area School District
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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.

A supplemental trust 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 A of 2021 issued by the school district in the amount of \$30,435,000 on November 1, 2021.

Interest Rate Swap

On November 1, 2021, the Bethlehem Area School District refunded its General Obligation Note – Series of 2017, which the notes were issued to the Bethlehem Area School District Authority. The Authority funded this refunding with the Guaranteed Lease Revenue Bonds, Series A of 2021. The related interest rate swap that was attached to the School District's General Obligation Notes-Series of 2017 was transferred to the Authority's Guaranteed Lease Revenue Bonds- Series A of 2021.

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 67% of SOFR (monthly rate) plus 0.35% from the Counterparty (Morgan Stanley Capital Services) in exchange for a fixed rate of 3.593%. The variable rate paid on the Authority's Guaranteed Revenue Bonds – Series A of 2021 approximates the SIFMA index. Therefore, if SIFMA exceeds 67% of SOFR plus 0.35%, the District pays a net effective interest rate approximately equal to the fixed rate.

Fair Value. The swap has a negative fair value of \$101,957 as of June 30, 2023. 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, 2023, 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, A+ by Standard & Poor's.

Basis Risk. The swap exposes the government to basis risk should the relationship between SOFR 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, 2023. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2023, the SIFMA rate was 4.01%, whereas 67% of SOFR plus 0.35 % was 2.35%.

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 Baa3 for Moody's and the rating by S&P is withdrawn or reduced to a rating that is below BBB-. 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.

Bethlehem Area School District
Notes to Basic Financial Statements
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Swap payments and associated debt. Using rates as of June 30, 2023, 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, 2023, using the variable interest rate in effect at year end are:

FISCAL YEAR	PRINCIPAL	INTEREST	INTEREST RATE	
			SWAPS, NET	TOTAL
2023-24	\$ 75,000	\$ 710,963	\$ 472,006	\$ 1,257,969
2024-25	75,000	709,201	472,006	1,256,207
2025-26	75,000	707,438	472,006	1,254,444
2026-27	6,840,000	639,435	427,369	7,906,804
2027-28	7,220,000	474,974	316,423	8,011,397
2028-30	16,000,000	416,146	272,051	16,688,197
SUB-TOTAL	30,285,000	\$ 3,658,157	\$ 2,431,861	\$ 36,375,018
Unamortized Premium	-			
TOTAL OUTSTANDING	\$ 30,285,000			

Guaranteed Revenue Bonds – Series B of 2021

On November 1, 2021, the Bethlehem Area School District Authority issued a \$40,800,000 of Guaranteed Revenue Bonds – Series B of 2021. The purposes of the issue are (1) to currently refund a portion of the Bethlehem School District Authority Note Series of 2018 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 supplemental trust 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 B of 2021 issued by the school district in the amount of \$40,800,000 on November 1, 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 B of 2021 revenue bonds and related Series B of 2021 general obligation bonds of the District that guarantee the Authority's revenue bonds. The related swap agreement matures on July 1, 2031, and the swap's notional amount is \$40,000,000. The swap was entered into on November 22, 2005. Starting on July 1, 2008, the notional value of the swap and the principal amount of the associated debt begin to decline. Under the swap, the Authority receives the lesser of 67% of SOFR (monthly rate) from the Counterparty (Morgan Stanley Capital Services) in exchange for a fixed rate of 3.696%. The variable rate paid on the Authority's Guaranteed Revenue Bonds – Series B of 2021 approximates the SIFMA index.

Bethlehem Area School District
Notes to Basic Financial Statements
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Therefore, if SIFMA exceeds 67% of SOFR plus 0.35%, 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 \$1,501,775 as of June 30, 2023. 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, 2023, 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 SOFR 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, 2023. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2023, the SIFMA rate was 4.01%, whereas 67% of SOFR Plus .35% was 2.35%.

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 Baa3 for Moody's and the rating by S&P is withdrawn or reduced to a rating that is below BBB-. 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, 2023, 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, 2023, using the variable rate in effect at year end are:

FISCAL YEAR	PRINCIPAL	INTEREST	INTEREST RATE	
			SWAPS, NET	TOTAL
2023-24	\$ 1,540,000	\$ 891,081	\$ 566,782	\$ 2,997,863
2024-25	2,160,000	841,535	505,839	3,507,374
2025-26	2,230,000	789,267	442,444	3,461,711
2026-27	4,785,000	681,823	376,590	5,843,413
2027-28	4,995,000	564,852	308,121	5,867,973
2028-32	23,620,000	924,921	493,211	25,038,132
SUB-TOTAL	39,330,000	\$ 4,693,479	\$ 2,692,987	\$ 46,716,466
Unamortized Premium	-			
TOTAL OUTSTANDING	\$ 39,330,000			

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Guaranteed Revenue Bonds – Series C of 2021

On November 1, 2021, the Bethlehem Area School District Authority issued \$30,300,000 of Guaranteed Revenue Bonds – Series C of 2021. The purpose of this issue are (1) to refund the Bethlehem School District Authority Series A of 2018 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.

A supplemental trust 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 C of 2021 issued by the school district in the amount of \$30,300,000 on November 1, 2021.

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, and the Series A of 2018 were refunded by the Series C of 2021 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 67% of SOFR (monthly rate) plus 0.35% from the JP Morgan Chase Bank N.A. in exchange for a fixed rate of 3.843%. The variable rate paid on Revenue Bonds – Series C of 2021 Authority's approximates the SIFMA index. Therefore, if SIFMA exceeds 67% of SOFR plus 0.35%, 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 \$2,822,067 as of June 30, 2023. 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, 2023, 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 SOFR 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, 2023. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2023, the SIFMA rate was 4.01%, whereas 67% of SOFR plus .35% was 2.35%.

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 Baa3 for Moody's and the rating by S&P is withdrawn or reduced to a rating that is below BBB-. 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

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair.

Swap payments and associated debt. Using rates as of June 30, 2023, 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, 2023, using the variable rate in effect at year end are:

FISCAL YEAR	PRINCIPAL	INTEREST	INTEREST RATE SWAPS, NET	TOTAL
2023-24	\$ 25,000	\$ 711,335	\$ 549,767	\$ 1,286,102
2024-25	25,000	710,748	549,767	1,285,515
2025-26	25,000	710,160	549,767	1,284,927
2026-27	25,000	709,573	549,767	1,284,340
2027-28	25,000	708,985	549,767	1,283,752
2028-32	30,155,000	2,110,075	1,578,450	33,843,525
SUB-TOTAL	30,280,000	\$ 5,660,876	\$ 4,327,285	\$ 40,268,161
Unamortized Premium	-			
TOTAL OUTSTANDING	\$ 30,280,000			

The School District general obligation bonds and notes contain a provision that in the event of default for nonpayment of principal and interest, the School Code allows for the Commonwealth of Pennsylvania to withhold monies from the School District's subsidies and pay any past due amounts directly to the paying agent for payment to the bond or note holders.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

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:

Bonds										
Fiscal Year Ended June 30	GO Bonds - 2015A		GO Bonds - 2016A		GO Bonds - 2016B		GO Bonds - 2019		GO Bonds - 2021	
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2024	\$ 1,500,000	\$ -	\$ 1,253,688	\$ 7,090,000	\$ 590,925	\$ -	\$ 49,000	\$ 1,960,000	\$ 1,237,125	\$ 2,335,000
2025	1,500,000	-	899,187	8,775,000	590,925	-	-	-	1,082,625	3,845,000
2026	1,500,000	-	460,434	9,240,000	590,925	-	-	-	886,000	4,020,000
2027	1,500,000	-	45,838	745,000	590,925	-	-	-	681,375	4,165,000
2028	1,500,000	-	30,937	750,000	590,925	-	-	-	468,625	4,345,000
2029-2033	7,326,250	6,950,000	15,938	750,000	2,953,887	4,670,000	-	-	313,000	7,200,000
2034-2036	1,767,000	23,050,000	-	-	910,800	15,030,000	-	-	-	-
TOTAL	\$ 16,593,250	\$ 30,000,000	\$ 2,706,022	\$ 27,350,000	\$ 6,819,312	\$ 19,700,000	\$ 49,000	\$ 1,960,000	\$ 4,668,750	\$ 25,910,000

Bonds - Continued

Fiscal Year Ended June 30	GR Bonds - 2021A		GR Bonds - 2021B		GR Bonds - 2021C		Totals	
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2024	\$ 1,182,969	\$ 75,000	\$ 1,457,863	\$ 1,540,000	\$ 1,261,102	\$ 25,000	\$ 8,532,672	\$ 13,025,000
2025	1,181,207	75,000	1,347,374	2,160,000	1,260,515	25,000	7,861,833	14,880,000
2026	1,179,444	75,000	1,231,711	2,230,000	1,259,927	25,000	7,108,441	15,590,000
2027	1,066,804	6,840,000	1,058,413	4,785,000	1,259,340	25,000	6,202,695	16,560,000
2028	791,397	7,220,000	872,973	4,995,000	1,258,752	25,000	5,513,609	17,335,000
2029-2033	688,197	16,000,000	1,418,132	23,620,000	3,688,525	30,155,000	16,403,929	89,345,000
2034-2036	-	-	-	-	-	-	2,677,800	38,080,000
TOTAL	\$ 6,090,018	\$ 30,285,000	\$ 7,386,466	\$ 39,330,000	\$ 9,988,161	\$ 30,280,000	\$ 54,300,979	\$ 204,815,000

Direct Borrowing

Fiscal Year Ended June 30	GO Notes - 2015B		GO Notes - 2015C		Totals	
	Interest	Principal	Interest	Principal	Interest	Principal
2024	\$ 124,706	\$ -	\$ 287,731	\$ 1,265,000	\$ 412,437	\$ 1,265,000
2025	124,706	-	244,600	1,280,000	369,306	1,280,000
2026	124,706	-	197,675	1,370,000	322,381	1,370,000
2027	124,706	-	146,759	1,390,000	271,465	1,390,000
2028	124,706	-	93,886	1,365,000	218,592	1,365,000
2029-2033	333,198	3,725,000	47,574	1,665,000	380,772	5,390,000
2034-2036	-	-	-	-	-	-
TOTAL	\$ 956,728	\$ 3,725,000	\$ 1,018,225	\$ 8,335,000	\$ 1,974,953	\$ 12,060,000

Bonds and Direct Borrowing

Totals	
Interest	Principal
\$ 8,945,109	\$ 14,290,000
8,231,139	16,160,000
7,430,822	16,960,000
6,474,160	17,950,000
5,732,201	18,700,000
16,784,701	94,735,000
2,677,800	38,080,000
\$ 56,275,932	\$ 216,875,000

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

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 A of 2021, one associated with its Guaranteed Lease Revenue Bonds – Series B of 2021, and one associated with its Guaranteed Lease Revenue Bonds – Series C of 2021.

