

**REPORT ON
BETHLEHEM AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2016**

BETHLEHEM AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2016

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INTRODUCTORY SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board
Bethlehem Area School District
1516 Sycamore Street
Bethlehem, PA 18017

We have performed the Single Audit of the Bethlehem Area School District for the fiscal year ended June 30, 2016, and have enclosed the Single Audit reporting package.

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

1. An audit of the basic financial statements, and our opinion thereon;
2. A review of compliance and of internal control over financial reporting based on an audit of the financial statements performed in accordance with Governmental Auditing Standards, and our report thereon;
3. An examination of the Schedule of Expenditures of Federal Awards and our report thereon; and,
4. An opinion on compliance with requirements applicable to each major program, and a review of internal control over compliance in accordance with the Uniform Guidance, explained above, and our report thereon.

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

Respectfully submitted,

Gorman & Associates, P.C.

December 16, 2016



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of School Directors
Dr. Joseph J. Roy, Superintendent
Bethlehem Area School District
1516 Sycamore Street
Bethlehem, PA 18017-6099

We have audited the financial statements of the governmental activities; business-type activities, each major fund, and the aggregate remaining fund information of the Bethlehem Area School District for the year ended June 30, 2016, and have issued our report thereon dated December 16, 2016.

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

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matter on June 17, 2016.

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

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

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

Board of School Directors - Dr. Joseph Roy, Superintendent

We have requested certain representations from management that are included in the management representation letter provided to us on December 16, 2016. We advise the governing body to request this letter from management for their review. In conjunction with their representations, we wish to inform you we did not encounter any significant difficulties in dealing with management and had no disagreements with your management. To our knowledge, management did not find a need to converse with any other independent accountant on any related accounting or auditing issue.

In addition, the representation letter provided to us, by management, confirmed there were no uncorrected misstatements that materially affect the financial statements. Management has recorded all of our adjusting journal entries, and has agreed to the conversion entries necessary to convert governmental funds and proprietary funds to governmental activities and business-type activities, respectively.

In accordance with auditing standards, generally accepted in the United States of America, we have acquired a sufficient understanding of the District and its environment, including its internal control, to assess the risk of material misstatements of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures that were necessary to express an opinion on the 2015-16 basic financial statements.

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

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

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

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

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

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

Board of School Directors - Dr. Joseph Roy, Superintendent

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

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

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

CONTROL DEFICIENCIES

Activity Fund

During our testing of student clubs, we discovered a club called: "Denim Days", which is not a student club or organization. This so-called club receives donations from staff during faculty dress down days. The proceeds are used to help support needy students. While your intent is well intended, unfortunately the School Code has no provision for school districts to give charitable gifts. In addition, the student activity regulations do not allow charitable giving unless the students are actively involved in the fund raising activity.

As such, we suggest management, with the help of your solicitor, determine a better alternative to accomplish the same goal.

Food Service Fund

During our review of the food service operations, we discovered severance payouts to 403(b)'s for unused sick days are currently being coded to object codes 155 and 185. These object codes are salary codes, and these payments do not represent salaries, but are structured as employee benefits. As such, we suggest management code these payouts to object code 290 in the future. We have made the appropriate adjustments for the 2015-16 fiscal year.

OTHER RECOMMENDATIONS

Federal Grants

During our testing of the federal grants received and expended during the year, we discovered the District is in a constant carryover of unused funds in any given year seeking extensions to spend the excess funds by September 30th of the following year. These extensions pertain to Title I, Title II, and Title III. In addition, the final expenditure reports are being filed late even after the approved extension. Continual requests for extensions to expend and failure to file the required federal reports on time can eventually lead to losing federal funding on these grants.

The federal grants mentioned above, are fifteen (15) month grants, with the final expenditure report due within 30 days after the September 30th ending grant period. We highly recommend management spend these federal grants within the allotted time period and file all required grant reports on time without extension. In addition, the new Federal Uniform Guidance provides, without any prior notice, to use a 10% de minimus indirect cost rate to be added as a federal expenditure. This allowable indirect cost rate will be done outside of the books and records maintained for other federal expenditures. In other words, it will only be added to the final expenditure report.

As an example, this year's Title I program received \$4,114,692 in federal funds. Using the de minimus rate, you could have recorded \$411,469 as additional federal expenditures without spending anything. We recommend management take advantage of this de minimus rate to fully expend all federal monies allotted within the normal 15 month time frame and file the final expenditure report by October 31st each year.

OTHER INFORMATION

In prior years, we included in this section future Governmental Accounting Standards Board Statements that will affect the School District in future years. This year and future years, we are showing this in the Notes to the Basic Financial Statements.

GASB Projects

Leases

Although there is no official standard at this date, we are aware that the Governmental Accounting Standards Board (GASB) is working on a project that will change the reporting in future years on all capital and operating leases. Under present accounting principles, only capital leases are required to be reported on the financial statements; however, once this project is completed all operating leases will also be recorded onto the financial statements as an asset and liability.

Fiduciary Activities

The GASB is working on a new standard dealing with fiduciary activities. Although, we do not expect most changes to affect the District, one, in particular, can affect the current reporting of student clubs and/or organizations. Based on their last communication, they are contemplating showing a Statement of Changes in Net Position for Activity Funds.

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

Respectively submitted,

Norman Associates, P.C.

December 16, 2016

REPORT DISTRIBUTION LIST

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

ONE COPY TO:
(Electronically Submitted)

BUREAU OF THE CENSUS
DATA PREPARATION DIVISION

ONE COPY TO:
(Electronically Submitted)

COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE BUDGET/BUREAU OF AUDITS

ONE COPY TO:

U.S. DEPARTMENT OF EDUCATION
400 MARYLAND AVENUE, SW
WASHINGTON, D.C. 20202

ONE COPY TO:

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6 DANFORTH DRIVE
EASTON, PA 18045

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DEPARTMENT OF PUBLIC WELFARE
2 N CIRCLE DR
HARRISBURG, PA 17110

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Bethlehem Area School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Bethlehem Area School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2-G to the financial statements, effective July 1, 2015, the Bethlehem Area School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application, Governmental Accounting Standards Board Statement No. 73, Accounting and Financial Reporting Amendments to Certain Provisions of GASB Statement No. 68, Governmental Accounting Standards Board Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, and Governmental Accounting Standards Board Statement No. 79, Certain External Investment Pools and Pool Participants. Our opinion is not modified with respect to these pronouncements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10-21, the Schedule of Funding Progress, the Schedule of the District's Proportionate Share of Net Pension Liability, and the Schedule of District's Contributions-Pensions on pages 93-95, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bethlehem Area School District's basic financial statements. The *combining and individual fund statements and schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Bethlehem Area School District

The *combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards*, are the responsibility of management and were derived from and related to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, *the combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards*, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16 2016, on our consideration of the Bethlehem Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bethlehem Area School District's internal control over financial reporting and compliance.

Respectfully submitted,



December 16, 2016

**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, 2016**

The discussion and analysis of the Bethlehem Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments, issued in June 1999.

SCHOOL DISTRICT HIGHLIGHTS

Bethlehem Area School District is a School District of the Second Class, organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"). The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors.

The Bethlehem Area School District is located in portions of Northampton and Lehigh Counties, Pennsylvania in an area known as the Lehigh Valley. It is comprised of five municipal subdivisions including the City of Bethlehem, Fountain Hill and Freemansburg Boroughs, and Bethlehem and Hanover Townships covering an area of approximately 43.1 square miles. The School District had enrollment of 13,545 students in our 22 schools for 2015-16. Students are additionally enrolled in out of district placements for vocational education and special education.

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

FINANCIAL HIGHLIGHTS

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District uses site-based budgeting, and the budgeting system is designed to tightly control total site budgets but provide flexibility for site management.

Analysis of our actual revenues shows higher than budgeted interim real estate and mercantile taxes of \$1,857,888 plus increased real estate transfer taxes of \$1,203,903. In addition, there was non-recurring revenue from the sale of Fixed Assets and Prepayment of a Building Lease in the amount of \$1,321,310. Other revenues such as Basic Ed Funding, Earned Income Tax, PlanCon reimbursement and Prior Year Expenditure Refunds were lower than budgeted by \$1,261,925. Overall operating revenues were \$248,522,372 for the 2015-16 school year, \$6,022,419 or 2.4% more than budgeted.

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

Operating expenditures for the 2015-16 school year of \$241,061,450 were \$18,100 or 0.01% under budget. Transfers to other funds in the amount of \$3,755,596 resulted in total expenditures of \$244,817,046.

These events yielded a net General Fund surplus of 1.5% or \$3,706,326 for the year ended June 30, 2016. Together with the beginning fund balance of \$27,855,824, the BASD ended the fiscal year with a total general fund balance of \$31,562,150. This fund balance is reduced by \$273,904 in unspendable assets, \$7,519,700 committed to the capital reserve fund for future capital improvements, \$1,000,000 assigned to the BASD Self Insurance Fund for recommended reserves to fund future employee benefits, \$3,000,000 assigned to mitigate upcoming increases in the state pension rates for school employees, \$4,914,353 allocated toward one time expenditures in the 2016-17 operating budget, \$18,900 assigned for future Nitschmann MS equipment, and \$77,334 for the pending Alternative Education subsidy deduct for 2007 and 2008 on appeal to PDE. The resulting undesignated fund balance on June 30, 2016 is \$14,757,959 or 6.0% of expenditures.

USING THE ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Bethlehem Area School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

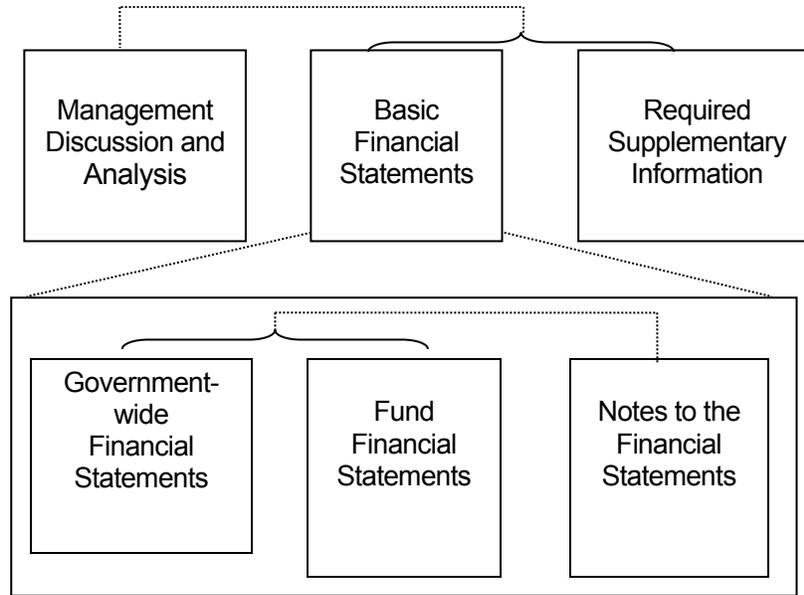
The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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

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

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

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



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

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

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

	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 government's assets, deferred outflows of resources, deferred inflows of resources, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

To assess the overall health of the District, you need to consider additional factors, such as the increasing property tax base, outlook for future growth, strength of financial policies and planning, and student performance and achievement.

The government-wide financial statements of the District are divided into two categories:

- **Governmental activities** - All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business type activities** -The District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation. In addition, child care services are provided to staff and students.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds - Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds - These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides - whether to outside customers or to other units in the District - these services are generally reported in proprietary funds. The District's proprietary funds are the Food Service Fund and the Child Care Fund which are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was (\$304,839,519) at June 30, 2016. This is an increase from the previous fiscal year of \$7,911.533

**Table A-1
Fiscal Year ended June 30, 2016
Net Position (In Millions)**

	2016			2015		
	Govern- mental Activities	Business- Type Activities	Total Primary Government	Govern- mental Activities	Business- Type Activities	Total Primary Government
Current assets	\$ 88.3	\$ 2.5	\$ 90.8	\$ 91.9	\$ 2.0	\$ 93.9
Non-Current assets	235.8	0.1	235.9	226.5	0.2	226.7
Deferred Outflow of Resources	69.0	0.9	69.9	59.9	0.9	60.8
Total Assets & Deferred Outflow of Resources	\$ 393.1	\$ 3.5	\$ 396.6	\$ 378.3	\$ 3.1	\$ 381.4
Current and other liabilities	\$ 41.9	\$ 0.8	\$ 42.7	\$ 40.9	\$ 0.5	\$ 41.4
Long-term liabilities	635.8	10.9	646.7	618.6	10.2	628.8
Deferred Inflow of Resources	11.7	0.3	12.0	23.1	0.7	23.8
Total Liabilities & Deferred Inflow of Resources	689.4	12.0	701.4	682.6	11.4	694.0

Net Position						
Net Investment in Capital Assets	\$ -	\$ 0.1	\$ 0.1	\$ -	\$ 0.2	\$ 0.2
Unrestricted	(296.3)	(8.6)	(304.9)	(304.3)	(8.5)	(312.8)
Total Net Position	\$ (296.3)	\$ (8.5)	\$ (304.8)	\$ (304.3)	\$ (8.3)	\$ (312.8)
Total Liabilities, Deferred Inflow of Resources, & Net Position	\$ 393.1	\$ 3.5	\$ 396.6	\$ 378.3	\$ 3.1	\$ 381.4

Most of the District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is designated or set-aside to fund future capital projects as planned by the district. The overall negative net asset valuation is due to the level of outstanding debt and derivative liabilities as well as the Other Post Employment Benefit (OPEB) obligation reflected in the statements which are funded on an annual cash basis.

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

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

Table A-2 takes the information from that Statement and rearranges it slightly, so that you can see our total revenues for the year.

**Table A-2
Fiscal Year ended June 30, 2016
Changes in Net Position (In Thousands)**

	<u>2016</u>			<u>2015</u>		
	Govern- mental Activities	Business- Type Activities	Total Primary Government	Govern- mental Activities	Business- Type Activities	Total Primary Government
<u>REVENUES</u>						
<i>Program revenues</i>						
Charges for services	\$ 716	\$ 4,036	\$ 4,752	\$ 602	\$ 4,759	\$ 5,361
Operating grants and contributions	37,398	5,652	43,050	32,117	5,085	37,202
Capital grants and contributions	1,740	-	1,740	1,826	-	1,826
<i>General revenues</i>						
Property taxes	150,402	-	150,402	142,286	-	142,286
Other taxes	22,618	-	22,618	20,464	-	20,464
Grants, subsidies and contributions, unrestricted	33,962	-	33,962	32,672	-	32,672
Other	2,995	9	3,004	1,473	8	1,481
TOTAL REVENUES	\$ 249,831	\$ 9,697	\$ 259,528	\$ 231,440	\$ 9,852	\$ 241,292
<u>EXPENSES</u>						
Instruction	\$ 155,422	\$ -	\$ 155,422	\$ 150,329	\$ -	\$ 150,329
Instructional student support	17,764	-	17,764	17,233	-	17,233
Administrative and financial support	17,824	-	17,824	18,517	-	18,517
Operation and maintenance of plant	18,360	-	18,360	16,863	-	16,863
Pupil transportation	8,605	-	8,605	7,681	-	7,681
Student activities	2,833	-	2,833	2,720	-	2,720
Community services	72	-	72	67	2,946	3,013
Scholarships and Awards	-	-	-	-	-	-
Interest on long-term debt	13,031	-	13,031	12,371	-	12,371
Unallocated depreciation expense	7,917	-	7,917	7,963	-	7,963
Food Services	-	9,789	9,789	-	6,866	6,866
TOTAL EXPENSES	241,828	9,789	251,617	233,744	9,812	243,556
Increase (decrease) in net position	\$ 8,003	\$ (92)	\$ 7,911	\$ (2,304)	\$ 40	\$ (2,264)

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

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's eight largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, food service as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**Table A-3
Fiscal Year ended June 30, 2016
Governmental Activities (In Thousands)**

Functions/Programs	2016		2015	
	Total Cost of Services	Net Cost 128383	Total Cost of Services	Net Cost of Services
Instruction	\$ 155,422	\$ 128,384	\$ 150,329	\$ 126,276
Instructional student support	17,764	12,701	17,233	14,040
Administrative	17,824	16,127	18,517	17,184
Operation and maintenance	18,360	17,281	16,863	15,913
Pupil transportation	8,605	5,857	7,681	4,933
Student activities	2,833	2,379	2,720	2,312
Community services	72	37	67	32
Interest on long-term debt	13,031	11,291	12,371	10,546
Unallocated depreciation expense	7,917	7,917	7,963	7,963
Total governmental activities	\$ 241,828	\$ 201,974	\$ 233,744	\$ 199,199
Less:				
Unrestricted grants, subsidies		33,962		32,672
Total needs from local taxes and other revenues		\$ (168,012)		\$ (166,527)

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

**Table A-4
Fiscal Year ended June 30, 2016
Business –Type Activities**

Functions/Programs	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	\$ 7,160,399	\$ 39,501	\$ 6,865,600	\$ 201,092
Child Care	2,628,060	(140,458)	2,945,886	(169,074)
Less:				
Investment earnings & other misc.		9,343		7,757
Total business-type activities		\$ (91,614)		\$ 39,775

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

DISTRICT FUNDS

At June 30, 2016, the District governmental funds reported a combined fund balance of \$54,311,266, a decrease of \$9,262,911 from the previous year.

General fund operating revenues exceeded expenditures by \$3,706,326 which resulted in the final General Fund net ending fund balance of \$31,562,150.

The Capital Projects Fund had a decrease in fund balance of \$12,969,237 due to Nitschmann Middle School project and various roofing projects, resulting in a Capital Project fund balance of \$22,749,113 on June 30, 2016.

General Fund Budget

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is permitted by state law. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the Annual Financial Report.

Analysis of our actual revenues shows higher than budgeted interim real estate and mercantile taxes of \$1,857,888 plus increased real estate transfer taxes of \$1,203,903. In addition, there was non-recurring revenue from the sale of Fixed Assets and Prepayment of a Building Lease in the amount of \$1,321,310. Other revenues such as Basic Ed Funding, Earned Income Tax, PlanCon reimbursement and Prior Year Expenditure Refunds were lower than budgeted by \$1,261,925. Overall operating revenues were \$248,522,372 for the 2015-16 school year, \$6,022,419 or 2.4% more than budgeted.

Operating expenditures for the 2015-16 school year of \$241,061,450 were \$18,100 or 0.01% under budget. Transfers to other funds in the amount of \$3,755,596 resulted in total expenditures of \$244,817,046.

Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur due to use of grant funds, whose amounts are not known at the time that the budget must be approved.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2016, the District had \$235,774,055 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$12,842,063 or 5.76% from last year.

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

**Table A-5
Governmental Activities
Fiscal Year Ended June 30, 2016
Capital assets - net of depreciation**

	<u>2016</u>	<u>2015</u>
Land	\$ 75,410	\$ 75,410
Site Improvements	9,097,894	9,385,193
Buildings	323,982,198	322,376,817
Furniture & Equipment	65,850,349	64,023,286
Construction in Progress	<u>22,439,704</u>	<u>4,575,146</u>
Total Capital Assets	\$ 421,445,555	\$ 400,435,852
Less Accumulated Depreciation	<u>(185,671,500)</u>	<u>(177,503,860)</u>
Total Capital Assets Net of Accumulated Depreciation	<u>\$ 235,774,055</u>	<u>\$ 222,931,992</u>

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

DEBT ADMINISTRATION

As of July 1, 2015, the District had total outstanding debt of \$290,495,000. During the year, the District retired and repaid \$10,275,000 resulting in ending outstanding debt as of June 30, 2016, of \$280,220,000:

**Table A-6
Outstanding Debt**

	<u>2016</u>	<u>2015</u>
General Obligation Notes/Bonds:		
- Notes, Series C of 2015	\$ 9,580,000	\$ 9,580,000
- Notes, Series B of 2015	3,725,000	3,725,000
- Bonds, Series A of 2015	30,000,000	30,000,000
- Bonds, Revenue Series of 2014	30,210,000	30,245,000
- Bonds, Revenue Series A of 2011	29,975,000	29,980,000
- Bonds, Series of 2011	33,310,000	33,315,000
- Bonds, Revenue Series of 2011	40,445,000	40,450,000
- Bonds, Series of 2010	28,790,000	28,805,000
- Bonds, Series B of 2009	7,975,000	8,450,000
- Bonds, Series AA of 2009	14,410,000	14,410,000
- Bonds, Series A of 2009	50,765,000	51,945,000
- Bonds, Series A of 2007	<u>1,035,000</u>	<u>9,590,000</u>
TOTAL	<u>\$ 280,220,000</u>	<u>\$ 290,495,000</u>

Other obligations include accrued vacation pay and sick leave for specific employees of the District as well as the OPEB obligation under GASB 45. More detailed information about our long-term liabilities is included in the notes to the financial statements.

FUTURE ECONOMIC FACTORS

Capital Improvement Plan

Since 1991, the school district has renovated or replaced the majority of its 23 schools and other properties. Nitschmann Middle School has been authorized by the Board of School Directors to proceed with a newly constructed school costing approximately \$53.7 million. Construction commenced in June 2015 with building completion in 2017 and final site work complete in 2018. In 2016, a roof replacement was completed at the SPARK preschool and Miller Heights Elementary, roof repairs were done at Thomas Jefferson, Spring Garden, Fountain Hill Elementary Schools, and construction continued on the new Nitschmann Middle School. In summer 2016, the field turf was replaced at the BASD Stadium as well as resurfacing of the all-weather track. A new artificial field was installed at Freedom High School expanding outdoor athletic spaces for use beginning August 2016. A new all-weather track will also be added at Freedom High School during Spring 2017 to complete their athletic fields. The school district continues to annually fund and complete capital improvement projects that are designed to maintain all existing structures.

Variable Rate Debt and SWAP Concerns

The amount of variable rate debt within the school district's debt portfolio continues to be a focus of the school board and administration with the percentage of variable rate to total debt 36%. The school directors continue to restructure its debt and swap portfolio by reducing the swap interests and improving the quality of outstanding debt. The school district also continues to monitor opportunities to refinance any existing debt as economic conditions warrant. Two Floating Rate Notes were remarketed (refunded) in April 2014 with Wells Fargo Bank at reduced spreads. On December 1, 2014, the floating rate note related to the 2010 BASD Authority Bonds was refunded with a new publicly offered 2014 Floating Rate Note with a reduced spread of 43 bps from 88 bps or a 51% reduction. The District currently has a 3 FRN Fixed Payer swaps outstanding, with a total notional amount of \$99,420,000; Series of 2014, Series of 2011 and Series A of 2011 which are all based on a uniform LIBOR index with the same maturity date as the related bonds. While heavily dependent upon current market conditions, the financial position of the district on June 30, 2016 makes these refunding opportunities much more positive due to the improved financial position, large tax base, and stable outlook for our financial future.

Future Budgets

The annual operating budget for the 2016-2017 year of \$260,755,990 is supported by a 1.54 mil increase for Northampton County and a 0.73 mil increase for Lehigh County, or 3.19% real estate tax rate increase. With the passage of Act 1, the District was required to adopt a preliminary budget in January and get approval for increasing taxes above an allowed index or pass a resolution stating that we would not exceed the index. For the 2016-2017 budget, this index was 2.9%, and the District was approved for exceptions to exceed that amount by \$2,698,320 for state mandated retirement contributions, and special education expenditures; however, only \$415,764 of the allowed exceptions were used to balance the final budget. The focus continues to be balancing the educational needs with the financial and economic realities. We continue to work to responsibly restore much needed academic programs with the focus of sustainability and improved outcomes.

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

The final budget represents a 2.98% overall increase in expenditures excluding PSERS and charter school tuition costs. For 2015-16, this BASD internal operational increase was only 1.6% and only 0.25% for 2014-15 which demonstrates our ongoing commitment to maintaining cost effective and efficient programs to meet the needs of our students while respecting the demands on our community and taxpayers. BASD's most significant educational impact for 2016-17 is the continuation of full day kindergarten district wide to serve all students. Additionally, this budget supports the continued development of key educational initiatives including Project Lead the Way, Reading by Grade 3, middle school math and science, online hybrid learning, professional development, Equity in Education, College and Career Pathways, Community Schools, Leader in Me, and AP course offerings. We continue to seek ways to address long-term needs in areas such as transportation, facilities and technology in future operating budgets and long term planning while understanding the need to balance a sustainable budget.

The District plans to continue capital improvements in Summer, 2017 with upgrades to the HVAC system at East Hills Middle School and a chiller replacement at Fountain Hill Elementary. Construction of the new Nitschmann Middle School is expected to be complete June 2017 with student occupancy of the new school for 2017-18 school year. This will include upgrades to the district network infrastructure providing network redundancy in the event of a failure in our primary network hub for the school district.

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

**Table A-7
BUDGETED REVENUES**

	2016-2017	2015-2016
Local	68.8%	70.4%
State	27.2%	26.4%
Federal	2.1%	2.2%
Other	1.9%	1.0%

BUDGETED EXPENDITURES

	2016-2017	2015-2016
Instruction	64.2%	62.6%
Support Services	24.7%	25.2%
Non-Instruction/Community	1.1%	1.2%
Fund Transfers	0.0%	0.1%
Debt	10.0%	10.9%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide citizens, taxpayers, students, investors and creditors, and other interested parties with a general overview of the School Board's finances and to illustrate the School Board's accountability for the funds it receives. Questions concerning this report or a request for additional information should be addressed to the Chief Financial Officer, Bethlehem Area School District, 1516 Sycamore Street, Bethlehem, PA 18017, telephone number (610) 861-0500 ext. 60201.

BASIC FINANCIAL STATEMENTS

**Bethlehem Area School District
Statement of Net Position
As of June 30, 2016**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 65,101,953	\$ 1,060,596	\$ 66,162,549
Investments	7,520,385	-	7,520,385
Receivables, net	5,693,555	-	5,693,555
Internal Balances	386,907	531,799	-
Due From Other Governments	8,926,368	679,895	9,606,263
Other Receivables, net	373,121	80,108	453,229
Inventories	229,270	130,690	359,960
Prepaid Expenses	44,634	-	44,634
Other Current Assets	22,492	-	22,492
Total Current Assets	88,298,685	2,483,088	89,863,067
Non-Current Assets:			
Restricted Cash and Investments	341	-	341
Land	75,410	-	75,410
Site Improvements (net of depreciation)	1,447,536	-	1,447,536
Building and Bldg. Improvements (net of depreciation)	206,014,775	-	206,014,775
Furniture and Equipment (net of depreciation)	5,796,630	147,465	5,944,095
Construction in Progress	22,439,704	-	22,439,704
Total Non-Current Assets	235,774,396	147,465	235,921,861
TOTAL ASSETS	\$ 324,073,081	\$ 2,630,553	\$ 325,784,928
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow of Resources - Derivatives	11,640,071	-	11,640,071
Deferred Charges on Bond Refundings, net	16,590,785	-	16,590,785
Deferred Cost on Refundings - Derivatives	10,551,434	-	10,551,434
Deferred Outflows of Resources - Change in Proportion of NPL	6,366,084	218,915	6,584,999
Deferred Outflows of Resources - Current Year Pension Contributions	23,836,997	713,962	24,550,959
Deferred Outflows of Resources - Diff. in Proportionate Share vs Actual - POS	53,363	-	53,363
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 393,111,815	\$ 3,563,430	\$ 395,756,539
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 531,799	\$ 386,907	\$ -
Due to other governments	1,004,673	-	1,004,673
Accounts Payable	5,811,282	218,615	6,029,897
Current Portion of Long-Term Obligations	10,730,426	-	10,730,426
Accrued Salaries and Benefits	10,729,405	15,388	10,744,793
Payroll Deductions and Withholdings	9,824,228	58,418	9,882,646
Prepayments	-	113,325	113,325
Other Current Liabilities	3,288,307	15,837	3,304,144
Total Current Liabilities	41,920,120	808,490	41,809,904
Non-Current Liabilities:			
Bonds and Notes Payable	275,051,314	-	275,051,314
Derivative Financial Instrument Liability	30,837,054	-	30,837,054
Lease Purchase Obligations	552,961	-	552,961
Long-Term Portion of Compensated Absences	5,147,317	175,860	5,323,177
Net Defined Benefit Pension Liability	311,878,739	10,643,347	322,522,086
Net Defined Contribution Pension Liability	539,898	-	539,898
Net OPEB Obligation	11,831,016	112,526	11,943,542
TOTAL LIABILITIES	677,758,419	11,740,223	688,579,936
DEFERRED INFLOWS OF RESOURCES			
Deferred Gain on Refundings - Derivatives	3,542,401	-	3,542,401
Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	620,284	34,716	655,000
Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	495,925	16,795	512,720
Deferred Inflows of Resources - Change in Proportion - NPL	5,777,400	193,600	5,971,000
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	1,291,715	43,286	1,335,001
Unearned Revenue	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	689,486,144	12,028,620	700,596,058
NET POSITION			
Net Investment in Capital Assets	-	147,465	147,465
Restricted For:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	-	-	-
Other Restrictions	-	-	-
Unrestricted (deficit)	(296,374,329)	(8,612,655)	(304,986,984)
TOTAL NET POSITION	(296,374,329)	(8,465,190)	(304,839,519)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 393,111,815	\$ 3,563,430	\$ 395,756,539