The swap associated with the Authority's Guaranteed Lease Revenue Bonds – Series of 2021 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 A of 2021 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 C of 2021 originated from the School District's (primary government) General Obligation Notes – Series of 2007.

The fixed payor swap on the Series A of 2021 Revenue Bonds is designed to create a synthetic fixed rate on the variable rate bond issue by paying the counterparty a fixed rate of 3.593% and receiving 67% of one-month SOFR, plus 0.35%. The value of this derivative instrument embedded into the swap is a negative \$101,957, at June 30, 2023.

The fixed payor swap on the Series B of 2021 Revenue Bonds is designed to create a synthetic fixed rate on the variable rate bond issue by paying the counterparty a fixed rate of 3.696% and receiving 67% of one-month SOFR. The value of this derivative instrument embedded into the swap is a negative \$1,501,775, at June 30, 2023.

The fixed payor swap on the Series C of 2021 Revenue Bonds is designed to create a synthetic fixed rate on the variable rate bond issue by paying the counterparty a fixed rate of 3.843% and receiving 67% of one-month SOFR, plus 0.35%. The value of this derivative instrument embedded into the swap is a negative \$2,822,067, at June 30, 2023.

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 2021A, 2021B, and 2021C Revenue Bonds are hedging derivative financial instruments. As such, its fair values of \$101,957, \$1,501,775, and \$2,822,067, 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 \$3,624,159, \$2,554,109 and \$2,997,325 respectively, and is recorded as a derivative instrument asset as a deferred inflow of resources. Any negative amount "at the market" amount would be shown as a deferred outflow or resource. The portion of the fair value \$9,137,993, 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.

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2023**

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 120 days at \$65 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 \$65 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 at \$63 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 excess is multiplied by \$63.

Food Service Employees – Employees who retire will receive unused sick leave credit at a rate of \$48 per day for a maximum of 56 days for full-time employees and \$40 per day for a maximum of 450 hours 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 450 hours 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 450 hours, excess will be converted to health benefits for a period of time equal to a balance of funds credited for unused sick hours multiplied by \$6 for full-time employees and \$5 for part-time employees. Option 3: If more than the allowed unused sick days have been accrued, they can cover all their unused sick hours 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, 2023

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, \$77,216 and \$92,986 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, 2023. 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 \$242,084, including FICA tax (net of reimbursement). This amount is reflected as a current liability in the governmental activities column of the government-wide statement of net position. The remaining sick leave termination benefit of \$4,562,026, 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, 2023, that will use currently available financial resources is \$301,320, 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 \$25,191, and \$6,999, 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, 2023, of \$1,188,343, 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

Public School Employees' Retirement System (PSERS) Pension Plan

Summary of Significant Accounting Policies

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 (PSERS) and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. 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, 2023**

General Information about the Pension Plan

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

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon 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 Class 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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% to 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 Class 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.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

Contributions

Member Contributions:

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
				7.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/-0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	12.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023 was 34.31% 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 \$42,118,706 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$347,134,873 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. The District's proportion of the net pension liability was

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the District's proportion was 0.7937 percent, which was an increase of 0.0133 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$28,577,786. At June 30, 2023, 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	\$ 85,770	\$ -
Changes in Assumptions	10,537,000	-
Net difference between projected and actual contributions made	-	789,151
Net difference between projected and actual earnings on pension plan investments	-	5,986,000
Difference between expected and actual experience	-	2,892,000
Changes in proportion of the Net Pension Liability	7,692,000	-
District contributions subsequent to the measurement date	42,118,706	-
Total	<u>\$ 60,433,476</u>	<u>\$ 9,667,151</u>

\$42,118,706 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, 2023. 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:	<u>Amount</u>
2023	\$ 5,093,000
2024	3,323,513
2025	(7,867,726)
2026	8,198,323
Thereafter	(99,491)
Total	<u>\$ 8,647,619</u>

Changes in Actuarial Assumptions

The Total Pension Liability as of June 30, 2022 was determined by rolling forward the System's Total Pension Liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.75%.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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	28.0%	5.3%
Private Equity	12.0%	8.0%
Fixed Income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Absolute return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	-11.0%	0.5%
	100%	

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

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, 2022.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 456,412,000	\$ 352,869,000	\$ 265,570,000

Pension Plan Fiduciary Net Position

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

State Funding

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2023, the School District recognized revenue of \$21,509,027 as reimbursement from the State for its current year pension payments.

Payables to the Pension Plan

As of June 30, 2023, the School District had \$14,799,308 included in accrued wages liability, of which \$10,956,413 is for the contractually required contribution for the second quarter of 2023 and \$3,842,895 is related to the accrued payroll liability for wages incurred as of June 30, 2023.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

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 \$15,603 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$500,442 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021, with rolling forward the System's total pension liability as of June 30, 2023.

For the year ended June 30, 2023, the District recognized pension expense of \$41,447. The following table reflects the changes to the pension obligation during the year:

	<u>2022-23</u>
Total Defined Contribution Pension Liability - beginning	\$ 552,734
Service Cost	27,719
Interest	12,973
Changes in Benefit Terms	-
Difference between expected and actual experience	-
Changes in assumptions	(71,821)
Benefit payments	(21,163)
Net change in total Pension Liability	(52,292)
Total Defined Contribution Pension Liability - ending	\$ 500,442
Interest Rate	4.06%
Plan Members	63
Covered Payroll	\$ 7,084,625

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

Actuarial Assumptions

The total pension liability as of June 30, 2023, was determined by the actuarial valuation on July 1, 2021, with rolling forward the System's total pension liability using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 4.06%.

The actuarial assumptions used in the July 1, 2021 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

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ -	\$ 60,418
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	42,606	-
Changes in proportion of the net defined contribution pension liability	-	-
District contributions subsequent to the measurement date	15,603	-
Total	<u><u>\$ 58,209</u></u>	<u><u>\$ 60,418</u></u>

Funded Status and Funding Process

The funded status of the benefits as of June 30, 2023, was as follows:

	Retirement Incentive Benefit Governmental Activity
Actuarial accrued liability (a)	\$ 500,442
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	<u><u>\$ 500,442</u></u>
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 7,084,625
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	7.1%

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 4.06%, 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 (3.06%) or 1-percentage point higher (5.06%) than the current rate, using the net

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defined contribution liability reported by the actuary before adjusting for differences on projected vs actual contributions made.

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
District's proportionate share of the net OPEB Pension liability	\$ 528,657	\$ 500,442	\$ 472,182

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

Public School Employees' Retirement System (PSERS) Multiple Employer OPEB Plan on Health Insurance Premium Assistance Program

Summary of Significant Accounting Policies

Other Postemployment Benefits

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' 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.

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022 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:

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- 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

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions

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.

Contributions

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% 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 \$920,695 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$14,613,392 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the District's proportion was 0.7951 percent, which was an increase of 0.0138 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense of \$552,949. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Proportionate Share vs Actual		
Paid Separately Finance Liabilities	\$ 4,228	\$ -
Changes in Assumptions	-	1,832,000
Net difference between projected and actual contributions made	-	14,236
Net difference between projected and actual investment earnings	40,000	-
Difference between expected and actual experience	57,000	-
Changes in proportion of the Net OPEB Liability	557,000	-
District contributions subsequent to the measurement date	920,695	-
Total	<u>\$ 1,578,923</u>	<u>\$ 1,846,236</u>

\$920,695 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 in the year ended June 30, 2023. 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:	<u>Amount</u>
2023	\$ (243,000)
2024	(112,055)
2025	(200,541)
2026	(266,657)
2027	(362,762)
Thereafter	<u>(2,993)</u>
Total	<u>\$ (1,188,008)</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2022, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% 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.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:

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- 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, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- 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: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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	Target Allocation	Long-Term
		Expected Real Rate of Return
Cash	100.0%	0.5%
	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, 2022.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. 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 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 4.09% which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

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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, 2022, 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, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 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, 2022, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if the 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	\$ 14,634,000	\$ 14,636,000	\$ 14,637,000

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 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
District's proportionate share of the net OPEB liability	\$ 16,552,000	\$ 14,636,000	\$ 13,033,000

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.

Payables to the Multiple Employer OPEB Plan

As of June 30, 2023, the School District had \$321,631 included in accrued wages liability, of which \$238,114 is for the contractually required contribution for the second quarter of 2023 and \$83,517 is related to the accrued payroll liability for wages incurred as of June 30, 2023.

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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:

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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 District service, District's contributions are based on the member's PSERS service at retirement. If the member reaches 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 40 days per year of medical, prescription drug, and dental coverage for the member and spouse for up to 10 years during which time the member will pay the active cost share amount. <p>If the accrued District subsidy period is exhausted or if the member does not meet the requirements for receiving a subsidy but meets requirements for the ACT 110/43 benefit, the member and spouse may continue the benefit by paying the full premium determined for the purpose of COBRA.</p> <ul style="list-style-type: none"> Dependents: Spouses included. 	Coverage continues until the member reaches Medicare eligibility
<u>II. TEACHERS</u>	ACT 110/43	<ul style="list-style-type: none"> Coverage: Medical, Prescription Drug, and Dental. Premium Sharing: If the member reaches 30 years of PSERS service and has more than 90 unused sick days, the member may trade all unused sick days at a rate of 40 days per year of medical, prescription drug, and dental coverage for the member and spouse for up to 10 years, depending on the year of retirement. Beginning with the 2014-2015 school year, the member must also reach 20 years of District service to be eligible for the subsidy. Members who reach 25 years of PSERS service by the end of the 2013-2014 school year and who retire before the 2019-2020 school year are exempt from this requirement. During the subsidy period, the member will pay the active cost share amount. <p>If the accrued District subsidy period is exhausted or if the member does not meet the requirements for receiving a subsidy but meets requirements 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.</p> <ul style="list-style-type: none"> Dependents: Spouses included. 	Same as I

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Summary of Plan Provisions (Continued)			
GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
<u>III. CUSTODIAL/MAINTENANCE</u>	Must satisfy for one of the following: <ul style="list-style-type: none"> Attainment of at least 25 years of District service as of December 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 District service 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 coverage for the member and spouse for up to 7 years during which time the member will pay the active cost share amount. <p>If the accrued District subsidy period is exhausted or if the member does not meet the requirements for receiving a subsidy but meets requirements for the ACT 110/43 benefit, the member and spouse may continue the benefit by paying the full premium 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 District service with age plus service greater than 65 or ACT 110/43.	ACT 110/43	Same as I
<u>V. TEACHER ASSISTANTS AND AIDES</u>	15 years of District service with age plus service greater than 72 or ACT 110/43.	ACT 110/43	Same as I
<u>VI. ALL OTHER SUPPORT STAFF</u>	Age 52 with 10 years of District service 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) Pension Class T-C or T-D: 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. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
- 2) Pension Class T-E or T-F: 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. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.
- 3) Pension Class T-G: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 4) Pension Class T-H: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.