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, 2016**

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	\$ 155,421,644	\$ 480,120	\$ 26,557,580	\$ -	\$ (128,383,944)	\$ -	\$ (128,383,944)
Instructional Student Support	17,764,235	-	5,063,733	-	(12,700,502)	-	(12,700,502)
Admin. & Fin'l Support Services	17,824,054	-	1,696,964	-	(16,127,090)	-	(16,127,090)
Oper. & Maint. of Plant Svcs.	18,359,660	-	1,078,413	-	(17,281,247)	-	(17,281,247)
Pupil Transportation	8,605,040	-	2,747,751	-	(5,857,289)	-	(5,857,289)
Student activities	2,833,287	233,415	220,949	-	(2,378,923)	-	(2,378,923)
Community Services	71,925	2,500	32,928	-	(36,497)	-	(36,497)
Scholarships and Awards	-	-	-	-	-	-	-
Interest on Long-Term Debt	13,030,910	-	-	1,739,537	(11,291,373)	-	(11,291,373)
Unallocated Depreciation Expense	7,917,541	-	-	-	(7,917,541)	-	(7,917,541)
TOTAL GOVERNMENTAL ACTIVITIES	241,828,296	716,035	37,398,318	1,739,537	(201,974,406)	-	(201,974,406)
BUSINESS-TYPE ACTIVITIES:							
Food Services	7,160,399	1,810,126	5,389,774	-	-	39,501	39,501
Day Care	2,628,060	2,225,674	261,928	-	-	(140,458)	(140,458)
TOTAL PRIMARY GOVERNMENT	\$ 251,616,755	\$ 4,751,835	\$ 43,050,020	\$ 1,739,537	\$ (201,974,406)	\$ (100,957)	\$ (202,075,363)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 150,402,176	\$ -	\$ 150,402,176
Taxes levied for specific purposes					22,618,088	-	22,618,088
Grants, subsidies, & contributions not restricted					33,962,215	-	33,962,215
Investment Earnings					319,837	1,880	321,717
Miscellaneous Income					2,039,267	7,463	2,046,730
Special item - Gain (Loss) on sale of capital assets					635,970	-	635,970
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					209,977,553	9,343	209,986,896
CHANGES IN NET POSITION					8,003,147	(91,614)	7,911,533
NET POSITION - BEGINNING					(304,377,476)	(8,373,576)	(312,751,052)
NET POSITION - ENDING					\$ (296,374,329)	\$ (8,465,190)	\$ (304,839,519)

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

Bethlehem Area School District
Balance Sheet
Governmental Funds
As of June 30, 2016

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 38,316,365	\$ 25,810,942	\$ 974,647	\$ 65,101,954
Restricted Cash	-	341	-	341
Investments	3,903,385	3,617,000	-	7,520,385
Restricted Investments	-	-	-	-
Taxes Receivable, net	5,693,555	-	-	5,693,555
Due from other funds	4,114,264	1,505,187	-	5,619,451
Due from Primary Government	-	-	-	-
Due from Other Governments	8,615,468	275,244	-	8,890,712
Due from Component Unit	-	-	-	-
Other Receivables	251,271	-	-	251,271
Inventories	229,270	-	-	229,270
Prepaid Expenditures	44,634	-	-	44,634
Other Current Assets	22,492	-	-	22,492
TOTAL ASSETS	\$ 61,190,704	\$ 31,208,714	\$ 974,647	\$ 93,374,065
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 61,190,704	\$ 31,208,714	\$ 974,647	\$ 93,374,065
<u>LIABILITIES</u>				
Due to Other Funds	\$ 1,757,395	\$ 4,004,510	\$ -	\$ 5,761,905
Due to Other Governments	1,004,673	-	-	1,004,673
Due to Primary Government	-	-	-	-
Due to Component Unit	-	-	-	-
Accounts Payable	1,257,096	4,455,091	-	5,712,187
Current Portion of Long-Term Debt	465,964	-	5,000	470,964
Accrued Salaries and Benefits	10,729,405	-	-	10,729,405
Payroll Deductions and Withholdings	9,824,228	-	-	9,824,228
Prepayments	-	-	-	-
Other Current Liabilities	8,407	-	969,644	978,051
TOTAL LIABILITIES	25,047,168	8,459,601	974,644	34,481,413
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned/Unavailable Property Taxes and Grants	4,581,386	-	-	4,581,386
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	29,628,554	8,459,601	974,644	39,062,799
FUND BALANCES:				
Nonspendable Fund Balance	273,904	-	-	273,904
Restricted Fund Balance	-	22,749,113	-	22,749,113
Committed Fund Balance	7,519,700	-	-	7,519,700
Assigned Fund Balance	9,010,587	-	3	9,010,590
Unassigned Fund Balance	14,757,959	-	-	14,757,959
TOTAL FUND BALANCES	31,562,150	22,749,113	3	54,311,266
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 61,190,704	\$ 31,208,714	\$ 974,647	\$ 93,374,065

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, 2016**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	54,311,266
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 \$421,445,555 and the accumulated depreciation is \$185,671,500.		235,774,055
Additional receivables established that do not meet the availability criteria reflected in the fund financial statements. This amount represents the difference between the prior year receivables and the current year receivables established under the accrual basis of accounting.		55,970
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.		18,649,104
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		4,581,386
This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues. This amount was previously reported as a contra to Bonds Payable under long-term debt; however GASB Statement No. 65 changed the classification of this item to deferred outflows of resources.		16,590,785
The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory.		-
This represents the deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension Liability		22,071,120
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds payable	\$ (284,681,314)	
Accrued interest on the bonds	(2,310,254)	
Intergovernmental Payable	-	
Compensated absences	(5,147,317)	
Derivative Instrument Liability	(30,837,054)	
Net Defined Benefit Pension Liability	(311,878,739)	
Net Defined Contribution Pension Liability	(539,898)	
Net OPEB Obligation	(11,831,016)	
Lease Purchase Obligations	(1,182,423)	(648,408,015)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>(296,374,329)</u>

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

Bethlehem Area School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 177,534,240	\$ 111,127	\$ 4,298,085	\$ 181,943,452
State Sources	63,944,944	1,581,875	-	65,526,819
Federal Sources	5,574,290	-	-	5,574,290
TOTAL REVENUES	<u>247,053,474</u>	<u>1,693,002</u>	<u>4,298,085</u>	<u>253,044,561</u>
EXPENDITURES				
Instruction	153,292,614	-	-	153,292,614
Support Services	61,425,238	-	-	61,425,238
Operation of Non-Instructional Services	2,871,925	-	-	2,871,925
Capital Outlay	4,950	18,318,739	-	18,323,689
Debt Service	23,466,723	-	4,298,085	27,764,808
TOTAL EXPENDITURES	<u>241,061,450</u>	<u>18,318,739</u>	<u>4,298,085</u>	<u>263,678,274</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,992,024</u>	<u>(16,625,737)</u>	<u>-</u>	<u>(10,633,713)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Bond Issues	-	-	-	-
Proceeds from Refunded Bond Issues	-	-	-	-
Proceeds from Extended Term Financing	677,898	-	-	677,898
Bond Premiums	-	-	-	-
Interfund Transfers In	-	3,656,500	-	3,656,500
Sale/Compensation for Fixed Assets	791,000	-	-	791,000
Payment to bond refunding escrow agent	-	-	-	-
Transfers to Component Units	(99,096)	-	-	(99,096)
Operating Transfers Out	(3,656,500)	-	-	(3,656,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,286,698)</u>	<u>3,656,500</u>	<u>-</u>	<u>1,369,802</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items - Insurance Recoveries	1,000	-	-	1,000
NET CHANGE IN FUND BALANCES	<u>3,706,326</u>	<u>(12,969,237)</u>	<u>-</u>	<u>(9,262,911)</u>
FUND BALANCES - BEGINNING	<u>27,855,824</u>	<u>35,718,350</u>	<u>3</u>	<u>63,574,177</u>
FUND BALANCES - ENDING	<u>\$ 31,562,150</u>	<u>\$ 22,749,113</u>	<u>\$ 3</u>	<u>\$ 54,311,266</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, 2016**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (9,262,911)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

	Depreciation expense	\$ 9,488,202	
	less - capital outlays	<u>22,485,296</u>	12,997,094

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. (155,030)

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. 430,655

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 11,424,726

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. (1,947,919)

In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, the amount shown here represents the difference between earned revenues and revenues that are earned, but not available. (4,280,743)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **9,205,872**

**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, 2016**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING \$ 9,205,872
(cont'd)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This would include accumulated interest accreted on capital appreciation bonds. The additional interest accrued in the statement of activities over the amount due is shown here. 3,309,171

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. (677,898)

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

The difference between current year pension expense reported on the governmental activities column of the government-wide financial statements and the pension contributions made this past year reported as expenditures in the governmental funds. (3,833,998)

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 8,003,147**

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, 2016

	<u>FOOD</u> <u>SERVICE</u>	<u>DAY CARE</u> <u>FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ -	\$ 1,060,596	\$ 1,060,596
Investments	-	-	-
Due from other funds	337,646	194,153	531,799
Due From Other Governments	679,895	-	679,895
Other Receivables (net)	26,825	53,283	80,108
Inventories	130,690	-	130,690
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	1,175,056	1,308,032	2,483,088
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	147,465	-	147,465
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	147,465	-	147,465
TOTAL ASSETS	\$ 1,322,521	\$ 1,308,032	\$ 2,630,553
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources - Change in Proportion to NPL	130,523	88,392	218,915
Deferred Outflows of Resources - Current Year Contributions	426,030	287,932	713,962
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 1,879,074	\$ 1,684,356	\$ 3,563,430
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 76,957	\$ 309,950	\$ 386,907
Due to Other Governments	-	-	-
Accounts Payable	214,954	3,661	218,615
Compensated Absences	-	-	-
Accrued Salaries and Benefits	15,388	-	15,388
Payroll Deductions and Withholdings	35,692	22,726	58,418
Other Current Liabilities	15,837	-	15,837
Prepayments	54,621	58,704	113,325
TOTAL CURRENT LIABILITIES	413,449	395,041	808,490
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	153,979	21,881	175,860
Net Pension Liability	6,307,800	4,335,547	10,643,347
Net OPEB Obligation	65,555	46,971	112,526
TOTAL NON-CURRENT LIABILITIES	6,527,334	4,404,399	10,931,733
TOTAL LIABILITIES	6,940,783	4,799,440	11,740,223
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	27,240	7,476	34,716
Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	9,887	6,908	16,795
Deferred Inflows of Resources - Change in Proportion of NPL	112,951	80,649	193,600
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	25,254	18,032	43,286
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	7,116,115	4,912,505	12,028,620
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	147,465	-	147,465
Restricted for Legal Purposes	-	-	-
Unrestricted	(5,384,506)	(3,228,149)	(8,612,655)
TOTAL FUND NET POSITION	(5,237,041)	(3,228,149)	(8,465,190)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND NET POSITION	\$ 1,879,074	\$ 1,684,356	\$ 3,563,430

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, 2016

	FOOD SERVICE	DAY CARE FUND	TOTAL
OPERATING REVENUES:			
Food Service Revenue	\$ 1,806,276	\$ -	\$ 1,806,276
Charges for Services	-	1,593,852	1,593,852
Other Operating Revenues	535	638,750	639,285
TOTAL OPERATING REVENUES	<u>1,806,811</u>	<u>2,232,602</u>	<u>4,039,413</u>
OPERATING EXPENSES:			
Salaries	1,760,164	1,191,471	2,951,635
Employee Benefits	1,220,277	1,098,919	2,319,196
Purchased Professional and Technical Services	436	5,807	6,243
Purchased Property Service	184,640	299,112	483,752
Other Purchased Services	3,495,080	2,670	3,497,750
Supplies	468,885	7,285	476,170
Depreciation	23,149	-	23,149
Dues and Fees	5,568	8,119	13,687
Claims and Judgments	-	-	-
Other Operating Expenses	2,200	14,677	16,877
TOTAL OPERATING EXPENSES	<u>7,160,399</u>	<u>2,628,060</u>	<u>9,788,459</u>
OPERATING INCOME (LOSS)	<u>(5,353,588)</u>	<u>(395,458)</u>	<u>(5,749,046)</u>
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	449	1,431	1,880
Contributions and Donations	3,850	-	3,850
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	500,527	261,928	762,455
Federal Sources	4,889,247	-	4,889,247
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>5,394,073</u>	<u>263,359</u>	<u>5,657,432</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	40,485	(132,099)	(91,614)
Capital Contributions	-	-	-
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	<u>40,485</u>	<u>(132,099)</u>	<u>(91,614)</u>
FUND NET POSITION - BEGINNING	<u>(5,277,526)</u>	<u>(3,096,050)</u>	<u>(8,373,576)</u>
FUND NET POSITION - ENDING	<u>\$ (5,237,041)</u>	<u>\$ (3,228,149)</u>	<u>\$ (8,465,190)</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, 2016

	FOOD SERVICE	DAY CARE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 1,833,998	\$ 1,587,204	\$ 3,421,202
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	826	638,925	639,751
Cash Payments to Employees for Services	(2,848,078)	(2,183,945)	(5,032,023)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(3,875,750)	(388,701)	(4,264,451)
Cash Payments to Other Operating Expenses	109	(8,119)	(8,010)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(4,888,895)</u>	<u>(354,636)</u>	<u>(5,243,531)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	495,583	261,928	757,511
Federal Sources	4,322,956	-	4,322,956
Notes and Loans Received	-	-	-
Contributions and Donations	3,850	-	3,850
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	<u>4,822,389</u>	<u>261,928</u>	<u>5,084,317</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(6,424)	-	(6,424)
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(6,424)</u>	<u>-</u>	<u>(6,424)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	449	1,431	1,880
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Withdrawals from Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>449</u>	<u>1,431</u>	<u>1,880</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(72,481)	(91,277)	(163,758)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>72,481</u>	<u>1,151,873</u>	<u>1,224,354</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ 1,060,596</u>	<u>\$ 1,060,596</u>

Bethlehem Area School District
Statement of Cash Flows - Proprietary Funds
As of June 30, 2016

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

	<u>FOOD SERVICE</u>	<u>DAY CARE FUND</u>	<u>TOTAL</u>
OPERATING INCOME (LOSS)	\$ (5,353,588)	\$ (395,458)	\$ (5,749,046)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	23,149	-	23,149
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	441,054	-	441,054
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	5,985	1,584	7,569
(Increase) Decrease in Advances to Other Funds	21,737	(8,232)	13,505
(Increase) Decrease in Inventories	10,900	-	10,900
(Increase) Decrease in Prepaid Expenses	291	175	466
(Increase) Decrease in Other Current Assets	-	-	-
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion to NPL	39,555	28,243	67,798
(Increase) Decrease in Deferred Outflows of Resources - Current Year Contributions	(55,688)	(23,501)	(79,189)
Increase (Decrease) in Accounts Payable	109,118	2,208	111,326
Increase (Decrease) in Accrued Salaries and Benefits	17,733	8,287	26,020
Increase (Decrease) in Advances from Other Funds	(287,299)	(61,024)	(348,323)
Increase (Decrease) in Net Pension Liability	386,385	275,886	662,271
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	(396,662)	(283,224)	(679,886)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	2,835	2,073	4,908
Increase (Decrease) in Deferred Inflows of Resources - Change in Proportion of NPL	112,951	80,649	193,600
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	25,254	18,032	43,286
Increase (Decrease) in Other Current Liabilities	7,395	(334)	7,061
TOTAL ADJUSTMENTS	<u>464,693</u>	<u>40,822</u>	<u>505,515</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (4,888,895)</u>	<u>\$ (354,636)</u>	<u>\$ (5,243,531)</u>

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

Bethlehem Area School District
Statement of Net Position - Fiduciary Funds
As of June 30, 2016

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 247,701	\$ 6,924,826	\$ 609,397
Restricted Cash	-	-	-
Investments	1,900	8,000,000	-
Due from Other Funds	-	99,096	-
Other Receivables	-	48,000	18,475
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	\$ 249,601	\$ 15,071,922	\$ 627,872
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 249,601	\$ 15,071,922	\$ 627,872
LIABILITIES			
Accounts Payable	\$ 25,975	\$ 1,925,681	\$ 39,400
Due to Other Funds	-	94,948	6,586
Due to Student Clubs	-	-	581,886
Other Current Liabilities	-	59,273	-
TOTAL LIABILITIES	25,975	2,079,902	627,872
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	25,975	2,079,902	627,872
NET POSITION			
Restricted	-	-	-
Unrestricted	223,626	12,992,020	-
TOTAL NET POSITION	\$ 223,626	\$ 12,992,020	\$ -