Coordination with Medicare: Medicare pays primary.

Benefits not Included in the Calculation: Benefits that include conversion of sick leave to dollar value that can be used towards the payment of retiree 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 District service. 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.

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Notes to Basic Financial Statements
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Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the benefit terms:

Active Participants	1,708
Vested Former Participants	0
Retired Participants	<u>103</u>
Total	1,811

Total OPEB Liability

The School's total OPEB liability under this single employer plan of \$36,835,770, was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2021.

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	7/1/2021
Actuarial Cost Method	Entry Age Normal
Interest Rate	4.06%
Projected salary increases	4.00% to 6.75%
Healthcare inflation rate	6.5% in 2022, 6.0% in 2023, 5.5% in 2024-2025. Rates gradually decrease from 5.4% in 2026 to 3.9% 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, 2022.	

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Mortality rates are assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

Changes in the Total OPEB Liability

	<u>2022-23</u>
Total OPEB Liability	
Service Cost	\$ 2,416,581
Interest	1,064,917
Changes in Benefit Terms	-
Difference between expected and actual experience	-
Changes in assumptions	(10,403,268)
Benefit payments	<u>(1,162,418)</u>
Net change in total OPEB Liability	(8,084,188)
Total OPEB Liability - beginning	<u>44,919,958</u>
Total OPEB Liability - ending	<u><u>\$ 36,835,770</u></u>
 Covered employee payroll	 <u><u>\$ 109,093,554</u></u>

Total OPEB Liability as a percentage of covered employee payroll 33.77%

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

For the year ended June 30, 2023, the School recognized OPEB expense of \$2,087,680. At June 30, 2023, 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	\$ -	\$ 8,337,732
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	-	4,926,320
Changes in proportion of the Net OPEB Liability	-	-
District contributions subsequent to the measurement date	<u>1,186,586</u>	<u>-</u>
Total	<u><u>\$ 1,186,586</u></u>	<u><u>\$ 13,264,052</u></u>

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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>
2024	\$ (1,394,818)
2025	(1,394,818)
2026	(1,394,818)
2027	(1,394,818)
2028	(1,394,818)
Thereafter	<u>(6,289,962)</u>
Total	<u>\$ (13,264,052)</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 (3.06%) or 1-percentage point higher (5.06%) than the current discount rate:

	<u>1% Decrease</u> <u>3.06%</u>	<u>Current</u> <u>Discount Rate</u> <u>4.06%</u>	<u>1% Increase</u> <u>5.06%</u>
District's proportionate share of the net OPEB liability	\$ 39,795,619	\$ 36,835,770	\$ 34,008,198

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>Trend Rate</u>	<u>1% Increase</u>
System net OPEB liability	\$ 32,324,967	\$ 36,835,770	\$ 42,178,057

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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	\$ 7,469,790	\$ -	\$ -	\$ 541,855	\$ 8,011,645
Current Year Contributions	41,104,917	15,603	1,184,102	898,534	43,203,156
Change in Assumption	10,279,696	(60,418)	(8,329,481)	(1,786,208)	103,589
Diff in Projected Vs Actual Contributions	(768,828)	-	-	(13,869)	(782,697)
Difference in Investment Earnings	(5,926,622)	-	-	38,896	(5,887,726)
Diff. between Expected vs Actual Experience	(2,772,624)	42,606	(4,853,088)	55,056	(7,528,050)
Diff. between Prop. Share vs Actual POS	85,770	-	-	4,228	89,998
Net Pension Liability	\$ 335,641,647	\$ -	\$ -	\$ -	\$ 335,641,647
Net Defined Contribution Pension Liability	\$ -	\$ 500,442	\$ -	\$ -	\$ 500,442
Net OPEB Liability	\$ -	\$ -	\$ 36,753,037	\$ 14,190,042	\$ 50,943,079

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	\$ 222,210	\$ -	\$ -	\$ 15,145	\$ 237,355
Current Year Contributions	1,013,789	-	2,484	22,161	1,038,434
Change in Assumption	257,304	-	(8,251)	(45,792)	203,261
Diff in Projected Vs Actual Contributions	(20,323)	-	-	(367)	(20,690)
Difference in Investment Earnings	(59,378)	-	-	1,104	(58,274)
Diff. between Expected vs Actual Experience	(119,376)	-	(73,232)	1,944	(190,664)
Diff. between Prop. Share vs Actual POS	-	-	-	-	-
Net Pension Liability	\$ 11,493,226	\$ -	\$ -	\$ -	\$ 11,493,226
Net Defined Contribution Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB Liability	\$ -	\$ -	\$ 82,733	\$ 423,350	\$ 506,083

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	\$ 8,249,000
Current Year Contributions	44,241,590
Change in Assumption	306,850
Diff in Projected Vs Actual Contributions	(803,387)
Difference in Investment Earnings	(5,946,000)
Diff. between Expected vs Actual Experience	(7,718,714)
Diff. between Prop. Share vs Actual POS	89,998
Net Pension Liability	\$ 347,134,873
Net Defined Contribution Pension Liability	\$ 500,442
Net OPEB Liability	\$ 51,449,162

RECONCILIATION TO FINANCIAL STATEMENTS		
	Governmental	Business-Type
<i>Pension - Pension and Defined Contribution Plans</i>	<i>Activities</i>	<i>Activities</i>
Net Pension Liability	\$ 335,641,647	\$ 11,493,226
Net Defined Contribution Pension Liability	500,442	-
Deferred Outflow Related to Pensions	(58,998,382)	(1,493,303)
Deferred Inflows Related to Pensions	9,528,492	199,077
Total liab. Net deferred inflows/outflows	\$ 286,672,199	\$ 10,199,000
<i>OPEB - Single & Multiple Employer Plans</i>		
Net OPEB Liability	\$ 50,943,079	\$ 506,083
Deferred Outflows Related to OPEB	(2,722,671)	(42,838)
Deferred Inflows Related to OPEB	14,982,646	127,642
Total liab. Net deferred inflows/outflows	\$ 63,203,054	\$ 590,887

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

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 \$725,579, in nonspendable fund balance at June 30, 2023, comprised of \$192,127, of inventories on hand at year-end and \$533,451, 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 \$13,781,379 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 \$544, in fund balance at year end within this fund is considered restricted. In addition, the General Fund has \$94,240 restricted for unspent donations.

Committed Fund Balance

The School Board has committed \$42,000,000 to the Capital Reserve Fund.

Assigned Fund Balance

Management has assigned \$4,000,000 of fund balance of the General Fund for future retirement rate increases in their retirement contributions, and \$7,011,217 for balancing the 2023-24 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 \$235,633,958. The business-type activities column reflects a deficit of \$4,032,212, with \$307,563 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, 2023.

Litigation

In accordance with management, there are no legal matters that could materially affect the financial position of the District as of June 30, 2023.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

Note 10 – New Accounting Pronouncements

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

- Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Effective Date: for fiscal years beginning after June 15, 2023.
- Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Effective Date: for fiscal years beginning after December 15, 2023.

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, 2023**

	<u>2022-23</u>	<u>2021-22</u>	<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)	0.7937%	0.7804%	0.7740%	0.7610%	0.7602%	0.7520%	0.7550%	0.7466%	0.7642%
District's proportionate share of the net pension liability (asset)	\$ 352,869,000	\$ 320,407,000	\$ 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	122,759,273	117,575,186	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	287.45%	272.51%	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	61.34%	63.67%	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, 2023

	<u>2022-23</u>	<u>2021-22</u>	<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>
Contractually required contribution	\$ 42,118,706	\$ 40,140,168	\$ 37,412,668	\$ 36,408,262	\$ 34,249,231	\$ 32,509,394	\$ 29,398,289	\$ 24,550,959	\$ 19,577,629	\$ 15,280,818
Contributions in relation to the contractually required contribution	<u>42,118,706</u>	<u>40,140,168</u>	<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>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 122,759,273	\$ 117,575,186	\$ 111,049,771	\$ 108,843,833	\$ 105,058,992	\$ 102,424,053	\$ 100,679,073	\$ 98,203,838	\$ 95,500,630	\$ 95,505,113
Contributions as a percentage of covered employee payroll	34.31%	34.14%	33.69%	33.45%	32.60%	31.74%	29.20%	25.00%	20.50%	16.00%

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, 2023

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total Defined Contribution Pension Liability - beginning	<u>\$ 552,734</u>	<u>\$ 558,291</u>	<u>\$ 548,321</u>	<u>\$ 569,576</u>	<u>\$ 581,333</u>	<u>\$ 575,595</u>
Service Cost	27,719	29,581	22,623	25,267	23,628	27,837
Interest	12,973	10,301	18,050	16,628	17,975	14,353
Changes in Benefit Terms	-	-	-	-	-	-
Difference between expected and actual experience	-	28,309	-	13,337	-	23,156
Changes in assumptions	(71,821)	(10,854)	31,568	(8,455)	3,248	(9,752)
Benefit payments	<u>(21,163)</u>	<u>(62,894)</u>	<u>(62,271)</u>	<u>(68,032)</u>	<u>(56,608)</u>	<u>(49,856)</u>
Net change in total Pension Liability	<u>(52,292)</u>	<u>(5,557)</u>	<u>9,970</u>	<u>(21,255)</u>	<u>(11,757)</u>	<u>5,738</u>
Total Defined Contribution Pension Liability - ending	<u>\$ 500,442</u>	<u>\$ 552,734</u>	<u>\$ 558,291</u>	<u>\$ 548,321</u>	<u>\$ 569,576</u>	<u>\$ 581,333</u>
Interest Rate	4.06%	2.28%	1.86%	3.36%	2.98%	3.13%
Plan Members	63	63	53	53	53	53
Covered Payroll	\$ 7,084,625	\$ 7,084,625	\$ 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, 2023

	<u>2022-23</u>	<u>2021-22</u>	<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)	\$ 500,442	\$ 552,734	\$ 558,291	\$ 548,321	\$ 569,576	\$ 581,333
District's covered employee payroll	\$ 7,084,625	\$ 7,084,625	\$ 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	7.06%	7.80%	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, 2023**