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

Bethlehem Area School District
Statement of Changes in Net Position - Fiduciary Funds
For the Year Ended June 30, 2016

	PRIVATE-PURPOSE TRUST FUND	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
ADDITIONS		
Contributions	\$ 39,248	\$ 28,568,515
Transfers from Other Funds	-	99,096
Miscellaneous	-	99,741
INVESTMENT EARNINGS:		
Interest and Dividends	314	15,670
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	39,562	28,783,022
DEDUCTIONS		
Transfers to other funds	-	-
PA Trust - Stop Loss Ins.	-	517,867
Medical and Dental Claims	-	27,591,688
Unemployment Costs	-	111,186
Workers Compensation Costs	-	43,204
Dues and Fees	-	154,182
Administrative charges	-	2,272
Scholarships	55,219	-
TOTAL DEDUCTIONS	55,219	28,420,399
CHANGES IN NET POSITION	(15,657)	362,623
NET POSITION - BEGINNING OF YEAR	239,283	12,629,397
NET POSITION - END OF YEAR	\$ 223,626	\$ 12,992,020

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, 2016

	BUDGET AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL		(NEGATIVE)		
REVENUES						
Local Sources	\$ 172,502,823	\$ 172,502,823	\$ 177,534,240	\$ 5,031,417	\$ -	\$ 177,534,240
State Sources	64,755,388	64,755,388	63,944,944	(810,444)	-	63,944,944
Federal Sources	5,221,742	5,221,742	5,574,290	352,548	-	5,574,290
TOTAL REVENUES	242,479,953	242,479,953	247,053,474	4,573,521	-	247,053,474
EXPENDITURES						
Regular Instruction	111,773,412	109,346,401	109,345,421	980	-	109,345,421
Special Programs	29,481,227	32,634,036	32,632,146	1,890	-	32,632,146
Vocational Programs	7,032,126	7,028,981	7,028,981	-	-	7,028,981
Other Instructional Programs	1,899,159	1,278,167	1,278,167	-	-	1,278,167
Nonpublic School Programs	29,482	12	8	4	-	8
Adult Education Programs	-	-	-	-	-	-
Community/Junior College Ed. Programs	2,353,633	2,353,634	2,353,634	-	-	2,353,634
Pre-Kindergarten	660,802	654,305	654,257	48	-	654,257
Pupil Personnel Services	9,008,657	9,260,470	9,259,466	1,004	-	9,259,466
Instructional Staff Services	5,887,211	5,716,815	5,715,650	1,165	-	5,715,650
Administrative Services	11,183,889	10,894,140	10,891,443	2,697	-	10,891,443
Pupil Health	2,395,792	2,243,016	2,239,831	3,185	-	2,239,831
Business Services	2,093,400	1,812,249	1,811,603	646	-	1,811,603
Operation & Maintenance of Plant Services	17,983,878	17,365,184	17,364,334	850	-	17,364,334
Student Transportation Services	7,191,732	8,020,232	8,018,715	1,517	-	8,018,715
Central Support Services	5,778,945	6,017,522	6,014,927	2,595	-	6,014,927
Other Support Services	108,249	109,269	109,269	-	-	109,269
Student Activities	2,589,424	2,801,219	2,800,684	535	-	2,800,684
Community Services	342,897	71,471	71,241	230	-	71,241
Scholarships and Awards	-	-	-	-	-	-
Facilities, Acquisition and Construction	-	5,704	4,950	754	-	4,950
Debt Service	23,873,388	23,466,723	23,466,723	-	-	23,466,723
TOTAL EXPENDITURES	241,667,303	241,079,550	241,061,450	18,100	-	241,061,450
Excess (deficiency) of revenues over expenditures	812,650	1,400,403	5,992,024	4,591,621	-	5,992,024
OTHER FINANCING SOURCES (USES)						
Proceeds From Extended Term Financing	-	-	677,898	677,898	-	677,898
Interfund Transfers In	-	-	-	-	-	-
Other Financing Sources Not Listed Elsewhere	2,367,350	2,367,350	-	(2,367,350)	-	-
Sale/Compensation for Fixed Assets	20,000	20,000	791,000	771,000	-	791,000
Fund Transfers Out	(200,000)	(3,656,500)	(3,656,500)	-	-	(3,656,500)
Transfer to Component Units	-	(99,096)	(99,096)	-	-	(99,096)
Budgetary Reserve	(3,000,000)	(32,157)	-	32,157	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(812,650)	(1,400,403)	(2,286,698)	(886,295)	-	(2,286,698)
Special Items	-	-	-	-	-	-
Extraordinary Items - Insurance Recoveries	-	-	1,000	1,000	-	1,000
NET CHANGE IN FUND BALANCES	-	-	3,706,326	3,706,326	-	3,706,326
FUND BALANCE - JULY 1, 2015	21,552,634	\$ 21,552,634	\$ 27,855,824	\$ 6,303,190	\$ -	\$ 27,855,824
FUND BALANCE - JUNE 30, 2016	\$ 21,552,634	\$ 21,552,634	\$ 31,562,150	\$ 10,009,516	\$ -	\$ 31,562,150

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, 2016

Note 1 - Description of the School District and Reporting Entity

School District

The Bethlehem Area School District (BASD), located 50 miles north of Philadelphia in eastern Pennsylvania, serves five communities in Bethlehem with demographics ranging from small suburban schools to severely distressed urban schools. It is the sixth largest school district in the state, with an approximate enrollment of 13,500 students. BASD facilities include two high schools, four middle schools, 16 elementary schools, and a school building which houses the District's preschool program.

The Bethlehem Area School District is a unit established, organized, and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out, on the local level, the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the same (Article II; Act 150, July 8, 1968).

As specified under the School Law Code of the Commonwealth of Pennsylvania, this and all other school districts of the state "shall be and hereby are vested as, bodies corporate, with all necessary powers to carry out the provisions of this act." (Article II, Section 211).

Board of School Directors

The public school system of the Commonwealth shall be administered by a board of school directors, to be elected or appointed, as hereinafter provided. At each election of school directors, each qualified voter shall be entitled to cast one vote for each school director to be elected.

The Bethlehem Area School District is governed by a board of nine School Directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any schools herein provided, or to pay any school indebtedness which the school district is required to pay, or to pay any indebtedness that may at any time hereafter be created by the school district, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

Administration

The Superintendent of Schools shall be the executive officer of the Board of School Directors and, in that capacity shall administer the School District in conformity with Board policies and the School Laws of Pennsylvania. The Superintendent shall be directly responsible to, and therefore appointed by, the Board of School Directors. The Superintendent shall be responsible for the overall administration, supervision, and operation of the School District.

The Chief Financial Officer recommended by the Superintendent and appointed by the Board of School Directors, shall supervise and coordinate all business aspects of the School District. In this capacity, he or she shall be responsible to insure that all work accomplished by him/her, or by persons under his/her supervision, is in the best interests of the Bethlehem Area School District. The Chief Financial Officer is directly responsible to the Superintendent.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

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 2015-16 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 2015-16 was \$7,028,981.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

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 2015-16 was \$2,353,634.

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, 2016

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, 2016

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 comprise a substantial portion of the inflows reported in the fund. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Under this definition, the District does not have any special revenue funds. However, its blended component unit's (BASD Authority) general fund is brought into these basic financial statements as a non-major special revenue fund.

Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

The District has the following Capital Project Funds:

a) Capital Project Fund

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

b) Capital Reserve Fund

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

Proprietary Funds Proprietary funds focus on the determination of changes in net position, financial position, and cash flows and are classified as enterprise funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

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

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

E. Budgetary Process

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

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

Accelerated Budget Process Option

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

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

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

Board Resolution Option

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

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2015-16 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.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

G. Changes in Accounting Principles

During the 2015-16 fiscal year the District implemented the following new generally accepted accounting principles:

- GASB Statement No. 72 (*Fair Value Measurement and Application*), which establishes fair value reporting for governments. Fair value is described as an exit price. To determine a fair value measurement, a government should consider the unit of account, which refers to the level at which an asset or a liability is aggregated or disaggregated for measurement. This Statement requires a government to use valuation techniques using one of the following approaches: the market approach, the cost approach, or the income approach. This Statement establishes a hierarchy of inputs for valuation techniques used to measure fair values.
- GASB Statement No. 73 (*Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*). The portion of this Statement applying to this government pertains to Amendments to GASB Statement 68. These Amendments clarify the application of Statement 68 as follows: (1) Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported; (2) Accounting and financial reporting for separately financed specific liabilities of individual employers for defined benefit pensions; and (3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.
- GASB Statement No. 76 (*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*). This Statement establishes two categories of hierarchy: Category A consists of Governmental Accounting Standards Board Statements, including GASB interpretations. Category B consists of GASB Technical Bulletins; GASB Implementation Guides, and literature of the AICPA cleared by the GASB.
- GASB Statement No. 79 (*Certain External Investment Pools and Pool Participants*). This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

H. Pensions

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

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

I. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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

Investments

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

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

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

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

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

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, 2016, 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.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

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, 2016, the inventory shown in the governmental activities column of the government-wide statement of net position is \$229,270 and \$130,690, 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 \$229,270, taken as of June 30, 2016; 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, 2016, consist of:

Purchased Food	\$ 72,787
Donated Commodities	29,676
Purchased Supplies	<u>28,227</u>
Total	<u><u>\$ 130,690</u></u>

Prepaid Expenses

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

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.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

All reported capital assets except land, certain land improvements, and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

Compensated Absences

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

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

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

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

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, 2016, 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.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

Net Position

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

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

Fund Balance Categories

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

Nonspendable Fund Balance

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

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.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Contributions of Capital

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

Note 3 - Reconciliation of government-wide and fund financial statements

A. *Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.*

The governmental fund balance sheet includes reconciliation between "fund balance - total governmental funds" and "net position - governmental activities" as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$648,408,015 differences are:

Bonds payable	\$ 280,215,000
Less: Issuance discount (to be amortized as interest expense)	(506,773)
Add: Issuance premium (to be amortized as a contra to interest expense)	4,973,087
Derivative Instrument Liability	30,837,054
Lease Purchase Obligations	1,182,423
Accrued interest payable	2,310,254
Net Defined Benefit Pension Liability	311,878,739
Net Defined Contribution Pension Liability	539,898
Net OPEB Obligation	11,831,016
Compensated absences	5,147,317
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	<u><u>\$ 648,408,015</u></u>

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

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

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

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

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

	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	\$ 149,971,521	\$ 430,655	\$ -	\$ -	\$ 150,402,176
Taxes levied for specific purposes	22,618,088	-	-	-	22,618,088
Interest and investment earnings	4,600,580	12,342	-	(4,293,085)	319,837
Miscellaneous	1,674,496	1,000	-	-	1,675,496
Contributions and Donations	363,771	-	-	-	363,771
Charges for Services	716,035	-	-	-	716,035
Grants, subsidies & contributions not restricted	33,962,215	-	-	-	33,962,215
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating & Capital grants and contributions	31,564,604	-	-	-	31,564,604
FEDERAL SOURCES:					
Operating & Capital grants and contributions	7,573,251	-	-	-	7,573,251
SPECIAL AND EXTRAORDINARY SOURCES:					
Proceeds from Bond Issues	-	-	-	-	-
Bond Premiums	-	-	-	-	-
Proceeds from Extended Term Financing	677,898	-	-	(677,898)	-
Extraordinary Item - Insurance Recoveries	1,000	(1,000)	-	-	-
Gain or (Loss) on disposal of assets	791,000	-	(155,030)	-	635,970
TOTAL REVENUES	254,514,459	442,997	(155,030)	(4,970,983)	249,831,443
EXPENDITURES/EXPENSES					
Instruction	153,359,336	3,579,662	(1,517,354)	-	155,421,644
Instructional Student Support	17,224,731	532,478	7,026	-	17,764,235
Admin. & Fin'l Support Services	18,836,188	665,256	(1,677,390)	-	17,824,054
Oper. & Maint. Of Plant Svcs.	17,373,049	770,064	216,547	-	18,359,660
Pupil Transportation	8,023,372	159,500	422,168	-	8,605,040
Student activities	2,800,956	74,277	(41,946)	-	2,833,287
Community Services	71,241	684	-	-	71,925
Scholarships & Awards	-	-	-	-	-
Capital Outlay	18,323,689	-	(18,323,689)	-	-
Debt Service	27,764,808	-	-	(14,733,898)	13,030,910
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	7,917,541	-	7,917,541
Special Item - Derivative Termination Fee	-	-	-	-	-
TOTAL EXPENDITURES/EXPENSES	263,777,370	5,781,921	(12,997,097)	(14,733,898)	241,828,296
NET CHANGE FOR THE YEAR	\$ (9,262,911)	\$ (5,338,924)	\$ 12,842,067	\$ 9,762,915	\$ 8,003,147

Note 4 - Stewardship, Compliance, and Accountability

A. Compliance with finance related legal and contractual provisions

The District has no material violations of finance related legal and contractual provisions.

B. Deficit fund balance or net position of individual funds

No individual fund contains a deficit fund balance or net position at June 30, 2016, except the governmental activities has a \$296,374,329 in deficit net position, and the business-type activities (comprised of food service fund, (\$5,237,041), and day care fund, (\$3,228,149), has a deficit Net Position of \$8,465,190.

C. Excess of expenditures over appropriations in individual funds

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

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, 2016.

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, 2016, \$974,647 of the District's bank balance of \$1,026,951 was exposed to custodial credit risk as follows, and \$341 held in a pooled account is restricted.

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		<u>974,647</u>
TOTAL	\$	<u>974,647</u>

Reconciliation to Financial Statements

Uncollateralized Amount above	\$	974,647
Plus: Insured Amount		52,304
Less: Outstanding Checks		<u>(496)</u>
Carrying Amount - Cash Balances		1,026,455
Plus: Petty Cash		2,479
Deposit in Pooled Investments Considered Cash Equivalents		72,917,780
Less: Certificates of Deposit considered Investments by School Code		<u>(1,900)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	\$	<u>73,944,814</u>

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

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:

5. United States Treasury Bills;
6. Short-term obligations of the United States Government or its agencies or instrumentalities;
7. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C; and,
8. 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.
9. 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.
10. 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.
11. 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.
12. 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.
13. 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.
14. 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:

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

- The investments of the company are the authorized investments listed above.
- The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds).
- The investment company is rated in the highest category by a nationally recognized rating agency.

11. Savings or demand deposits placed in accordance with the following conditions:

- The money is initially deposited and invested through a federally insured institution having a place of business in this Commonwealth, which is selected by the public corporation or municipal authority.
- The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, for the account of the public corporation or municipal authority.
- The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.
- On the same date that the money is redeposited pursuant to above, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the selected institution by the public corporation or municipal authority.