	<u>2022-23</u>	<u>2021-22</u>	<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	0.7951%	0.7813%	0.7743%	0.7610%	0.7602%	0.7520%	0.7550%
District's proportionate share of the net OPEB liability (asset)	\$ 14,636,000	\$ 18,518,000	\$ 16,730,000	\$ 16,185,000	\$ 15,850,000	\$ 15,321,000	\$ 16,263,000
District's covered-employee payroll	116,919,627	110,763,139	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	12.52%	16.72%	15.07%	14.87%	15.09%	14.96%	16.15%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	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, 2023

	<u>2022-23</u>	<u>2021-22</u>	<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>
Contractually required contribution	\$ 920,695	\$ 940,601	\$ 910,608	\$ 914,288	\$ 871,990	\$ 850,120	\$ 835,636	\$ 824,911	\$ 859,508	\$ 888,203
Contributions in relation to the contractually required contribution	<u>920,695</u>	<u>940,601</u>	<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>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 122,759,273	\$ 117,575,186	\$ 111,049,771	\$ 108,843,833	\$ 105,058,992	\$ 102,424,053	\$ 100,679,073	\$ 98,203,838	\$ 95,500,630	\$ 95,505,113
Contributions as a percentage of covered employee payroll	0.75%	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%	0.84%	0.90%	0.93%

**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, 2023**

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total OPEB Liability						
Service Cost	\$ 2,416,581	\$ 2,674,785	\$ 1,888,218	\$ 2,344,633	\$ 2,149,964	\$ 2,205,429
Interest	1,064,917	839,931	1,254,674	1,328,122	1,296,750	1,027,803
Changes in Benefit Terms	-	-	-	-	-	-
Difference between expected and actual experience	-	758,232	-	(7,592,830)	-	(1,012,030)
Changes in assumptions	(10,403,268)	(1,426,839)	4,870,904	(1,794,503)	522,450	(711,366)
Benefit payments	<u>(1,162,418)</u>	<u>(892,334)</u>	<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	(8,084,188)	1,953,775	6,920,913	(6,725,603)	2,926,111	(97,966)
Total OPEB Liability - beginning	<u>44,919,958</u>	<u>42,966,183</u>	<u>36,045,270</u>	<u>42,770,873</u>	<u>39,844,762</u>	<u>39,942,728</u>
Total OPEB Liability - ending	\$ 36,835,770	\$ 44,919,958	\$ 42,966,183	\$ 36,045,270	\$ 42,770,873	\$ 39,844,762
 Covered employee payroll	 <u>\$ 109,093,554</u>	 <u>\$ 109,093,554</u>	 <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	 33.77%	 41.18%	 43.75%	 36.70%	 44.33%	 41.29%

**Bethlehem Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2023**

Public School Employees' Retirement System

Changes of Benefit Terms

None.

Changes in Assumptions

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:

- Valuation Date -- June 30, 2021
- Actuarial cost method -- Entry Age Normal -- level % of pay.
- Investment return -- 7.00% includes inflation at 2.75%.
- Salary growth -- Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.0% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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, 2023**

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 increased from 2.18% as of June 30, 2021 to 4.09% as of June 30, 2022.

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 – 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary increases – Effective average of 4.50%, which reflects an allowance for inflation of 2.50%, and 2.00% 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 a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSER'S experience and projected using a modified version of the MP-2020 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, 2020 determined the employer contribution rate for fiscal year 2022.
- 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 Tables for Males and Females, adjusted to reflect PSER'S experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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, 2023**

Other Postemployment Benefits – Single Employer Healthcare Plan

Changes of Benefit Terms

None.

Changes in Assumptions

The discount rate changed from 2.28% to 4.06%. 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 – 4.00% to 6.75%
- Healthcare cost trend rate – 6.5% in 2022, 6.0% in 2023 and 5.5% in 2024-25. Rates gradually decrease from 5.4% in 2026 to 3.9% 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 4.09% is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2022.

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, 2023

	CAPITAL RESERVE FUND	CAPITAL PROJECT FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 14,417,313	\$ 544	\$ 14,417,857
Due from Other Funds	-	2,712,338	2,712,338
TOTAL ASSETS	14,417,313	2,712,882	17,130,195
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 14,417,313	\$ 2,712,882	\$ 17,130,195
<u>LIABILITIES</u>			
Accounts Payable	\$ 635,934	\$ 2,712,338	\$ 3,348,272
TOTAL LIABILITIES	635,934	2,712,338	3,348,272
<u>DEFERRED INFLOWS OF RESOURCES</u>	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	635,934	2,712,338	3,348,272
FUND BALANCES:			
Restricted Fund Balance	13,781,379	544	13,781,923
TOTAL FUND BALANCES	13,781,379	544	13,781,923
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 14,417,313	\$ 2,712,882	\$ 17,130,195

Bethlehem Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2023

	CAPITAL RESERVE FUND	CAPITAL PROJECT FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES			
Local Sources	\$ 520,988	\$ 14,423,811	\$ 14,944,799
TOTAL REVENUES	<u>520,988</u>	<u>14,423,811</u>	<u>14,944,799</u>
	-----	-----	-----
EXPENDITURES			
Support Services	43,044	97,127	140,171
Capital Outlay	<u>1,745,893</u>	<u>14,704,889</u>	<u>16,450,782</u>
TOTAL EXPENDITURES	<u>1,788,937</u>	<u>14,802,016</u>	<u>16,590,953</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,267,949)</u>	<u>(378,205)</u>	<u>(1,646,154)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(25,355)	(25,355)
TOTAL OTHER FINANCING SOURCES AND USES	<u>-</u>	<u>(25,355)</u>	<u>25,355</u>
NET CHANGE IN FUND BALANCES	<u>(1,267,949)</u>	<u>(403,560)</u>	<u>(1,620,799)</u>
FUND BALANCES - BEGINNING	<u>15,049,328</u>	<u>404,104</u>	<u>15,453,432</u>
FUND BALANCES - ENDING	<u>\$ 13,781,379</u>	<u>\$ 544</u>	<u>\$ 13,832,633</u>

**Bethlehem Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2023**

	Bethlehem Township	Freemansburg	Fountain Hill	Hanover Township	City of Bethlehem Lehigh	Northampton	Total
<u>Current Real Estate Taxes</u>							
Assessed Value	\$ 932,206,000	\$ 46,773,200	\$ 230,449,600	\$ 564,502,250	\$ 1,471,756,700	\$ 1,224,156,600	\$ 4,469,844,350
Millage Rate	0.05845	0.05845	0.01832	0.05845	0.01832	0.05845	Avg.
Total Tax to be Collected	54,487,441	2,733,894	4,221,837	32,995,157	26,962,583	71,551,953	192,952,865
Less: Act 1 Deduction	1,737,044	128,819	220,018	877,633	944,349	2,085,489	5,993,352
Total Taxable Duplicate	52,750,397	2,605,075	4,001,818	32,117,524	26,018,234	69,466,464	186,959,512
Plus:							
Additions	-	-	2,043	-	-	-	2,043
Over/Under	4,682	8	(2,005)	(1,284)	2,210	13,286	16,897
Penalties	73,522	4,303	9,893	38,869	54,872	113,041	294,500
Total Taxes to be Collected	52,828,601	2,609,386	4,011,749	32,155,109	26,075,316	69,592,791	187,272,952
Less -							
Discounts	910,929	44,674	67,155	530,837	420,981	1,207,253	3,181,829
Reductions	144,699	-	2,043	3,130	100,249	59,262	309,383
Refunds	827	9	-	2,242	384	1,294	4,756
TIF Payments	-	-	-	-	-	-	-
Deletions	-	-	-	-	-	-	-
Returned to County	775,094	84,546	86,961	294,207	393,168	1,506,700	3,140,676
Outstanding	-	-	-	-	-	-	-
Net Current Real Estate Taxes Collected	\$ 50,997,052	\$ 2,480,157	\$ 3,855,590	\$ 31,324,693	\$ 25,160,534	\$ 66,818,282	\$ 180,636,308
<u>Current Interim Real Estate Taxes Collected</u>	\$ 1,306,073	\$ 1,078	\$ 8,841	\$ 343,817	\$ 123,696	\$ 334,561	\$ 2,118,066
<u>Current Per Capita Taxes</u>						<u>Combined</u>	
No. of Persons Assessed	20,686	2,490	3,501	9,557	-	57,527	93,761
Tax Rate	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
Taxable Valuation	\$ 206,860	\$ 24,900	\$ 35,010	\$ 95,570	\$ -	\$ 575,270	\$ 937,610
Plus -							
Additions	12,900	1,990	2,970	4,990	-	54,200	77,050
Adjustments	103	4	5	50	-	274	436
Penalties	530	75	90	257	-	1,498	2,450
Collections made by the District	-	-	-	-	-	-	-
Taxes to be Collected	220,393	26,969	38,075	100,867	-	631,242	1,017,546
Less -							
Discounts	2,437	166	260	1,261	-	4,565	8,689
Exonerations	2,460	120	150	1,670	-	3,560	7,960
Deletions	7,540	1,140	940	3,210	-	21,970	34,800
Returned to Delinquent Tax Collector	66,200	15,270	20,530	23,200	-	325,080	450,280
Outstanding	-	-	-	-	-	-	-
Reductions	-	-	-	-	-	-	-
Net Current Per Capita Taxes Collected	\$ 141,756	\$ 10,273	\$ 16,195	\$ 71,526	\$ -	\$ 276,067	\$ 515,817