As of June 30, 2016, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
PSDLAF/PSDMAX		\$ 67,672,373
PSDMAX - Restricted		341
PA Treasurer's Invest Program		2,212,847
PLGIT Class		3,043,126
Lafayette Ambassador Bank -CD		600
KNBT -CD's		1,300
PSDLAF -CD's		15,520,385
TOTAL		\$ 88,450,972

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.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2016, the District's investment in PLGIT and PSDLAF were rated AAA by Standard & Poor's. The District's investment in the PA Treasurer's Invest Program was rated AAA by Standard & Poor's and Moodys.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. The General Fund has 9.25% of investments in Certificates of Deposit with PSDLAF. The Capital Projects Fund has 12.99% of investments in Certificates of Deposits with PSDLAF. As for the Governmental Activities, the District has 10.5% of investments in Certificates of Deposits with PSDLAF. Of the investments held entity wide, 9.35% are held in Certificates of Deposit with PSDLAF.

Reconciliation to Financial Statements

Total Investments Above	\$ 88,450,972
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(72,928,686)</u>
Total Investments Per Financial Statements	<u>\$ 15,522,286</u>

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, 2016. 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 \$4,161,559,350. In accordance with Act I of 2006, the District receives \$4,741,858 in property tax reduction funds for the 2015-16 fiscal year. The tax rate for the Northampton and Lehigh Counties was \$5.251 and \$1.623, respectively per \$100 of assessed valuation or 52.51 mills and 16.23 mills, respectively.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

The property tax calendar is:

- July 1 - Full year tax assessed for current year.
- July 1 - August 31 - Discount period during which a 2% discount is allowed.
- September 1 - October 31 - Face amount of tax is due
- November 1 - January 15 - A 10% penalty is added to all payments.
- January 15 - All unpaid taxes become delinquent and are turned over to the County Tax Claim Bureau for Collection.

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

Receivables

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

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	DAY CARE FUND	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	5,693,555	-	-	-	-	5,693,555
Accounts	251,271	-	26,825	53,283	66,475	397,854
Intergovernmental	8,615,468	275,244	679,895	-	-	9,570,607
GROSS RECEIVABLES	14,560,294	275,244	706,720	53,283	66,475	15,662,016
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 14,560,294	\$ 275,244	\$ 706,720	\$ 53,283	\$ 66,475	\$ 15,662,016

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

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Delinquent Property Taxes - General Fund	\$ 4,581,386	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 4,581,386	\$ -

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

Capital Assets

Capital asset balances and activity for the year ending June 30, 2016, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 75,410	\$ -	\$ -	\$ 75,410
Construction in Progress	4,575,146	18,322,252	(457,694)	22,439,704
Total Capital Assets not being depreciated	<u>4,650,556</u>	<u>18,322,252</u>	<u>(457,694)</u>	<u>22,515,114</u>
Capital Assets being depreciated:				
Site Improvements	9,385,193	-	(287,299)	9,097,894
Buildings and Improvements	322,376,817	2,443,929	(838,548)	323,982,198
Furniture and Equipment	64,023,286	2,176,808	(349,745)	65,850,349
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>395,785,296</u>	<u>4,620,737</u>	<u>(1,475,592)</u>	<u>398,930,441</u>
Less accumulated depreciation for:				
Site Improvements	(7,560,170)	(298,741)	208,553	(7,650,358)
Buildings and Improvements	(110,690,504)	(8,039,880)	762,961	(117,967,423)
Furniture and Equipment	(59,253,186)	(1,149,581)	349,048	(60,053,719)
TOTAL ACCUMULATED DEPRECIATION	<u>(177,503,860)</u>	<u>(9,488,202)</u>	<u>1,320,562</u>	<u>(185,671,500)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	<u>218,281,436</u>	<u>(4,867,465)</u>	<u>(155,030)</u>	<u>213,258,941</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 222,931,992</u>	<u>\$ 13,454,787</u>	<u>\$ (612,724)</u>	<u>\$ 235,774,055</u>
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 1,967,932	\$ 6,425	\$ -	\$ 1,974,357
Less accumulated depreciation	(1,803,742)	(23,150)	-	(1,826,892)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 164,190</u>	<u>\$ (16,725)</u>	<u>\$ -</u>	<u>\$ 147,465</u>

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

Regular Instruction	\$ 325,861
Special Instruction	1,813
Vocational Instruction	2,703
Other Instruction	1,020
Adult Instruction	-
Community College Instruction	-
Pre-Kindergarten	108
Pupil Services	-
Instructional Staff Svcs.	6,632
Administrative Services	1,669
Health Services	394
Business Services	3,800
Operation & Maintenance of Plant Svcs.	471,275
Pupil Transportation	422,169
Central Services	221,235
Other Support Services	-
Student Activities	111,982
Community Services	-
Depreciation - unallocated	7,917,541
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 9,488,202</u>

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016**

The governmental activities disposed of \$1,475,592, with \$1,320,562 in accumulated depreciation during the year, showing a gain of disposition of \$635,970, representing the sale of the Monocacy Property. The business-type activities disposed of \$-0-, with accumulated depreciation of \$-0- reflecting a \$-0- gain on disposition.

Commitments

Encumbrances

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

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

Long-term construction commitments

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

	CONTRACT AMOUNT	EXPENDED TO 6/30/16	OUTSTANDING COMMITMENTS
<u>Nitschmann Middle School</u>			
D'Huy Engineering, Inc	\$ 1,759,103	\$ 953,166	\$ 805,937
Jay R. Reynolds, Inc.	1,865,300	832,719	1,032,581
Penn Builders, Inc.	34,061,200	12,096,808	21,964,392
Wind Gap Electric, Inc.	4,611,300	309,600	4,301,700
Myco Mechanical, Inc.	5,179,000	2,584,548	2,594,452
B.R.F. Architects	2,250,000	1,916,667	333,333
SUB-TOTAL	49,725,903	18,693,508	31,032,395
<u>Track & Turf Fields</u>			
D'Huy Engineering	265,065	233,204	31,861
American Athletic Courts, Inc.	1,020,000	270,968	749,032
Sprinturf, LLC	617,722	494,260	123,462
Schlouch, Inc.	2,291,534	998,235	1,293,299
SUB-TOTAL	4,194,321	1,996,667	2,197,654
 GRAND TOTAL	 \$ 53,920,224	 \$ 20,690,175	 \$ 33,230,049

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2016:

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016**

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 4,114,264	\$ 1,757,395
Enterprise (Food Service) Fund	337,646	76,957
Enterprise (Day Care) Fund	194,153	309,950
Capital Project Fund	1,505,187	4,004,510
Special Revenue (BASD Authority General Fd) Fund	-	-
Self - Insurance Trust Fund (Blended Component Unit)	99,096	94,948
Agency (Activity) Fund	-	6,586
TOTAL	\$ 6,250,346	\$ 6,250,346

The District also made the following interfund transfers during the fiscal year ended June 30, 2016:

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 3,755,596
Capital Projects (Capital Reserve) Fund	3,656,500	-
Self - Insurance Trust Fund (Blended Component Unit)	99,096	-
Enterprise (Food Service) Fund	-	-
TOTAL	\$ 3,755,596	\$ 3,755,596

Long-Term Liabilities

Long-term liability balances and activity for the year ended June 30, 2016 were:

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016**

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 295,278,325	\$ 98,819	\$ 10,690,830	\$ 284,686,314	\$ 9,635,000
Capital Leases	1,669,251	677,898	1,164,726	1,182,423	629,462
Total general obligation debt	296,947,576	776,717	11,855,556	285,868,737	10,264,462
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	1,070,643	532,444	-	1,603,087	309,141
Sick pay	4,097,937	-	87,743	4,010,194	156,823
Net Defined Contribution Pension Obligation	505,275	34,623	-	539,898	-
Net Defined Benefit Pension Liability	292,048,564	19,830,175	-	311,878,739	-
Net OPEB Obligation	10,425,300	1,405,716	-	11,831,016	-
Derivative Financial Instruments	25,355,040	5,482,014	-	30,837,054	-
Total other liabilities	333,502,759	27,284,972	87,743	360,699,988	465,964
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 630,450,335	\$ 28,061,689	\$ 11,943,299	\$ 646,568,725	\$ 10,730,426
<u>BUSINESS TYPE ACTIVITIES</u>					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	2,498	27,382	-	29,880	-
Sick pay	131,708	14,272	-	145,980	-
Net Defined Benefit Pension Liability	9,981,076	662,271	-	10,643,347	-
Net OPEB Obligation	107,868	4,658	-	112,526	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	\$ 10,223,150	\$ 708,583	\$ -	\$ 10,931,733	\$ -

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:	<u>EXPENSE</u>	<u>PAID</u>
General obligation debt	\$ 12,987,881	\$ 11,983,968
Lease debt	43,029	43,029
Short-term borrowings	-	-
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	\$ 13,030,910	\$ 12,026,997

General Obligation Bonds – Series A of 2007

On June 1, 2007, the District issued \$61,630,000 of General Obligation Bonds – Series A of 2007. The proceeds will be used: (1) to currently refund the outstanding General Obligation Bonds – Series of 1997, and (2) to pay the costs of the issue. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from September 1, 2007 to September 1, 2016. The bonds shall bear interest at 5.0% with total indebtedness of \$14,608,625.

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016**

The outstanding debt service requirements at June 30, 2016, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 1,035,000	\$ 25,875
SUB-TOTAL	1,035,000	\$ 25,875
Unamortized Discount	(163)	
TOTAL OUTSTANDING	\$ 1,034,837	

General Obligation Bonds – Series A of 2009

On May 1, 2009, the District issued \$69,710,000 of General Obligation Bonds – Series A of 2009. The proceeds will be used: (1) to currently refund, in conjunction with General Obligation Bonds – Series AA of 2009, the variable rate outstanding debt of the Series of 2003 bonds; (2) pay the termination fee on the related interest rate swaps, and; (3) paying the costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from October 15, 2009 to October 15, 2023. Interest rates range from 1.15% to 4.625%, with total interest indebtedness of \$29,207,397.

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

The remaining outstanding debt service requirements at June 30, 2016, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 8,045,000	\$ 2,127,944
2017-18	9,005,000	1,763,819
2018-19	6,410,000	1,406,569
2019-20	3,435,000	1,160,444
2020-21	6,385,000	914,943
2021-25	17,485,000	640,746
SUB-TOTAL	50,765,000	\$ 8,014,465
Unamortized Discount	(158,280)	
Unamortized Premium	737,792	
TOTAL OUTSTANDING	\$ 51,344,512	

General Obligation Bonds – Series AA of 2009

On May 1, 2009, the District issued \$14,410,000 of General Obligation Bonds – Series AA of 2009. The proceeds will be used: (1) to currently refund, in conjunction with General Obligation Bonds – Series A of 2009, the variable rate outstanding debt of the Series of 2003 bonds; (2) pay the termination fee on the related interest rate swaps, and; (3) paying the costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from October 15, 2018 to October 15, 2020. Interest rates range from 3.80% to 4.20%, with total interest indebtedness of \$6,164,404. The outstanding debt service requirements at June 30, 2016, are:

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016**

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ -	\$ 580,400
2017-18	-	580,400
2018-19	3,000,000	523,400
2019-20	6,410,000	338,200
2020-21	5,000,000	105,000
SUB-TOTAL	14,410,000	\$ 2,127,400
Unamortized Discount	(101,683)	
TOTAL OUTSTANDING	\$ 14,308,317	

General Obligation Bonds – Series B of 2009

On May 1, 2009, the District issued \$11,100,000 of General Obligation Bonds – Series B of 2009. The proceeds will be used: (1) finance a portion of the costs to construct improvements to school buildings and facilities, including the Broughal Middle School and the Northeast Middle School, and; (2) paying the costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from October 15, 2009 to October 15, 2028. Interest rates range from 2.00% to 5.125%, with total interest indebtedness of \$16,473,525. The outstanding debt service requirements at June 30, 2016, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 495,000	\$ 346,526
2017-18	510,000	329,434
2018-19	530,000	310,438
2019-20	550,000	289,369
2020-21	575,000	266,294
2021-26	3,180,000	922,219
2026-29	2,135,000	164,672
SUB-TOTAL	7,975,000	\$ 2,628,952
Unamortized Premium	3,017	
Unamortized Discount	(66,902)	
TOTAL OUTSTANDING	\$ 7,911,115	

General Obligation Bonds – Series of 2010

On January 5, 2010, the District issued \$28,850,000 of General Obligation Bonds – Series of 2010. The proceeds will be used: (1) to currently refund and partially redeem \$25,345,000 outstanding principal amount of the School District's General Obligation Bonds, Series of 2005, (2) make a payment to partially terminate (\$25,350,000 notional amount) of an interest rate swap agreement (fixed interest rate payments by the District) associated with the 2005 Bonds, and (3) pay the costs and expenses allocable to the issuance of the Bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from January 15, 2011 to January 15, 2026. Interest rates range from 1.25% to 5.25%, with total interest indebtedness of \$20,568,353. The outstanding debt service requirements at June 30, 2016, are:

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016**

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 5,000	\$ 1,387,987
2017-18	5,000	1,387,837
2018-19	5,000	1,387,672
2019-20	5,000	1,387,498
2020-21	5,000	1,387,297
2021-26	28,765,000	5,258,045
SUB-TOTAL	28,790,000	\$ 12,196,336
Unamortized Discount	-	
Unamortized Premium	476,583	
TOTAL OUTSTANDING	\$ 29,266,583	

General Obligation Notes – Series of 2011

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

Since this Note is between the School District and its component unit (Bethlehem Area School District Authority), it is not shown on the government-wide Statement of Net Position as obligated debt because the Authority is blended into the financial statements; therefore, its long-term receivable equal to the principal outstanding balance of this Note are eliminated for financial reporting purposes. **We are reporting the following outstanding debt service requirements at June 30, 2016, for informational purposes only, using 0.8605% interest rate in effect at June 30, 2016:**

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 5,000	\$ 347,999
2017-18	5,000	347,956
2018-19	5,000	347,913
2019-20	5,000	347,870
2020-21	5,000	347,827
2021-26	6,615,000	1,612,888
2026-31	27,170,000	806,217
2031-32	6,635,000	4,758
TOTAL	\$ 40,445,000	\$ 4,163,428

General Obligation Bonds – Series of 2011

On November 1, 2011, the District issued \$33,330,000 of General Obligation Bonds – Series of 2011. The proceeds will be used: (1) to currently refund a portion (\$25,150,000) of the General Obligation Bonds – Series of 2007; (2) to make a payment to terminate a portion (\$7,470,000) of a related swap agreement; and; (3) to pay the costs and expenses of issuing the bonds. In

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016**

accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from November 15, 2012 to November 15, 2029. Interest rates range from 1.0% to 4.125%, with total interest indebtedness of \$18,872,955. The outstanding debt service obligations, at June 30, 2016, are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 5,000	\$ 1,287,336
2017-18	5,000	1,287,244
2018-19	5,000	1,287,137
2019-20	5,000	1,287,019
2020-21	5,000	1,286,887
2021-26	16,495,000	5,336,038
2026-30	16,790,000	1,257,415
Sub-Total	\$ 33,310,000	\$ 13,029,076
Unamortized Bond Discount	(94,319)	
Total Outstanding	\$ 33,215,681	

General Obligation Notes – Series A of 2011

On November 1, 2011, the District issued \$30,000,000 of General Obligation Bonds – Series A of 2011. The proceeds will be used: (1) to provide funds for refunding a portion of the General Obligation Bonds – Series of 2007 by transferring the liability, including the fixed payor swap, to the BASD Authority; and (2) paying the cost of this issue. The Note is issued to the BASD Authority to guarantee their issuance of the Series A of 2011 revenue bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The Notes mature from January 1, 2012 to January 1, 2032, with interest at a variable weekly rate of 68% of 1 month LIBOR, plus 75 basis points.