Bethlehem Area School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2023

6000 - Revenue from Local Sources		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
6111	Current Real Estate Taxes	\$ 179,278,411	\$ 180,636,308	\$ 1,357,897
6112	Interim Real Estate Taxes	1,099,996	2,118,066	1,018,070
6113	Public Utility	193,500	200,035	6,535
6114	Payment in Lieu of Taxes	450,000	1,061,516	611,516
6120	Current Per Capita Taxes - 679	251,700	257,908	6,208
6141	Current Per Capita Taxes - 511	251,700	257,908	6,208
6143	Local Services Tax	342,000	357,344	15,344
6151	Earned Income Tax	18,027,604	19,208,729	1,181,125
6153	Real Estate Transfer Tax	4,000,000	4,174,262	174,262
6157	Act 511 Mercantile Taxes	4,700,000	5,176,482	476,482
6411	Delinquent Real Estate Taxes	4,432,000	2,821,679	(1,610,321)
6420	Delinquent Per Capita Taxes	282,000	276,790	(5,210)
6457	Delinquent Mercantile Taxes	500,000	866,939	366,939
6510	Interest	85,000	5,358,848	5,273,848
6530	Gains or Losses on Sale of Investments	75,000	-	(75,000)
6710	Admissions	110,000	113,873	3,873
6740	Fees	41,000	56,915	15,915
6750	Other Student Activity Income	3,900	5,478	1,578
6832	Federal IDEA Revenue Received as Pass Through	2,077,866	2,119,788	41,922
6833	Federal ARP Act IDEA Revenue Received as Pass Through	-	462,695	462,695
6890	Other Revenue From Intermediary Sources	-	56,728	56,728
6910	Rentals	260,000	386,922	126,922
6920	Contributions	813,000	558,819	(254,181)
6942	Summer School	-	900	900
6944	Receipts from Other LEA's - Education	340,000	318,642	(21,358)
6970	Services provided to Other Funds	300,000	234	(299,766)
6980	Revenue from Community Services	3,750	3,500	(250)
6991	Refunds of Prior Yr. Expenditures	150,000	92,376	(57,624)
6999	Miscellaneous	235,000	207,867	(27,133)
TOTAL REVENUE FROM LOCAL SOURCES		218,303,427	227,157,551	8,854,124
7000 - Revenue from State Sources				
7111	Basic Subsidy - ESBE	46,650,384	42,833,264	(3,817,120)
7112	Basic Subsidy - ESBE	4,674,651	4,226,948	(447,703)
7120	General Operating Subsidy	-	3,803,691	3,803,691
7160	Orphan Tuition	500,000	648,834	148,834
7250	Migratory Children	-	360	360
7271	Special Education	9,159,975	9,159,627	(348)
7292	Pre-K Counts	1,050,000	1,200,000	150,000
7311	Pupil Transportation Subsidy	1,825,381	1,349,391	(475,990)
7312	Nonpublic and Charter School Pupil Transportation	1,217,461	833,910	(383,551)
7320	Rentals	1,815,597	1,455,668	(359,929)
7330	Health Services	321,000	302,357	(18,643)
7340	State Property Tax Reduction Allocation	5,994,131	5,994,131	-
7361	School Safety and Security	655,356	-	(655,356)
7362	School Mental Health & Safety and Security Grants	-	265,884	265,884
7505	Ready to Learn Grant	1,797,733	1,797,733	-
7599	Other State revenue not listed elsewhere	1,395,658	414,649	(981,009)
7820	Retirement Revenue	20,673,785	20,992,119	318,334
TOTAL REVENUE FROM STATE SOURCES		\$ 97,731,112	\$ 95,278,566	\$ (2,452,546)

Bethlehem Area School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2023

8000 - Revenue from Federal Sources		Budget	Actual	Variance
8110	Payments for Federally Impacted Areas	\$ 60,000	\$ 78,112	\$ 18,112
8514	Title I	4,870,911	4,636,103	(234,808)
8515	Title IIA, IID	563,885	510,102	(53,783)
8516	Title III	205,825	239,122	33,297
8517	Title IV	342,384	356,052	13,668
8580	Child Care Grants	164,581	124,095	(40,486)
8741	ESSER I	-	3,952	3,952
8742	GEER Funds	55,707	27,686	(28,021)
8743	ESSER II	728,899	1,993,946	1,265,047
8744	ARP ESSER III	1,889,487	4,267,996	2,378,509
8746	ARP IDEA	481,597	-	(481,597)
8747	ARP ECF - Emergency Connectivity Fund	-	8,426	8,426
8751	ARP ESSER Learning Loss	849,207	430,155	(419,052)
8752	ARP ESSER Summer Programs	1,227	9,655	8,428
8753	ARP ESSER Afterschool Programs	291,232	85,425	(205,807)
8754	ARP ESSER Homelss Children and Youth Funds	50,000	17,971	(32,029)
8755	ARP Esser Emergency Relief - Other Entities	-	275,302	275,302
8810	Medical Assistance Reimbursements (Access)	800,000	1,310,515	510,515
8820	Medical Assistance Reimbursement for Health Related	108,000	104,673	(3,327)
TOTAL REVENUE FROM FEDERAL SOURCES		11,462,942	14,479,288	3,016,346
9000 - Other Financing Sources				
9220	Proceeds from Leases	-	79,146	79,146
9330	Capital Projects Fund Transfers	-	25,355	25,355
9400	Sale of or Compensation for Loss of Fixed Assets	80,000	99,727	19,727
9910	Other Financing Sources Not Listed Elsewhere	2,000,000	-	(2,000,000)
TOTAL OTHER FINANCING SOURCES		2,080,000	204,228	(1,875,772)
TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 329,577,481	\$ 337,119,633	\$ 7,542,152
1000 - Instruction				
1110	Regular Programs - Elem./Secondary	\$ 135,874,588	\$ 135,541,073	\$ 333,515
1190	Federally Funded Regular Programs	7,389,287	7,389,287	-
1211	Life Skills Support - Public	2,647,707	2,647,707	-
1221	Deaf or Hearing Impaired Support	1,857,062	554,925	1,302,137
1224	Blind or Visually Impaired Support	600,617	85,139	515,478
1225	Speech & Language Impaired	2,859,236	2,859,236	-
1231	Emotional Support	6,716,518	5,773,020	943,498
1233	Autistic Support	5,000,941	5,000,941	-
1241	Learning Support - Public	17,581,282	17,581,282	-
1243	Gifted Support	1,055,996	948,003	107,993
1260	Physical Support	1,284,217	1,284,217	-
1270	Multi-Handicapped Support	680,672	590,910	89,762
1280	Early Intervention Support	115,338	115,338	-
1290	Other Support	11,509,918	11,509,918	-
1390	Other Vocational Education Programs	7,016,786	7,016,786	-
1420	Summer School	951,586	572,776	378,810
1430	Homebound Instruction	131,357	121,325	10,032
1441	Adjudicated/Court Placed Programs	77,921	14,251	63,670
1442	Alternative Education Program	1,037,777	1,037,777	-
1450	Instructional Programs Outside Established Schools	430,772	430,772	-
1490	Additional Other Instructional Program	1,674	1,674	-
1500	Nonpublic School Programs	273,000	228,858	44,142
1693	Community College Sponsorship	2,522,752	2,522,681	71
1700	Higher Education Programs	20,000	15,757	4,243
1801	Pre-K Instruction	1,178,831	1,178,831	-
1802	Pre-K Admin Support	56,318	42,113	14,205
1806	Pre-K Professional Development	11,700	1,209	10,491
Total Instruction		\$ 208,883,853	\$ 205,065,806	\$ 3,818,047

Bethlehem Area School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2023

2000 - Support Services		Budget	Actual	Variance
2111	Supervision of Student Services - Head of Component	\$ 367,506	\$ 367,506	\$ -
2119	Supervision of Student Services - All Other Supervision	836,448	713,992	122,456
2120	Guidance Services	7,987,655	7,938,959	48,696
2130	Attendance Services	365,620	365,620	-
2140	Psychological Services	1,842,709	1,728,406	114,303
2160	Social Work Services	3,047,537	3,047,537	-
2170	Student Accounting Services	475,877	428,394	47,483
2220	Technology Support Services	195,319	112,246	83,073
2230	Educational Television Services	145,186	145,144	42
2240	Computer Assisted Instruction Services	1,134,860	1,089,737	45,123
2250	School Library Services	2,314,994	2,314,994	-
2260	Instructional & Curriculum Dev. Service	3,136,771	3,136,771	-
2271	Instructional Staff Development Services	3,444,995	3,206,504	238,491
2272	Instructional Staff Development Service	77,497	66,700	10,797
2290	Other Instructional Staff Services	450	-	450
2310	Board Services	195,462	135,277	60,185
2320	Board Treasurer Services	200	-	200
2330	Tax Assessment & Collection Service	1,731,239	1,731,239	-
2340	Staff Relations	2,500	1,908	592
2350	Legal Services	637,600	546,804	90,796
2360	Office of the Superintendent Services	826,772	826,772	-
2370	Community Relations Services	165,060	129,439	35,621
2380	Office of the Principal Services	11,493,670	11,493,670	-
2390	Other Administration Services	90,303	80,931	9,372
2419	Supervision of Health Services - All Other	246,144	246,144	-
2420	Medical Services	4,000	3,387	613
2430	Dental Services	7,000	3,100	3,900
2440	Nursing Services	2,755,033	2,755,033	-
2450	Non Public Health Service	233,509	132,545	100,964
2490	Other Health Services	21,000	7,066	13,934
2511	Supervision of Fiscal Services	559,852	559,852	-
2513	Receiving and Disbursing Funds Services	539,658	462,152	77,506
2514	Payroll Services	321,543	295,571	25,972
2515	Financial Accounting Services	404,575	404,575	-
2516	Internal Auditing Services	223,547	2,578	220,969
2519	Other Fiscal Services	391,930	206,809	185,121
2520	Purchasing Services	119,392	108,383	11,009
2530	Warehousing and Distributing Services	218,961	218,961	-
2540	Printing, Publishing and Duplicating Services	180,138	180,138	-
2590	Other Support Services - Business	1,885	1,885	-
2611	Supervision of Oper and Maint. of Plant - Head	341,774	341,774	-
2619	Supervision of Oper and Maint. of Plant - Other	782,411	782,411	-
2620	Operation of Building Services	18,333,194	17,675,014	658,180
2630	Care and Upkeep of Grounds Services	925,744	925,744	-
2650	Vehicle Operation and Maint. Services	430,898	430,898	-
2660	Security Services	2,348,205	1,887,631	460,574
2711	Supervision of Student Trans. Svcs - Head	302	302	-
2719	Supervision of Student Transportation Services	1,257,682	1,257,682	-
2720	Vehicle Operation Services	8,192,826	8,192,826	-
2730	Monitoring Services	1,114,535	1,114,535	-
2740	Vehicle Servicing and Maintenance Services	2,009,401	1,854,696	154,705
2750	Nonpublic Transportaion	180	-	180
	Sub-Total - Support Services	\$ 82,481,549	\$ 79,660,242	\$ 2,821,307