Since this Note is between the School District and its component unit (Bethlehem Area School District Authority), it will not be shown on the government-wide Statement of Net Position as obligated debt because the Authority is blended into the financial statements; therefore its long-term receivable equal to the principal outstanding balance of the Note are eliminated for financial reporting purposes. **We are reporting the following outstanding debt service obligations at June 30, 2016, for informational purposes only, using 0.8605% interest rate in effect at June 30, 2016.**

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 5,000	\$ 257,924
2017-18	5,000	257,881
2018-19	5,000	257,837
2019-20	5,000	257,794
2020-21	5,000	257,751
2021-26	25,000	1,288,110
2026-31	15,745,000	1,212,385
2031-32	14,180,000	71,180
TOTAL	\$ 29,975,000	\$ 3,860,862

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016**

General Obligation Notes of 2014

On December 1, 2014, the District issued \$30,250,000 of General Obligation Bonds – Series of 2014. The proceeds will be used: (1) to currently refund a portion General Obligation Notes – Series of 2010 by transferring the liability to the BASD Authority; and (2) paying the cost of this issue. These Notes are issued to the BASD Authority to guarantee their issuance of the Series of 2014 revenue bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The Notes mature from January 1, 2015 to January 1, 2030. Interest rates are variable using the SIFMA Index. All principal and interest payments, which includes all amounts required to be paid by the issuer to the Counterparty under the fixed payor swap. The maximum rate of interest payable shall be 15%, per annum, unless the bonds become bank bonds then the maximum interest rate is 25%, per annum.

Since this Note is between the School District and its component unit (Bethlehem Area School District Authority), it will not be shown on the government-wide Statement of Net Position as obligated debt because the Authority is blended into the financial statements; therefore its long-term receivable equal to the principal outstanding balance of the Note are eliminated for financial reporting purposes. **We are reporting the following outstanding debt service obligations at June 30, 2016, for informational purposes only, using 0.7555% interest rate in effect at June 30, 2016:**

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 35,000	\$ 228,137
2017-18	40,000	227,857
2018-19	40,000	227,555
2019-20	40,000	227,252
2020-21	40,000	226,950
2021-26	200,000	1,130,217
2026-30	29,815,000	489,489
TOTAL	\$ 30,210,000	\$ 2,757,457

General Obligation Bonds – Series A of 2015

On June 4, 2015, the District issued \$30,000,000 in General Obligation Bonds - Series A of 2015. The proceeds will be used : (1) for capital projects including planning, designing, acquiring, construction and furnishing alterations and renovations to the Nitschmann Middle School and other public school facilities of the District, and (2) to pay the costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from August 1, 2025 to August 1, 2035. The bonds shall bear interest at 5.0%, with total interest indebtedness of \$28,080,750. The outstanding debt service requirements at June 30, 2016, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ -	\$ 1,500,000
2017-18	-	1,500,000
2018-19	-	1,500,000
2019-20	-	1,500,000
2020-21	-	1,500,000
2021-26	-	7,500,000
2026-31	-	7,500,000
2031-36	30,000,000	4,593,250
Sub-Total	\$ 30,000,000	\$ 27,093,250
Unamortized Bond Premium	3,755,695	
Total Outstanding	\$ 33,755,695	

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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, 2016, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ -	\$ 124,706
2017-18	-	124,706
2018-19	-	124,706
2019-20	-	124,706
2020-21	-	124,707
2021-26	-	623,530
2026-31	2,310,000	558,733
2031-35	1,415,000	23,878
Sub-Total	\$ 3,725,000	\$ 1,829,672
Unamortized Bond Discount	(85,426)	
Total Outstanding	\$ 3,639,574	

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, 2016, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 5,000	\$ 347,364
2017-18	5,000	347,221
2018-19	5,000	347,078
2019-20	5,000	346,934
2020-21	5,000	346,790
2021-26	5,135,000	1,404,287
2026-30	4,420,000	288,219
Sub-Total	\$ 9,580,000	\$ 3,427,893
Unamortized Bond Discount	-	
Total Outstanding	\$ 9,580,000	

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

Guaranteed Lease Revenue Bonds – Series of 2011

On April 29, 2011, the Bethlehem Area School District Authority issued \$40,470,000 of Guaranteed Revenue Bonds – Series of 2011. The purposes of this issue are to: (1) refund the Authority's Series of 2009 Guaranteed Revenue Bonds, and (2) pay the costs of issuance. These bonds are secured by a pledge and assignment of lease rentals by the Bethlehem Area School District, and a guarantee by the School District, under the terms of a General Obligation Note issued by the School District for \$40,700,000, on April 29, 2011. The Authority Bonds were purchased by Wells Fargo Bank and mature between July 1, 2011 and July 1, 2031, at a variable interest rate of interest. The related swaps for the Series of 2009 revenue bonds have been transferred to this issue.

Interest Rate Swap

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate notes at the time of issuance in September 1, 2007, the School District entered into an forward starting interest rate swap in connection with its \$40,000,000, Series of 2007 variable-rate general obligation notes. In addition, the School District entered into a constant maturity swap. The intention of the swaps was to effectively change the School District's variable interest rate on the notes to a synthetic fixed rate.

Terms. The notes were refunded by the Bethlehem Area School District's Authority Guaranteed Revenue Bonds Series of 2009 during 2009-10 fiscal year backed by the issuance of the District's \$41,000,000 General Obligation Note to the Authority. These Series of 2009 revenue bonds and related District's Notes have been refunded with the Series of 2011 revenue bonds and related Series of 2011 general obligation bonds of the District that guarantee the Authority's revenue bonds. The related swap agreement matures on July 1, 2031, and the swap's notional amount is \$40,000,000. The swap was entered into on November 22, 2005. Starting on July 1, 2008, the notional value of the swap and the principal amount of the associated debt begin to decline. Under the swap, the Authority receives the lesser of 68% of LIBOR (monthly rate) from the Counterparty (JP Morgan Chase Bank) in exchange for a fixed rate of 3.774%. The variable rate paid on the Authority's Guaranteed Revenue Bonds – Series of 2011 approximates the SIFMA index. Therefore, if SIFMA exceeds 68% of LIBOR, the District pays a net effective interest rate in excess of 3.774%, and if SIFMA is less than 68% of LIBOR, the District pays a net effective interest rate approximately equal to the fixed rate.

Fair Value. The interest rate swap has a negative fair value of \$11,511,138 as of June 30, 2016. 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, 2016, the Authority was exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Authority would not be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aa2 by Moody's, AA- by Standard & Poor's and AA by Fitch.

Basis Risk. The swap exposes the government to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the notes. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2016. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2016, the SIFMA rate was 0.8605%, whereas 68% of LIBOR was 0.3105%.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

Termination Risk. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Authority, if the counterparty's short-term debt credit rating is withdrawn or reduced to a rating below P-1 for Moody's and the rating by S&P is withdrawn or reduced to a rating that is below A-1. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a net negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2016, 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, 2016, using the variable rate in effect at year end are:

FISCAL YEAR	PRINCIPAL	INTEREST	Interest Rate Swaps, Net	TOTAL
2016-17	\$ 5,000	\$ 347,999	\$ 1,383,926	\$ 1,736,925
2017-18	5,000	347,956	1,383,752	1,736,708
2018-19	5,000	347,913	1,383,580	1,736,493
2019-20	5,000	347,870	1,383,406	1,736,276
2020-21	5,000	347,827	1,383,233	1,736,060
2021-26	6,615,000	1,612,888	5,976,716	14,204,604
2026-31	27,170,000	806,217	2,723,047	30,699,264
2031-32	6,635,000	4,758	87,752	6,727,510
SUB-TOTAL	40,445,000	\$ 4,163,428	\$ 15,705,412	\$ 60,313,840
Unamortized Premium	-			
TOTAL OUTSTANDING	\$ 40,445,000			

Component Unit Debt – Guaranteed Lease Revenue Bonds – Series A of 2011

On November 1, 2011, the Bethlehem Area School District Authority issued \$30,000,000 of Guaranteed Revenue Bonds – Series A of 2011. The purposes of this issue are to: (1) refund a portion of the School District's Series of 2007 variable rate general obligation bonds; (2) pay related costs and issuance of this issue; and (3) enter into a new ISDA Confirmation with JP Morgan Chase Bank (counterparty) assuming the remaining Series of 2007 fixed payor swap. These bonds are secured by a pledge and assignment of lease rentals by the Bethlehem Area School District, and a guarantee by the School District, under the terms of General Obligation Notes – Series A of 2011 issued by the School District for \$30,000,000, on November 1, 2011. The Authority bonds mature from January 1, 2012 to January 1, 2032, with interest at a variable weekly rate of 68% of 1 month LIBOR, plus 75 basis points.

Interest Rate Swap

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in January 1, 2007, the School District entered into an forward starting interest rate swap in connection with its \$55,000,000, Series of 2007 variable-rate general obligation bonds. The intention of the swap was to effectively change the School District's variable interest rate on the bonds to a synthetic fixed rate. The 2007 bonds were refunded by the Bethlehem Area School District Authority's Guaranteed Revenue Bonds.

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

Terms. The bonds and the related swap agreement mature on January 1, 2032, and the swap's notional amount is \$55,000,000. The swap was entered into on December 8, 2003. Starting on January 1, 2008, the notional value of the swap and the principal amount of the associated debt begin to decline. Under the swap, the Authority receives the lesser of 60% of LIBOR (monthly rate) plus 0.346% from the JP Morgan Chase Bank in exchange for a fixed rate of 4.145%. The variable rate paid on Revenue Bonds – Series A of 2011 Authority's approximates the SIFMA index. Therefore, if SIFMA exceeds 60% of LIBOR plus 0.346%, the District pays a net effective interest rate in excess of 4.145%, and if SIFMA is less than 60% of LIBOR, plus 0.346%, the District pays a net effective interest rate approximately equal to the fixed rate.

Fair Value. The interest rate swap has a negative fair value of \$10,749,548 as of June 30, 2016. 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, 2016, the Authority was exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Authority would not be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aa2 by Moody's, AA- by Standard & Poor's and AA by Fitch.

Basis Risk. The swap exposes the government to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2016. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2016, the SIFMA rate was 0.8605%, whereas 60% of LIBOR plus .346% was 0.62%.

Termination Risk. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Authority if the counterparty's short-term debt credit rating is withdrawn or reduced to a rating below P-1 for Moody's and the rating by S&P is withdrawn or reduced to a rating that is below A-1. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2016, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary:

FISCAL YEAR	PRINCIPAL	INTEREST	Interest Rate Swaps, Net	TOTAL
2016-17	\$ 5,000	\$ 257,924	\$ 1,051,511	\$ 1,314,435
2017-18	5,000	257,881	1,051,511	1,314,392
2018-19	5,000	257,837	1,051,511	1,314,348
2019-20	5,000	257,794	1,051,511	1,314,305
2020-21	5,000	257,751	1,051,511	1,314,262
2021-26	25,000	1,288,110	5,257,555	6,570,665
2026-31	15,745,000	1,212,385	4,885,371	21,842,756
2031-32	14,180,000	71,180	274,921	14,526,101
SUB-TOTAL	29,975,000	\$ 3,860,862	\$ 15,675,402	\$ 49,511,264
Unamortized Premium	-			
TOTAL OUTSTANDING	\$ 29,975,000			

Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

Guaranteed Lease Revenue Bonds – Series of 2014

On December 1, 2014, the Bethlehem Area School District Authority issued \$30,250,000 of Guaranteed Lease Revenue Bonds – Series of 2014. The purpose of this issue is (1) to currently refund the Guaranteed Lease Revenue Bonds – Series of 2010, which was used to currently refund a portion of the Bethlehem Area School District's General Obligation Bonds, Series of 2005, and (2) to pay the costs and expenses allocable to the issuance of the Bonds. The bonds are being issued under the Municipal Authorities Act of 1945, as amended, and pursuant to the provisions of a Trust Indenture, dated May 1, 2009.

Interest Rate Swap

On December 1, 2014, the Bethlehem Area School District refunded its General Obligation Note – Series of 2010, which the notes were issued to the Bethlehem Area School District Authority. The Authority funded this refunding with the Guaranteed Lease Revenue Bonds, Series of 2010. The related interest rate swap that was attached to the School District's General Obligation Notes-Series of 2010 was transferred to the Authority's Guaranteed Lease Revenue Bonds- Series of 2014.

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

Terms. The bonds and the related swap agreement mature on January 1, 2030, and the swap's original notional amount was \$55,000,000. The swap was entered into on December 8, 2003. Subsequently, \$25,350,000 of the original notional amount was terminated leaving a remaining notional amount of \$29,650,000. Under the swap, the School District receives the lesser of 60% of LIBOR (monthly rate) plus 0.345% from the Counterparty (JP Morgan Chase Bank) in exchange for a fixed rate of 3.90%. The variable rate paid on the Authority's Guaranteed Revenue Bonds – Series of 2010 approximates the SIFMA index. Therefore, if SIFMA exceeds 60% of LIBOR plus 0.345%, the District pays a net effective interest rate approximately equal to the fixed rate.

Fair Value. The swap has a negative fair value of \$8,576,368 as of June 30, 2016. 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, 2016, the Authority was exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Authority would not be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aa2 by Moody's, AA-by Standard & Poor's and AA by Fitch.

Basis Risk. The swap exposes the government to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2016. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2015, the SIFMA rate was 0.7555%, whereas 60% of LIBOR plus 0.345% was 0.624%.

Termination Risk. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Authority, if the counterparty's short-term debt credit rating is withdrawn or reduced to a rating below P-1 for Moody's and the rating by S&P is withdrawn or reduced to a rating that is below A-1. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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, 2016, 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, 2016, using the variable interest rate in effect at year end are:

FISCAL YEAR	PRINCIPAL	INTEREST	Interest Rate Swaps, Net	TOTAL
2016-17	\$ 35,000	\$ 228,137	970,670	1,233,807
2017-18	40,000	227,857	970,670	1,238,527
2018-19	40,000	227,555	970,670	1,238,225
2019-20	40,000	227,252	970,670	1,237,922
2020-21	40,000	226,950	970,670	1,237,620
2021-26	200,000	1,130,217	4,853,350	6,183,567
2026-30	29,815,000	489,489	2,089,060	32,393,549
SUB-TOTAL	30,210,000	\$ 2,757,457	\$ 11,795,760	\$ 44,763,217
Unamortized Premium	-			
TOTAL OUTSTANDING	\$ 30,210,000			

Lease Rental Debt

Guaranteed Lease Revenue Bonds – Series of 2009

On June 1, 2009, the Bethlehem Area Vocational-Technical School Authority issued \$9,160,000 of Guaranteed Lease Revenue Bonds – Series of 2009. The purposes of this issue are (1) to currently refund the outstanding Guaranteed Lease Revenue Bonds – Series of 2001 Refunding and Improvement Series, and (2) to pay the costs of the issuance. The bonds are being issued under the Municipalities Authorities Act of 1945, as amended, and pursuant to the provisions of a Trust indenture, dated June 1, 2009 (Second Supplemental Indenture).

The Second Supplemental Indenture provides that the bonds shall be secured by a pledge and assignment of the lease rentals payable by the Bethlehem Area School District, the Northampton Area School District, and the Saucon Valley School District, and guaranteed by said school districts, under the terms of a Second Supplementary Lease agreement dated June 1, 2009.