Bethlehem Area School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2023

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sub-Total - Support Services (Carried Forward)		\$ 82,481,549	\$ 79,660,242	\$ 2,821,307
2818	System Wide Technology Services	3,379,674	3,049,990	329,684
2821	Supervision of Information Services	363,572	363,572	-
2823	Public Information Services	183,091	171,761	11,330
2831	Supervision of Staff Services	544,812	544,812	-
2832	Recruitment and Placement Services	276,068	244,248	31,820
2833	Staff Accounting Services	839,420	764,807	74,613
2834	Staff Development Services - Non-Instructional	692,540	664,424	28,116
2835	Health Services	363,350	363,350	-
2836	Staff Development Services - Non-Instructional	560,448	422,922	137,526
2840	Data Processing Services	1,813,620	1,636,405	177,215
2850	State and Federal Agency Liaison Services	407,361	386,981	20,380
2910	Support Services not listed elsewhere	<u>140,913</u>	<u>140,789</u>	<u>124</u>
	Total Support Services	92,046,418	88,414,303	3,632,115
<u>3000 - Operation of Non-Instructional Services</u>				
3210	School Sponsored Student Activities	1,134,381	661,630	472,751
3250	School Sponsored Athletics	3,260,088	3,260,088	-
3300	Community Services	384,938	313,321	71,617
3330	Public Library Services	37,237	37,237	-
3350	Welfare Activities	100	100	-
3400	Scholarships and Awards	<u>6,450</u>	<u>738</u>	<u>5,712</u>
	Total Non-Instructional Services	<u>4,823,194</u>	<u>4,273,114</u>	<u>550,080</u>
<u>4000 - Facilities Acquisition, Construction, and Improvement Svcs.</u>				
4400	Architecture and Engineering Services	7,560	7,560	-
4600	Existing Building Improvement Services	<u>57,789</u>	<u>57,789</u>	<u>-</u>
	Total Facilities Acquisition, Construction, and Improvement Svcs.	65,349	65,349	-
<u>5000 - Other Expenditures and Financing Uses</u>				
5110	Debt Service	23,247,623	23,247,623	-
5130	Refund of Prior Yr. Receipts	82,040	82,040	-
5140	Lease Payments	<u>454,004</u>	<u>411,828</u>	<u>42,176</u>
	Total Other Expenditures and Financing Uses	<u>23,783,667</u>	<u>23,741,491</u>	<u>42,176</u>
	TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 329,602,481	\$ 321,560,063	\$ 8,042,418

Bethlehem Area School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 329,577,481	\$ 337,119,633	\$ 7,542,152
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>329,602,481</u>	<u>321,560,063</u>	<u>8,042,418</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(25,000)	15,559,570	15,584,570
Special Items	-	-	-
Extraordinary Items - Insurance Recoveries	<u>25,000</u>	<u>16,696</u>	<u>(8,304)</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES AFTER SPECIAL ITEMS AND EXTRAORDINARY ITEMS	-	15,576,266	15,576,266
FUND BALANCE - JULY 1, 2022	<u>47,645,375</u>	<u>52,308,953</u>	<u>4,663,578</u>
FUND BALANCE - JUNE 30, 2023	<u>\$ 47,645,375</u>	<u>\$ 67,885,219</u>	<u>\$ 20,239,844</u>

**Bethlehem Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2023**

FUND BALANCE - JULY 1, 2022		\$ 15,049,328
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REVENUES AND OTHER FINANCING SOURCES

Interest	\$ 520,988	
Transfer from General Fund	-	520,988
TOTAL FUNDS AVAILABLE		15,570,316

EXPENDITURES

SUPPORT SERVICES:

Equipment	43,044	
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CAPITAL OUTLAY:

Professional Services	888,237	
Repairs and Maintenance	497,146	
Land Improvements	98,465	
Equipment	262,045	1,788,937
		1,788,937

FUND BALANCE - JUNE 30, 2023		\$ <u>13,781,379</u>
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**Bethlehem Area School District
Special Revenue (Authority General Fund) Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2023**

FUND BALANCE - JULY 1, 2022		\$	623
<u>REVENUES AND OTHER FINANCING SOURCES</u>			
Proceeds from Refunding Bond Issues	\$	-	
Interest Earnings		<u>5,599,045</u>	<u>5,599,045</u>
TOTAL FUNDS AVAILABLE			5,599,668
<u>EXPENDITURES AND OTHER FINANCING USES</u>			
SUPPORT SERVICES:			
Professional Services		-	
Printing		-	
DEBT SERVICE:			
Bond Principal		1,570,000	
Bond Interest		4,029,045	
OTHER FINANCING USES:			
Payment to Refunding Bond Issue Escrow Agent		<u>-</u>	<u>5,599,045</u>
FUND BALANCE - JUNE 30, 2023		\$	<u>623</u>

**Bethlehem Area School District
Capital Project Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2023**

FUND BALANCE - JULY 1, 2022		\$	404,104
<u>REVENUES AND OTHER FINANCING SOURCES</u>			
ESSER II	\$	2,476,374	
ARP ESSER III		11,941,592	
Interest Earnings		<u>5,845</u>	<u>14,423,811</u>
TOTAL FUNDS AVAILABLE			14,827,915
<u>EXPENDITURES AND OTHER FINANCING USES</u>			
SUPPORT SERVICES:			
Professional Services		25,552	
Construction Services		-	
Equipment		71,575	
CAPITAL OUTLAY:			
Professional Services		54,309	
Repairs and Maintenance		262,515	
Land & Improvements		49,960	
Equipment		14,338,105	
OTHER FINANCING USES:			
Transfer to General Fund		<u>25,355</u>	<u>14,827,371</u>
FUND BALANCE - JUNE 30, 2023		\$	<u>544</u>

Bethlehem Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2023

REVENUES

Sales	\$ 1,405,521	
Donated Commodities	523,560	
Special Events	119,371	
State Subsidies	922,513	
Federal Subsidies	6,159,192	
Interest earnings	143,192	
Rentals	<u>5,152</u>	
TOTAL REVENUES		\$ 9,278,501

COST OF COMMODITIES

Beginning Inventory	5,283	
Food Service Management - Food	2,400,328	
Donated Commodities	521,137	
Ending Inventory	<u>(2,860)</u>	
TOTAL COST OF COMMODITIES SOLD		<u>2,923,888</u>
GROSS PROFIT		<u>6,354,613</u>

OPERATING EXPENSES

Salaries	1,984,345	
Self-Insured Medical Benefits	476,347	
Self-Insured Dental Benefits	3,600	
Self-Insured Prescriptions	14,400	
Fica Tax	152,691	
Retirement Contributions	494,909	
Other Benefits	22,119	
Repairs and Maintenance	47,616	
Rentals	2,459	
Communications	1,848	
Food Service Management Costs	1,173,891	
Travel	70	
Supplies	74,788	
Technology Supplies	19,280	
Depreciation	53,848	
Dues and Fees	<u>5,413</u>	
TOTAL EXPENSES		<u>4,527,624</u>
CHANGES IN FUND NET POSITION		1,826,989
FUND NET POSITION - JULY 1, 2022		<u>(2,067,357)</u>
FUND NET POSITION - JUNE 30, 2023		<u><u>\$ (240,368)</u></u>

Bethlehem Area School District
Day Care Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2023

REVENUES

Regular Day School Tuition	\$ 1,301,668	
Revenue from Community Service Activities	420,185	
Fica Revenue	39,888	
Retirement Revenue	163,242	
OCDEL-CSC Cares ACT Funding	110,880	
Miscellaneous	8,458	
Earnings on Investments	<u>21,623</u>	
TOTAL REVENUES		\$ 2,065,944

OPERATING EXPENSES

Salaries	1,055,859	
Self-ins. Medical Benefits	315,411	
Self-ins. Dental Benefits	23,925	
Self-ins. Prescriptions	95,700	
Self-Ins. Eye Care	158	
Fica Tax	79,321	
Retirement Contributions	238,023	
Workers Compensation	7,592	
Other Benefits	13,996	
Professional Services	1,815	
Small Equipment	1,132	
Communications	65	
Travel	562	
Repairs and Maintenance	547	
Supplies	20,705	
Meals/Refreshments	235	
Miscellaneous	300	
Dues and Fees	3,077	
Bad Debt Expense	<u>3,682</u>	
TOTAL EXPENSES		<u>1,862,105</u>
CHANGES IN FUND NET POSITION		203,839
FUND NET POSITION - JULY 1, 2022		<u>(3,995,683)</u>
FUND NET POSITION - JUNE 30, 2023		<u>\$ (3,791,844)</u>

**Bethlehem Area School District
Self-Insurance Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2023**

ADDITIONS

Contributions from Other Funds	\$ 33,243,860	
Cobra and Co-Pay Payments	1,529,129	
Interest Earnings	797,117	
Wellness Revenue	29,412	
Stop-Loss Claim Reimbursement	483,790	
Other Misc. Revenue	609	
TOTAL REVENUES		\$ 36,083,917

DEDUCTIONS

Staff Health Services	16,540	
Staff Health Software	18,112	
Eye Care Insurance	9,829	
Unemployment	5,197	
Medical Insurance	24,649,775	
Dental	1,367,472	
Prescription	9,236,060	
Stop Loss Insurance	1,638,709	
Dues, Fees, and Supplies	13,665	
TOTAL EXPENSES		36,955,359
CHANGES IN NET POSITION		(871,442)
NET POSITION - JULY 1, 2022		23,922,366
NET POSITION - JUNE 30, 2023		<u>\$ 23,050,924</u>

**Self-Insurance Fund
Statement of Fiduciary Net Position
As of June 30, 2023**

ASSETS

Cash and Cash Equivalents	\$ 20,394,205	
Due From Other Funds	6,177,280	
Other Receivables	34,178	
TOTAL ASSETS		<u>\$ 26,605,663</u>

LIABILITIES

Accounts Payable	\$ 3,545,198	
Due to Other Funds	9,541	
Other Current Liabilities	-	
TOTAL LIABILITIES		3,554,739

NET POSITION

Restricted for:		
Pool Participants		23,050,924
TOTAL LIABILITIES AND FUND NET POSITION		<u>\$ 26,605,663</u>

Bethlehem Area School District
Activity Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2023

ADDITIONS

Interest Income	\$ 24,592	
Admissions	269,750	
Student Organization Membership Dues and Fees	111,174	
Special Events	309,722	
Contributions & Donations	37,411	
Other Activity Income	<u>8,191</u>	
TOTAL REVENUES		\$ 760,840

DEDUCTIONS

Professional and Technical Services	24,875	
Rentals	164,586	
Transportation Services	71,306	
Communications	40,027	
Travel	54,780	
Supplies	265,236	
Food	38,675	
Dues & Fees	12,858	
Donations	66,581	
Student Fees for Instruction Related Events	17,568	
Miscellaneous Expenses	<u>10,697</u>	
TOTAL EXPENSES		<u>767,189</u>
CHANGES IN NET POSITION		(6,349)
NET POSITION - JULY 1, 2022		<u>662,635</u>
NET POSITION - JUNE 30, 2023		<u>\$ 656,286</u>

Activity Fund
Statement of Fiduciary Net Position
As of June 30, 2023

ASSETS

Cash and Cash Equivalents	\$ 656,636	
Due From Other Funds	2,000	
Other Receivables	8,833	
Prepaid Expenses	<u>5,890</u>	
TOTAL ASSETS		<u>\$ 673,359</u>