Bethlehem Area Vocational-Technical School was created and operates under the Articles of Agreement by and among the three participating school districts located in Northampton County and a portion of Lehigh County, Pennsylvania.

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

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016**

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL RENTAL PAYMENT
2016-17	\$ 577,737	\$ 110,665	\$ 688,402
2017-18	598,494	91,691	690,184
2018-19	619,251	70,824	690,074
2019-20	643,467	47,767	691,234
2020-22	892,551	26,984	919,535
TOTAL OUTSTANDING	\$ 3,331,499	\$ 347,931	\$ 3,679,429

Extended Term Financing Agreements

During prior fiscal years, the District has entered into various capital leases with Daimler Financial, Sovereign Leasing, Apple Computer to purchase buses and computers for the District. During this past fiscal year, the District entered into a lease-purchase arrangement with Santander Leasing Co. to purchase six (72) passenger buses in the amount of \$480,606, with total interest indebtedness of \$39,379, with an effective interest rate of 2.1%. The District also entered into a lease-purchase arrangement with Daimler Truck Financial to purchase four (30) passenger buses at \$235,300, with an effective interest rate of 2.514% and total interest indebtedness of \$12,380. On July 2, 2013, the District entered into a lease-purchase arrangement with Apple Computer Co. to purchase 271 Macbook Air Laptop computers at \$257,000, with an effective interest rate of 2.79% with total interest indebtedness of \$10,703. In the 2015-16 fiscal year, the District entered into a lease-Purchase arrangement with Mercedes-Benz Financial to purchase six (72) passenger buses and three (30) passenger buses with lifts in the amount of \$677,898, with total interest indebtedness of \$34,164 with an effective interest rate of 2.521%. The outstanding debt service requirements on these capital leases at June 30, 2016, are:

Daimler Lease - \$495,696

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 101,430	\$ 2,408
TOTAL OUTSTANDING	\$ 101,430	\$ 2,408

Sovereign Leasing - \$933,960

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 190,799	\$ 4,105
TOTAL OUTSTANDING	\$ 190,799	\$ 4,105

Santander Bus Leasing - \$480,608

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 96,179	\$ 4,081
2017-18	98,174	2,062
TOTAL OUTSTANDING	\$ 194,353	\$ 6,143

**Bethlehem Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Daimler Truck Financial - \$235,300

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 47,031	\$ 2,401
2017-18	48,217	1,216
TOTAL OUTSTANDING	\$ 95,248	\$ 3,617

Additional Apple Lease – Laptops \$257,000

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 65,108	\$ 1,817
TOTAL OUTSTANDING	\$ 65,108	\$ 1,817

Rohrer Lease – Buses - \$677,898 – 2.51%

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 128,915	\$ 13,498
2017-18	132,164	10,248
2018-19	135,495	6,917
2019-20	138,911	3,501
TOTAL OUTSTANDING	\$ 535,485	\$ 34,164

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Combined Long-Term Debt

The combined general long-term debt obligations for subsequent years, except for compensated absences, retirement benefits and extended term financing are:

SUMMARY OF PRINCIPAL REQUIREMENTS

FISCAL YEAR	G.O.B. SERIES A OF 2007	G.O.B. SERIES A OF 2009	G.O.B. SERIES AA OF 2009	G.O.B. SERIES B OF 2009	G.O.B. SERIES OF 2010	G.R.B. SERIES OF 2011	G.O.B. SERIES OF 2011	G.R.B. SERIES A OF 2011	G.R.B. SERIES OF 2014	G.O.B. SERIES A OF 2015	G.O.N. SERIES B OF 2015	G.O.N. SERIES C OF 2015	TOTAL PRINCIPAL PAYMENTS
2016-17	\$ 1,035,000	\$ 8,045,000	\$ -	\$ 495,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 35,000	\$ -	\$ -	\$ 5,000	\$ 9,635,000
2017-18	-	9,005,000	-	510,000	5,000	5,000	5,000	5,000	40,000	-	-	5,000	9,580,000
2018-19	-	6,410,000	3,000,000	530,000	5,000	5,000	5,000	5,000	40,000	-	-	5,000	10,005,000
2019-20	-	3,435,000	6,410,000	550,000	5,000	5,000	5,000	5,000	40,000	-	-	5,000	10,460,000
2020-21	-	6,385,000	5,000,000	575,000	5,000	5,000	5,000	5,000	40,000	-	-	5,000	12,025,000
2021-26	-	17,485,000	-	3,180,000	28,765,000	6,615,000	16,495,000	25,000	200,000	-	-	5,135,000	77,900,000
2026-31	-	-	-	2,135,000	-	27,170,000	16,790,000	15,745,000	29,815,000	-	2,310,000	4,420,000	98,385,000
2031-36	-	-	-	-	-	6,635,000	-	14,180,000	-	30,000,000	1,415,000	-	52,230,000
TOTAL	1,035,000	50,765,000	14,410,000	7,975,000	28,790,000	40,445,000	33,310,000	29,975,000	30,210,000	30,000,000	3,725,000	9,580,000	280,220,000
LESS PAYABLE WITHIN ONE YEAR	1,035,000	8,045,000	-	495,000	5,000	5,000	5,000	5,000	35,000	-	-	5,000	9,635,000
LONG-TERM PRINCIPAL DUE AFTER ONE YEAR	\$ -	\$ 42,720,000	\$ 14,410,000	\$ 7,480,000	\$ 28,785,000	\$ 40,440,000	\$ 33,305,000	\$ 29,970,000	\$ 30,175,000	\$ 30,000,000	\$ 3,725,000	\$ 9,575,000	\$ 270,585,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

FISCAL YEAR	G.O.B. SERIES A OF 2007	G.O.B. SERIES A OF 2009	G.O.B. SERIES AA OF 2009	G.O.B. SERIES B OF 2009	G.O.B. SERIES OF 2010	G.R.B. SERIES OF 2011	G.O.B. SERIES OF 2011	G.R.B. SERIES A OF 2011	G.R.B. SERIES OF 2014	G.O.B. SERIES A OF 2015	G.O.N. SERIES B OF 2015	G.O.N. SERIES C OF 2015	TOTAL DEBT SVC. PAYMENTS
2016-17	\$ 1,060,875	\$ 10,172,944	\$ 580,400	\$ 841,526	\$ 1,392,987	\$ 352,999	\$ 1,292,336	\$ 262,924	\$ 263,137	\$ 1,500,000	\$ 124,706	\$ 352,364	\$ 18,197,198
2017-18	-	10,768,819	580,400	839,434	1,392,837	352,956	1,292,244	262,881	267,857	1,500,000	124,706	352,221	17,734,355
2018-19	-	7,816,569	3,523,400	840,438	1,392,672	352,913	1,292,137	262,837	267,555	1,500,000	124,706	352,078	17,725,305
2019-20	-	4,595,444	6,748,200	839,369	1,392,498	352,870	1,292,019	262,794	267,252	1,500,000	124,706	351,934	17,727,086
2020-21	-	7,299,943	5,105,000	841,294	1,392,297	352,827	1,291,887	262,751	266,950	1,500,000	124,707	351,790	18,789,446
2021-26	-	18,125,746	-	4,102,219	34,023,045	8,227,888	21,831,038	1,313,110	1,330,217	7,500,000	623,530	6,539,287	103,616,080
2026-31	-	-	-	2,299,672	-	27,976,217	18,047,415	16,957,385	30,304,489	7,500,000	2,868,733	4,708,219	110,662,130
2031-36	-	-	-	-	-	6,639,758	-	14,251,180	-	34,593,250	1,438,878	-	56,923,066
TOTAL	\$ 1,060,875	\$ 58,779,465	\$ 16,537,400	\$ 10,603,952	\$ 40,986,336	\$ 44,608,428	\$ 46,339,076	\$ 33,835,862	\$ 32,967,457	\$ 57,093,250	\$ 5,554,672	\$ 13,007,893	\$ 361,374,666

Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

Derivative Financial Instruments

Component Unit

In accordance with Governmental Accounting Standards Board Statement No. 53, any derivative financial instruments must be recorded on the government-wide financial statements at fair value for periods beginning on or after June 15, 2009. The Bethlehem Area School District Authority (component unit) has three derivative financial instruments; one associated with its Guaranteed Lease Revenue Bonds – Series of 2014, one associated with its Guaranteed Lease Revenue Bonds – Series of 2011, and one associated with its Guaranteed Lease Revenue Bonds – Series A of 2011.

The swap associated with the Authority's Guaranteed Lease Revenue Bonds – Series of 2014 originated from the School District's (primary government) General Obligation Bonds – Series of 2005. The swap associated with the Authority's Guaranteed Lease Revenue Bonds – Series of 2011 originated from the School District's (primary government) General Obligation Notes – Series of 2007. The swap associated with the Authority's Guaranteed Lease Revenue Bonds – Series A of 2011 originated from the School District's (primary government) General Obligation Notes – Series of 2007.

The fixed payor swap on the Series of 2014 Revenue Bonds is designed to create a synthetic fixed rate on the variable rate bond issue by paying the counterparty a fixed rate of 3.90% and receiving 60% of one month LIBOR, plus 0.345%. The value of this derivative instrument embedded into the swap is a negative \$8,576,368, at June 30, 2016.

The fixed payor swap on the Series of 2011 Revenue Bonds is designed to create a synthetic fixed rate on the variable rate bond issue by paying the counterparty a fixed rate of 3.774% and receiving 68% of one month LIBOR. The value of this derivative instrument embedded into the swap is a negative \$11,511,138, at June 30, 2016.

The fixed payor swap on the Series A of 2011 Revenue Bonds is designed to create a synthetic fixed rate on the variable rate bond issue by paying the counterparty a fixed rate of 4.145% and receiving 60% of one month LIBOR, plus 0.34%. The value of this derivative instrument embedded into the swap is a negative \$10,749,548, at June 30, 2016.

GASB Statement No. 53 requires the use of hedge accounting, in which the net change in fair value represents a deferred inflow or outflow of the hedging derivative financial instrument reported on the government-wide Statement of Net Position. To be considered a hedging derivative financial instrument, the derivative financial instrument must pass an effectiveness test using one of the available methods (consistent critical terms, synthetic instrument, dollar-offset, and regression analysis). If none of the available methods result in the derivative financial instrument being effective, then the net change in fair value should flow to the government-wide Statement of Activities, and the instrument is considered an investment derivative.

Based upon the tests of effectiveness conducted by the District's financial advisor for this fiscal year, the above-mentioned interest rate swaps associated with the Series of 2014, 2011, and 2011A Revenue Bonds are hedging derivative financial instruments. As such, its fair values of \$8,576,368, \$11,511,138, and \$10,749,548, respectively are shown on the Statement of Net Position as deferred outflows of resources offset by the long-term liability. The portion of these swaps fair value that is "at the market" is (\$2,128,961), (\$6,973,171), and (\$2,537,939) respectively, and is recorded as deferred outflows of

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

the negative values. Any positive “at the market” amount would be shown as a Derivative Instrument Asset. The portion of the fair value \$3,542,401, has been recorded to deferred gains on refunding because of the termination of hedge accounting caused by the refunding of the original issues. In addition, \$10,551,434 is shown as deferred costs of refunding, and \$11,640,071, in deferred outflows of resources.

Compensated Absences

Sick-Pay

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

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

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

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

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

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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

Note – Employees in the bargaining unit who have at least 30 years of credited service in PSERS, and who have more than 90 days of unused sick days at the time of retirement shall be provided with health benefits computed at the rate of 30 sick days for one year of health care coverage to a maximum of 10 years of benefits or until Medicare kicks in, whichever occurs first. If after calculating the number of years of coverage, there are sick days not used, two additional months of health care coverage can be secured for every 5 sick days, up to a maximum of 25 days equal 10 months of additional coverage. Bargaining members may exchange all of their unused sick days for the benefits of health coverage only if they exceed the minimum of 90 days accumulated.

The District maintains records of each employee's accumulated sick days that are vested with employees who are able to retire. In accordance with GASB statement No. 16, \$129,576 and \$16,404 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, 2016. 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 \$156,823, including FICA tax (net of reimbursement). This amount is reflected as a current liability in the governmental activities column of the government-wide statement of net position. The remaining sick leave termination benefit of \$3,853,371, 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, 2016, that will use currently available financial resources is \$309,141, 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 \$24,403, and \$5,477, 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, 2016, of \$1,293,946, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

Defined Benefit Pension Plan

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

**Bethlehem Area School District
Notes To Basic Financial Statements
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General Information about the Pension Plan

Plan Description

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

Benefits provided

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

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

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

Contributions

Member Contributions:

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

Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

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

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

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

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2016 was 25.00% 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 \$24,550,959 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$322,522,086 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, with rolling forward the System's total pension liability as of June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was 0.7466 percent, which was a decrease of 0.0176 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$28,597,743. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

<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	\$ 53,363	\$ -
Changes in Assumptions	-	-
Net difference between projected and actual contributions made		512,720
Net difference between projected and actual earnings on pension plan investments	-	655,000
Difference between expected and actual experience		1,335,000
Changes in proportion of the Net Pension Liability	6,585,000	5,971,000
District contributions subsequent to the measurement date	24,550,959	-
Total	<u>\$ 31,189,322</u>	<u>\$ 8,473,720</u>

\$24,550,959 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, 2017. 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>
2016	\$ (1,220,000)
2017	(1,353,257)
2018	(1,353,257)
2019	2,150,743
2020	(59,586)
Thereafter	-
Total	<u>\$ (1,835,357)</u>

Actuarial assumptions

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

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	-14.0%	1.1%
	100%	

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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, 2015.

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 398,612,000	\$ 323,393,000	\$ 260,170,000

Pension plan fiduciary net position

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

Defined Contributions Pension Plan

Retirement Severance Benefits

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

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

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Employer Contributions:

The school district pays this benefit on a pay-as-you-go basis. It does not accumulate funds into any trust for future benefits. There were no contributions to the pension plan from the District for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$539,898 for its share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015, with rolling forward the System's total pension liability as of June 30, 2016.

For the year ended June 30, 2016, the District recognized pension expense of \$34,623. At June 30, 2016, the District did not have any reported deferred outflows of resources and deferred inflows of resources related to the defined contribution pension. The following table reflects the changes to the pension obligation during the year.

Contribution Rates:	
	Years of Service Actuarially Determined
Interest Rate	4.5%
Plan Members	56
Covered payroll	\$ 5,981,846
Annual Required Contribution	\$ 34,623
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual Pension cost	34,623
Contributions made	-
Increase in net pension obligation	34,623
Net Pension obligation - beginning of year	505,275
Net Pension obligation - end of year	\$ 539,898

Actuarial assumptions

The total pension liability as of June 30, 2016 was determined by the actuarial valuation on January 1, 2013, with rolling forward the System's total pension liability using the following actuarial assumptions, applied to all periods included in the measurement

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the experience study that conducted by the actuary, including the assumed retirement rates based on PSERS plan experience vary by age, service, and gender.