LIABILITIES

Accounts Payable	\$ 16,343	
Due to Other Funds	<u>730</u>	
TOTAL LIABILITIES		17,073

NET POSITION

Restricted for:		
Individuals, organizations, and other governments		<u>656,286</u>
TOTAL LIABILITIES AND FUND NET POSITION		<u>\$ 673,359</u>

**Bethlehem Area School District
Private-Purpose Trust Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2023**

ADDITIONS

Contributions & Donations	\$ 106,040	
Interest Income	<u>7,764</u>	
TOTAL REVENUES		\$ 113,804

DEDUCTIONS

Admin. Fees	-	
Awards	<u>122,400</u>	
TOTAL EXPENSES		<u>122,400</u>

CHANGES IN NET POSITION (8,596)

NET POSITION - JULY 1, 2022 194,261

NET POSITION - JUNE 30, 2023 **\$ 185,665**

**Private-Purpose Trust Fund
Statement of Fiduciary Net Position
As of June 30, 2023**

ASSETS

Cash and Cash Equivalents	\$ 197,240	
Investments	<u>600</u>	
TOTAL ASSETS		<u><u>\$ 197,840</u></u>

LIABILITIES

Accounts Payable	<u>\$ 12,175</u>	
TOTAL LIABILITIES		12,175

NET POSITION

Restricted for:		
Individuals, organizations, and other governments		<u>185,665</u>

TOTAL LIABILITIES AND FUND NET POSITION **\$ 197,840**

Bethlehem Area School District
Schedule on General Obligation Bonds - Series A of 2015
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 16,593,250	\$ 30,000,000

Schedule on General Obligation Notes - Series B of 2015
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2023-24	\$ 124,706	\$ -
2024-25	124,706	-
2025-26	124,706	-
2026-27	124,706	-
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	\$ 956,728	\$ 3,725,000

Bethlehem Area School District
Schedule on General Obligation Notes - Series C of 2015
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 1,018,225	\$ 8,335,000

Schedule on General Obligation Bonds - Series A of 2016
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 2,706,022	\$ 27,350,000

Schedule on General Obligation Bonds - Series B of 2016
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 6,819,312	\$ 19,700,000

Bethlehem Area School District
Schedule on General Obligation Bonds - Series of 2019
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2023-24	\$ 49,000	\$ 1,960,000
TOTAL OUTSTANDING	\$ 49,000	\$ 1,960,000

Schedule on General Obligation Bonds - Series of 2021
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2023-24	\$ 1,237,125	\$ 2,335,000
2024-25	1,082,625	3,845,000
2025-26	886,000	4,020,000
2026-27	681,375	4,165,000
2027-28	468,625	4,345,000
2028-29	246,500	4,540,000
2029-30	66,500	2,660,000
TOTAL OUTSTANDING	\$ 4,668,750	\$ 25,910,000

Schedule on Guaranteed Revenue Bonds - Series A of 2021
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2023-24	\$ 1,182,969	\$ 75,000
2024-25	1,181,207	75,000
2025-26	1,179,444	75,000
2026-27	1,066,804	6,840,000
2027-28	791,397	7,220,000
2028-29	499,282	7,625,000
2029-30	188,915	8,375,000
TOTAL OUTSTANDING	\$ 6,090,018	\$ 30,285,000

Bethlehem Area School District
Schedule on Guaranteed Revenue Bonds - Series B of 2021
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2023-24	\$ 1,457,863	\$ 1,540,000
2024-25	1,347,374	2,160,000
2025-26	1,231,711	2,230,000
2026-27	1,058,413	4,785,000
2027-28	872,973	4,995,000
2028-29	679,646	5,220,000
2029-30	469,307	5,860,000
2030-31	249,884	6,090,000
2031-32	19,295	6,450,000
TOTAL OUTSTANDING	<u>\$ 7,386,466</u>	<u>\$ 39,330,000</u>

Schedule on Guaranteed Revenue Bonds - Series C of 2021
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2023-24	\$ 1,261,102	\$ 25,000
2024-25	1,260,515	25,000
2025-26	1,259,927	25,000
2026-27	1,259,340	25,000
2027-28	1,258,752	25,000
2028-29	1,258,165	25,000
2029-30	1,207,133	2,275,000
2030-31	904,624	13,640,000
2031-32	318,603	14,215,000
TOTAL OUTSTANDING	<u>\$ 9,988,161</u>	<u>\$ 30,280,000</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, 2023

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL ALN	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/22	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/23	FOOT- NOTES
FEDERAL COMMUNICATIONS COMMISSION											
PASSED THROUGH THE UNIVERSAL SERVICE ADMINISTRATIVE CO.											2
COVID-19 EMERGENCY CONNECTIVITY FUND PROGRAM	I	32.009	N/A	N/A	\$ 8,426	\$ 6,329	\$ -	\$ 8,426	\$ 8,426	\$ 2,097	
TOTAL FEDERAL COMMUNICATIONS COMMISSION						6,329	-	8,426	8,426	2,097	
U.S. DEPARTMENT OF EDUCATION											
IMPACT AID PUBLIC LAW 81-874	D	84.041	N/A	7/1/22-6/30/23	\$ -	78,112	-	78,112	78,112	-	
TOTAL IMPACT AID CLUSTER						78,112	-	78,112	78,112	-	
PASSED THROUGH THE PA DEPT OF EDUCATION (PDE)											
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-21-0034	7/1/20-9/30/21	\$ 4,287,702	-	(33,831)	33,831	33,831	-	2
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-22-0034	7/1/21-9/30/22	\$ 4,025,624	810,413	773,721	36,692	36,692	-	
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-23-0034	7/1/22-9/30/23	\$ 4,045,829	3,454,972	-	3,974,077	3,974,077	519,105	
TITLE I - SCHOOL INTERVENTION	I	84.010	FA-042-22-0034	7/1/21-9/30/22	\$ 573,831	51,062	(27,211)	78,273	78,273	-	
TITLE I - SCHOOL INTERVENTION	I	84.010	FA-042-23-0034	7/1/22-9/30/23	\$ 613,137	437,955	-	513,230	513,230	75,275	
TOTAL TITLE I PROGRAM						4,754,402	712,679	4,636,103	4,636,103	594,380	
PASSED THROUGH THE PDE											
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-21-0034	7/1/20-9/30/21	\$ 561,370	-	(1,831)	1,831	1,831	-	2
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-22-0034	7/1/21-9/30/22	\$ 466,144	34,766	(1,893)	36,659	36,659	-	
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-23-0034	7/1/22-9/30/23	\$ 512,165	438,761	-	471,612	471,612	32,851	
TOTAL TITLE IIA PROGRAM						473,527	(3,724)	510,102	510,102	32,851	
PASSED THROUGH THE PDE											
TITLE III - LEP / IMMIGRANT STUDENTS	I	84.365	FA-010-21-0034	7/1/20-9/30/21	\$ 293,328	78,221	78,023	198	198	-	2
TITLE III - LEP / IMMIGRANT STUDENTS	I	84.365	FA-010-22-0034	7/1/21-9/30/22	\$ 180,988	61,829	15,464	46,365	46,365	-	
TITLE III - LEP / IMMIGRANT STUDENTS	I	84.365	FA-010-23-0034	7/1/22-9/30/23	\$ 195,769	110,777	-	192,559	192,559	81,782	
TOTAL TITLE III PROGRAM						250,827	93,487	239,122	239,122	81,782	
PASSED THROUGH THE PDE											
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	FA-144-21-0034	7/1/20-9/30/21	\$ 297,171	-	(2,728)	2,728	2,728	-	2
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	FA-144-22-0034	7/1/21-9/30/22	\$ 323,579	129,546	(36,307)	165,853	165,853	-	4
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	FA-144-23-0034	7/1/22-9/30/23	\$ 318,169	101,030	-	187,471	187,471	86,441	
TOTAL TITLE IV PROGRAM						230,576	(39,035)	356,052	356,052	86,441	
PASSED THROUGH COMMUNITIES IN SCHOOLS OF EASTERN PA											
TITLE IVB, NITA M. LOWET 21ST CCLC COHORT 11	I	84.287	21C-22-0039	10/1/22-9/30/2027	\$ 432,328	23,842	-	56,728	56,728	32,886	2
TOTAL 21ST CENTURY COMMUNITY LEARNING CENTERS PROGRAM						23,842	-	56,728	56,728	32,886	
PASSED THROUGH THE COLONIAL I.U. #20											
IDEA, PART B	I	84.027	N/A	7/1/21-9/30/22	\$ 2,049,051	-	-	-	-	-	1
IDEA, PART B	I	84.027	N/A	7/1/22-9/30/23	\$ 2,105,298	1,652,172	-	2,105,298	2,105,298	453,126	1
COVID-19 ARP-IDEA	I	84.027X	N/A	7/1/21-9/30/23	\$ 593,232	435,000	86,220	462,695	462,695	113,915	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/21-9/30/22	\$ 8,815	8,815	8,815	-	-	-	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/22-9/30/23	\$ 14,490	-	-	14,490	14,490	14,490	1
TOTAL IDEA CLUSTER						2,095,987	95,035	2,582,483	2,582,483	581,531	
PASSED THROUGH THE PA COMMISSION ON CRIME AND DELINQUENCY (PCCD)											
COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF (ESSER) FUND - ESSER I	I	84.425D	2020-ES-01-35273	3/13/20-9/30/22	\$ 452,553	1,061	827	234	234	-	2
PASSED THROUGH THE PDE											
COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF (ESSER) FUND - ESSER I	I	84.425D	FA-200-20-0034	3/13/20-9/30/22	\$ 3,218,394	-	(3,718)	3,718	3,718	-	2
COVID-19 GOVERNOR'S EMERGENCY EDUCATION RELIEF (GEER) FUND - ATSI	I	84.425C	FA-254-20-0034	3/13/20-9/30/22	\$ 389,988	81,785	54,099	27,686	27,686	-	
COVID-19 ESSER FUND - ESSER II	I	84.425D	FA-200-21-0034	3/13/20-9/30/23	\$ 15,889,038	6,651,225	2,615,949	4,470,319	4,470,319	435,043	
COVID-19 AMERICAN RESCUE PLAN - ESSER (ARP-ESSER)	I	84.425U	223-21-0034	3/13/20-9/30/24	\$ 32,138,927	15,777,292	5,777,383	16,209,589	16,209,589	6,209,680	
COVID-19 ARP-ESSER - LEARNING LOSS SET ASIDE	I	84.425U	FA-225-21-0034	3/13/20-9/30/24	\$ 1,784,227	486,607	20,055	430,155	430,155	(36,397)	
COVID-19 ARP-ESSER - SUMMER SCHOOL SET ASIDE	I	84.425U	FA-225-21-0034	3/13/20-9/30/24	\$ 356,845	97,321	120,107	9,655	9,655	32,441	
COVID-19 ARP-ESSER - AFTER SCHOOL SET ASIDE	I	84.425U	FA-225-21-0034	3/13/20-9/30/24	\$ 356,845	97,322	44,335	85,425	85,425	32,438	
COVID-19 ARP-ESSER - HOMELESS CHILDREN AND YOUTH	I	84.425W	FA-181-21-2035	7/01/21-9/30/24	\$ 189,023	14,540	(10,751)	17,971	17,971	(7,320)	
COVID-19 ARP-ESSER - 2.5% SEA RESERVE	I	84.425U	FA-224-21-0034	3/13/20-9/30/24	\$ 355,967	245,941	(19,416)	275,302	275,302	9,945	
TOTAL EDUCATION STABILIZATION FUND						23,453,094	8,598,870	21,530,054	21,530,054	6,675,830	
TOTAL U.S. DEPARTMENT OF EDUCATION						31,360,367	9,457,312	29,988,756	29,988,756	8,085,701	

SOURCE: D-DIRECT; I- INDIRECT

Bethlehem Area School District
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2023 (Continued)

<u>FEDERAL GRANTOR PROJECT TITLE</u>	<u>SOURCE CODE</u>	<u>FEDERAL ALN</u>	<u>GRANTOR PASS THROUGH NUMBER</u>	<u>GRANT PERIOD</u>	<u>AWARD AMOUNT</u>	<u>TOTAL RECEIVED</u>	<u>ACCRUED OR (DEFERRED) AT 7/01/22</u>	<u>REVENUE</u>	<u>EXPENDI- TURES</u>	<u>ACCRUED OR (DEFERRED) AT 6/30/23</u>	<u>FOOT- NOTES</u>
U.S. DEPT. OF HEALTH AND HUMAN SERVICES											
<u>PASSED THROUGH THE PA DEPARTMENT OF PUBLIC WELFARE</u>											
PROMOTING SAFE AND STABLE FAMILIES	I	93.556	SAP 4100066996	7/1/21-6/30/22	\$ 124,095	-	-	-	-	-	2
PROMOTING SAFE AND STABLE FAMILIES	I	93.556	SAP 4100066996	7/1/22-6/30/23	\$ 124,095	120,172	-	124,095	124,095	3,923	
TOTAL PROMOTING SAFE AND STABLE FAMILIES PROGRAM						120,172	-	124,095	124,095	3,923	
ESEA - TITLE 19 MEDICAID REIMBURSEMENT											
	I	93.778	N/A	7/1/22-9/30/23	N/A	150,035	94,046	104,673	104,673	48,684	2
TOTAL U.S. DEPT. OF HEALTH AND HUMAN SERVICES						270,207	94,046	228,768	228,768	52,607	
U. S. DEPT. OF AGRICULTURE											
<u>PASSED THROUGH THE PDE</u>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/21 - 6/30/22	N/A	851,650	851,650	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/22 - 6/30/23	N/A	4,141,412	-	4,241,186	4,241,186	99,774	
COVID-19 NATIONAL SCHOOL LUNCH - SUPPLY CHAIN ASSISTANCE	I	10.555	N/A	N/A	N/A	340,002	-	340,002	340,002	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/21 - 6/30/22	N/A	156,100	156,100	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/22 - 6/30/23	N/A	409	-	409	409	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/21 - 6/30/22	N/A	95,228	95,228	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/22 - 6/30/23	N/A	1,208,844	-	1,250,220	1,250,220	41,376	
AFTER SCHOOL SNACK	I	10.555	N/A	7/1/21 - 6/30/22	N/A	7,692	7,692	-	-	-	
AFTER SCHOOL SNACK	I	10.555	N/A	7/1/22 - 6/30/23	N/A	61,019	-	61,487	61,487	468	
SUMMER FOOD	I	10.559	N/A	7/1/21 - 6/30/22	N/A	25,336	25,336	-	-	-	
SUMMER FOOD	I	10.559	N/A	7/1/22 - 6/30/23	N/A	95,282	-	139,198	139,198	43,916	
FRESH FRUIT AND VEGETABLE PROGRAM	I	10.582	N/A	7/1/22 - 6/30/23	N/A	120,740	-	120,740	120,740	-	
<u>PASSED THROUGH THE PA DEPARTMENT OF AGRICULTURE</u>											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/1/22 - 6/30/23	N/A	521,137	(5,284)	523,560	523,560	(2,861)	2
TOTAL CHILD NUTRITION CLUSTER						7,624,851	1,130,722	6,676,802	6,676,802	182,673	3
<u>PASSED THROUGH THE PDE</u>											
COVID-19 STATE PANDEMIC ELECTRONIC BENEFIT TRANSFER (P-EBT) ADMIN. COSTS	I	10.649	N/A	N/A	N/A	5,950	-	5,950	5,950	-	2
						5,950	-	5,950	5,950	-	
TOTAL U.S. DEPARTMENT OF AGRICULTURE						7,630,801	1,130,722	6,682,752	6,682,752	182,673	
TOTAL FEDERAL FINANCIAL AWARDS						\$ 39,267,704	\$ 10,682,080	\$ 36,908,702	\$ 36,908,702	\$ 8,323,078	
SOURCE: D-DIRECT; I-INDIRECT											

Bethlehem Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

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, 2023. 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 5.1% of its total general fund revenue in federal awards, 72.0% of its total food service fund revenue, and 100% of its capital project 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.

Bethlehem Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

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

<u>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Department of Education	\$ 71,374,060	\$ 33,430,391
PA Commission on Crime & Delinquency	452,553	234
Universal Service Administrative Co.	8,426	8,426
Colonial I.U. #20	4,770,886	2,582,483
Communities in Schools of Eastern PA	432,328	56,728
PA Department of Public Welfare	248,190	228,768
PA Department of Agriculture	N/A	523,560
Totals	<u>\$ 77,286,443</u>	<u>\$ 36,830,590</u>

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$521,137 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2022-23 fiscal year, the District used \$523,560 in commodities and established a year-end inventory of \$2,861 at June 30, 2023.
4. Of the \$165,853 of expenditures reported for the Title IV A grant, \$182 were incurred in the prior fiscal year.
5. 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	\$ 14,479,288
Federal Grants in Local Sources	2,639,211
Capital Project Fund Federal Revenue	14,417,966
Food Service Fund Federal Revenue	6,682,752
Total Federal Revenue, per financial statements	38,219,217
Less - Medical Access Reimbursement (Federal)	(1,310,515)
Total Federal Revenue Reported on SEFA	<u>\$ 36,908,702</u>



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania 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, 2023, 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, 2023.

Report on 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.

Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item (2023-001).

Bethlehem Area School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Bethlehem Area School District's responses to the findings in our audit and described in the accompanying schedule of findings and questioned costs. Bethlehem Area School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the response.

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,



Northampton, Pennsylvania
December 7, 2023



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Bethlehem Area School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Bethlehem Area School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Bethlehem Area School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Bethlehem Area School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Bethlehem Area School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Bethlehem Area School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Bethlehem Area School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Bethlehem Area School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as finding 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Bethlehem Area School District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Bethlehem Area School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no such opinion on the response.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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,



Northampton, Pennsylvania
December 7, 2023

**Bethlehem Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

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:

AL Number(s)	Name of Federal Program or Cluster
84.425C, 84.425D, 84.425U, 84.425W 84.010	COVID-19 - Education Stabilization Fund Title I Program

Percentage of programs tested to total awards 70.9%

Dollar threshold used to distinguish between type A and type B program: \$ 1,107,261

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

**Bethlehem Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Section II – Financial Statement Findings

We did not discover any findings relating to the basic financial statements, which are required to be reported in accordance with generally accepted government auditing standards.

Section III – Findings and Questioned Costs for Federal Awards

Finding No. 2023-001 (Federal Asset Identification)

Type of Finding: **Noncompliance Finding**

Federal Program: COVID-19 - Education Stabilization Fund
ALN: 84.425
Federal Award Year: 2021
Federal Agency: Department of Education
Pass-thru entity: PA Department of Education
Pass-thru nos. 200-21-0034; 223-21-0034
Questioned Costs: N/A
Repeat Finding: No
Type of Compliance
Requirement: Equipment and Real Property Management

Criteria: According to federal regulations 2CFR Part 200.313(d)(1), Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Condition: The District was unable to provide documentation to trace technology equipment inventory records to the funding source.

Cause: The District does not currently include the source of funding for technology equipment within its property records.

Effect: The failure to maintain complete property records could result in deobligation or loss of funding.

Context: We asked the District if they could identify within their property records the funding source that was used to purchase the underlying asset(s) and they were unable to do so.

Recommendation: We have advised management to resolve the current noncompliance finding by including the funding source for both the current and future property.

Views of Responsible
Officials and Planned The District agrees with the finding and will update the current property records to include the grant funding and source and will implement procedures to include this information moving forward.

Audit Follow-Up Procedures

We did not perform any follow-up procedures since there were no findings from the previous year.



BETHLEHEM AREA SCHOOL DISTRICT

BUSINESS OFFICE EDUCATION CENTER

1516 Sycamore Street
Bethlehem, PA 18017-6099
610-861-0500 Extension 60201

Corrective Action Plan For the Year Ended June 30, 2023

Current Year Findings – 2022-23

Noncompliance Finding 2023-001 (Federal Asset Identification)

Federal Program: Education Stabilization Fund
ALN: 84.425

Condition: The District could not provide documentation to trace technology equipment inventory records to the funding source.

Recommendation: We have advised management to resolve the current noncompliance finding by updating the current property records to include the funding source and to include this information moving forward actively.

Corrective Action: On December 12, 2023, we met with the IT, Maintenance, and Grant departments to discuss tracing technology and other equipment inventory records to the funding source. The existing District inventory list will be updated to include the funding source, acquisition date, and acquisition cost.

Board Policy 626 – Federal Fiscal Compliance and related procedures have been updated to reflect the missing categories. Full cycle inventory will be conducted on a bi-annual basis to ensure the accuracy of inventory records.

We will explore using the Assets Inventory module available in our CSIU software. This module allows us to record the Funding Source; run reports so we have a detailed inventory list; and update the records accordingly.

Person Responsible: Harry Aristakesian, CFO; and Lori Zellner, Comptroller

Proposed Completion Date: June 30, 2024