Other Employee Benefits

Hospitalization/Medical/Dental/Prescription Drug Benefits

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

Other Post Employment Benefits

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

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

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION										
I.ADMINISTRATORS	Age 52 with 8 years of service with the district or ACT 110/43.	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug, and Dental. • Premium Sharing: If the member reaches 52 years with 8 years of service with the district, district contributions are based on the member's PSERS service at retirement. If the member reaches age 35 years of PSERS service, the member will pay the active cost share amount for medical, prescription drug, and dental coverage for the member and spouse. If the member does not reach 35 years of PSERS service, the member may trade unused sick days at a rate of 30 days per year of medical, prescription drug, and dental benefits for the member and spouse for up to 10 years. In such case, the member will pay the active cost share amount. • If the accrued district subsidy period is exhausted, or if the member does not meet the requirements for receiving a subsidy but requirements are met for the ACT 110/43 benefit, the member and spouse may continue the benefit by paying the full premium as determined for the purpose of COBRA. • Dependents: Spouses included. 	<p>Until the member reaches Medicare eligibility</p> <p>*The duration is longer for one retiree with a special contract.</p>										
II.TEACHERS	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 of their unused sick days at a rate according to the following table per year of medical, prescription drug, and dental benefits for the member and spouse for up to 10 years, depending on the year of retirement. Beginning with the 2014-2014 school year, the member must also reach 20 years of service with the district to be eligible for the subsidy. Members who reach 25 years of PSERS service by the end of the 2013-2014 school year and retire before the 2019-2020 school year will be exempt from this requirement. In any case, the member will pay the active cost share amount. <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;"><u>School Year of Retirement</u></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Sick Days Per Year of Coverage</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Before 2011-2012</td> <td style="text-align: center;">30</td> </tr> <tr> <td style="text-align: center;">2011-2012</td> <td style="text-align: center;">33</td> </tr> <tr> <td style="text-align: center;">2012-2013</td> <td style="text-align: center;">35</td> </tr> <tr> <td style="text-align: center;">After 2012-2013</td> <td style="text-align: center;">40</td> </tr> </tbody> </table>	<u>School Year of Retirement</u>	<u>Sick Days Per Year of Coverage</u>	Before 2011-2012	30	2011-2012	33	2012-2013	35	After 2012-2013	40	Same as I
<u>School Year of Retirement</u>	<u>Sick Days Per Year of Coverage</u>												
Before 2011-2012	30												
2011-2012	33												
2012-2013	35												
After 2012-2013	40												

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
		<ul style="list-style-type: none"> • If the accrued district subsidy period is exhausted, or if the member does not meet the requirements for receiving a subsidy but requirements are met for the ACT 110/43 benefit, the member and spouse may continue the benefit by paying the full premium as determined for the purpose of COBRA. <p style="margin-left: 40px;">Dependents: Spouses included</p>	
III. CUSTODIAL MANITENANCE	<p>Must be eligible for one of the following:</p> <ul style="list-style-type: none"> • Attained at least 25 years of district service as of 12/31/2010 and be eligible for PSERS superannuation retirement. • ACT 110/43 	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug, and Dental • Premium Sharing: If the member had attained 25 years of service with the district as of December 31, 2010, and is eligible for PSERS superannuation retirement, the member may trade unused sick days at a rate of 60 days per year of medical, prescription drug, and dental benefits for the member and spouse for up to 7 years. In such case, the member will pay the active cost share amount. If the accrued district subsidy period is exhausted the member may continue the benefit by paying the full premium as determined for the purpose of COBRA • If the member does not meet the requirements for receiving a subsidy but requirements are met for the ACT 110/43 benefit, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA. • Dependents: Spouses included 	Same as I
IV. FOOD SERVICE	11 years of service with the district with age plus service greater than 70 or ACT 110/43.	<ul style="list-style-type: none"> • ACT 110/43 	Same as I
V. TEACHER ASSISTANTS AND AIDES	11 years of service with the district with age plus service greater than 70, or ACT 110/43.	<ul style="list-style-type: none"> • ACT 110/43 	Same as I

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

<i>GROUP</i>	<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
VI. ALL OTHER SUPPORT STAFF	Age 52 with 10 years of service with the district or AC 110/43.	<ul style="list-style-type: none"> • ACT110/43 	Same as I

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

Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

PSERS Superannuation Retirement:

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

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

Benefits not included in the Calculation: Benefits that include conversion of sick leave to dollar value that can be used towards the payment of postretirement medical, prescription drug, and dental benefits are not valued under GASB 45. It is assumed that these benefits are reported under the provisions of GASB 16.

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

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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

Contribution Rates:	
	OPEB Benefit Actuarially Determined
Interest Rate	4.5%
Plan Members	1,771
Annual Required Contribution	\$ 3,449,339
Interest on net OPEB obligation	473,993
Adjustment to annual required contribution	<u>(646,647)</u>
Annual OPEB cost	3,276,685
Contributions made	<u>(1,866,311)</u>
Increase in net OPEB obligation	1,410,374
Net OPEB obligation - beginning of year	<u>10,533,168</u>
Net OPEB obligation - end of year	<u>\$ 11,943,542</u>

The following table shows the two plans segregated by fund:

Actuarial Valuation by Fund

	Other Post Employment Benefit Plan			
	<u>General Fund</u>	<u>Fd. Service Fd.</u>	<u>Daycare Fund</u>	<u>Total</u>
Demographic Information:				
Active Participants	1,561	41	16	1,618
Retired Participants	<u>153</u>	<u>-</u>	<u>-</u>	<u>153</u>
Total	<u>1,714</u>	<u>41</u>	<u>16</u>	<u>1,771</u>
Annual Payroll of Active Participants	\$ 90,033,603	\$ 645,021	\$ 286,657	\$ 90,965,281
Annual Required Contributions	\$ 3,442,913	\$ 1,786	\$ 4,640	\$ 3,449,339
Interest on Net OPEB Obligation	469,139	2,067	2,787	473,993
Adjustment to Annual Required Contribution	<u>(640,025)</u>	<u>(2,820)</u>	<u>(3,802)</u>	<u>(646,647)</u>
Annual OPEB Cost	3,272,027	1,033	3,625	3,276,685
Contributions made	<u>(1,866,311)</u>	<u>-</u>	<u>-</u>	<u>(1,866,311)</u>
Increase in Net OPEB Obligation	1,405,716	1,033	3,625	1,410,374
Net OPEB Obligation - beginning of year	<u>10,425,300</u>	<u>45,938</u>	<u>61,930</u>	<u>10,533,168</u>
Net OPEB Obligation - end of year	<u>\$ 11,831,016</u>	<u>\$ 46,971</u>	<u>\$ 65,555</u>	<u>\$ 11,943,542</u>

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation of the five fiscal years ending June 30th, for the benefits were as follows:

<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 3,276,685	57.0%	\$ 11,943,542
6/30/2015	4,091,311	63.7%	10,533,168
6/30/2014	4,113,783	66.7%	9,046,923
6/30/2013	4,358,319	72.0%	7,675,875
6/30/2012	4,382,170	66.8%	6,457,554

Funded Status and Funding Process. The funded status of the benefits as of June 30, 2016 was as follows:

	State-mandated Healthcare <u>Benefit</u>
Actuarial accrued liability (a)	\$ 32,665,397
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 32,665,397</u>
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 90,965,281
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	35.9%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the benefits and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the district and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

	State-mandated Healthcare Benefit
Actuarial Valuation Date	7/1/2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar method over a 30 year period
Remaining amortization period	16.2889 years
Asset Valuation Method	pay as you go basis
Actuarial Assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.75% to 6.25%
Healthcare inflation rate	
2015	6.0%
2016	5.5%
2017-2089	5.5% to 3.8%

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 \$273,904, in nonspendable fund balance at June 30, 2016, comprised of \$229,270, of inventories on hand at year-end and \$44,634, 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 \$5,543,145 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 \$17,205,968, in fund balance at year end within this fund is considered restricted.

Committed Fund Balance

The School Board has committed \$6,500,000 to the Capital Reserve Fund and \$1,019,700 for East Hills Middle School HVAC improvements from the General Fund.

Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

Assigned Fund Balance

Management has assigned \$9,010,587 of the General Fund's for future retirement rate increases in their retirement contributions (\$3,000,000), and (\$1,000,000) for contributions to the Self-Insurance Employee Benefit Trust, (\$77,334) for Alternative Education Funds owed to PA, (\$18,900) for Nitschmann Middle School Budget Reserve, and (\$4,914,353) for balancing the 2016-17 General Fund budget. The fund balance of \$3, in the Non-Major Funds is assigned for the purpose of the Non-Major funds.

Note 8 – Net Position Restrictions

The net position for governmental activities, shown on the government-wide statement of net position has an overall deficit of \$296,374,329. The business-type activities column reflects a deficit of \$8,612,655, with \$147,465 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, 2016.

Litigation

In accordance with management, there are no legal matters that could materially affect the financial position of the District as of June 30, 2016.

Note 10 – New Accounting Pronouncements

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

- *Statement No. 74, Financial Reporting for Postemployment Benefits Other than Pension Plans –* The objective of this statement is to improve the usefulness of information about other postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces the requirements of Statement No. 44, *Financial Reporting for Postemployment Benefits Other than Pension Plans*.
- *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions –* This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016

- Statement No. 77, *Tax Abatement Disclosures* – The requirements of this Statement enhances the disclosure of information about the nature and magnitude of tax abatements to make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition.
- Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* – This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) provides benefits to governmental employees and non-governmental employees, and (3) has no predominant state or local governmental employer. This Statement, at present, will not apply to this government.
- Statement No. 80, *Blending Requirements for Certain Component Units* – This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion, in this Statement, requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.
- Statement No. 81, *Irrevocable Split-Interest Agreements* – The purpose of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement, at present, will not apply to this government.
- Statement No. 82, *Pension Issues (an amendment of GASB Statements No. 67, No. 68, and No. 73)* – This Statement addresses certain issues that have been raised on previous issued Statements pertaining to Pension Plans. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Note 11 – Subsequent Events

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) to advance refund all of the Districts, Series of 2010, currently outstanding in the aggregate principal amount of \$28,790,000 and (3) to pay the costs and expenses of issuing and insuring the 2016A bonds. We are reporting the following future debt service requirements at June 30, 2016, for informational purposes only. Interest rates range from 2.125% to 5.0%.

**Bethlehem Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ -	\$ 124,706
2017-18	5,000	124,706
2018-19	5,000	124,706
2019-20	5,000	124,706
2020-21	265,000	124,707
2021-26	31,715,000	623,530
2026-31	2,245,000	558,733
Total Outstanding	\$34,240,000	\$ 1,805,794

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 (1) for the planning, designing, acquiring, constructing and furnishing alterations and renovations to the Nitschmann Middle School and other public school facilities of the School District, (2) for replacement of turf and other athletic field improvements at the Freedom High School, (3) for HVAC and related improvements to the East Hills Middle School, and (4) to pay the costs and expenses of issuing and insuring the 2016B bonds. We are reporting the following future debt service requirements at June 30, 2016, for informational purposes only. Interest rates range from 2.125% to 5.0%.

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ -	\$ 247,860
2017-18	-	590,925
2018-19	-	590,925
2019-20	-	590,925
2020-21	-	590,925
2021-26	-	2,954,625
2026-31	10,000	2,954,506
2031-35	19,690,000	2,092,031
Total Outstanding	\$ 19,700,000	\$ 10,612,722

**REQUIRED
SUPPLEMENTAL INFORMATION**

**Bethlehem Area School District
Schedule of Funding Progress
Fiscal Year Ended June 30, 2016**

<u>State mandated healthcare benefit</u>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2015	\$ -	\$ 32,615,808	\$ 32,615,808	0.0%	\$ 90,965,281	35.86%
7/1/2013	-	41,107,681	41,107,681	0.0%	88,981,383	46.20%
7/1/2011	-	43,367,781	43,367,781	0.0%	86,721,609	50.01%

<u>Years of Service Increment</u>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2015	\$ -	\$ 729,674	\$ 729,674	0.0%	\$ 5,981,846	12.20%
7/1/2013	-	505,275	505,275	0.0%	6,087,311	8.30%
7/1/2011	-	430,559	430,559	0.0%	5,505,283	7.82%

**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, 2016**

	<u>2015-16</u>	<u>2014-15</u>
District's proportion of the net pension liability (asset)	0.7466%	0.7642%
District's proportionate share of the net pension liability (asset)	\$ 323,393,000	\$ 302,476,000
District's covered employee payroll	\$ 98,203,838	\$ 95,500,629
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	30.37%	31.57%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%

BETHLEHEM AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2016

	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Contractually required contribution	\$ 24,550,959	\$ 19,577,629	\$ 15,280,818	\$ 10,663,125	\$ 7,041,216	\$ 4,399,461	\$ 3,857,806	\$ 3,836,012	\$ 5,948,208	\$ 5,045,335
Contributions in relation to the contractually required contribution	<u>24,550,959</u>	<u>19,577,629</u>	<u>15,280,818</u>	<u>10,663,125</u>	<u>7,041,216</u>	<u>4,399,461</u>	<u>3,857,806</u>	<u>3,836,012</u>	<u>5,948,208</u>	<u>5,045,335</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 98,203,838	\$ 95,500,630	\$ 95,505,113	\$ 92,722,828	\$ 88,015,195	\$ 87,989,215	\$ 96,445,160	\$ 95,900,300	\$ 92,363,471	\$ 88,205,156
Contributions as a percentage of covered employee payroll	25.00%	20.50%	16.00%	11.50%	8.00%	5.00%	4.00%	4.00%	6.44%	5.72%

Bethlehem Area School District
Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2016

Public School Employees' Retirement System

Changes of benefit terms

None

Changes in assumptions

None

Methods and assumptions used in calculations of actuarially determined contributions

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

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

Proportionate Share of the Net Pension Liability

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

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

**Bethlehem Area School District
Combining Balance Sheet
All Capital Project Funds
As of June 30, 2016**

	CAPITAL RESERVE FUND	CAPITAL PROJECT FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,089,319	\$ 20,721,623	\$ 25,810,942
Restricted Cash	-	341	341
Investments	-	3,617,000	3,617,000
Restricted Investments	-	-	-
Other Receivables	-	-	-
Due from other funds	1,405,415	99,772	1,505,187
Due from Primary Government	-	-	-
Receivables from other governments	-	275,244	275,244
Other Recoverable Disbursements	-	-	-
Prepaid Expenditures	-	-	-
Inventories	-	-	-
TOTAL ASSETS	\$ 6,494,734	\$ 24,713,980	\$ 31,208,714
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 6,494,734	\$ 24,713,980	\$ 31,208,714
<u>LIABILITIES</u>			
Accounts Payable	\$ 843,335	\$ 3,611,756	\$ 4,455,091
Due to other funds	108,254	3,896,256	4,004,510
Due to Primary Government	-	-	-
Interest Payable	-	-	-
Current Portion of Long-Term Debt	-	-	-
Accrued Salaries and Benefits	-	-	-
Payable to other governments	-	-	-
Prepayments	-	-	-
Compensated Absences	-	-	-
TOTAL LIABILITIES	951,589	7,508,012	8,459,601
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned/Unavailable Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	951,589	7,508,012	8,459,601
FUND BALANCES:			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	5,543,145	17,205,968	22,749,113
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	-	-
TOTAL FUND BALANCES	5,543,145	17,205,968	22,749,113
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,494,734	\$ 24,713,980	\$ 31,208,714

Bethlehem Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2016

	<u>CAPITAL RESERVE FUND</u>	<u>CAPITAL PROJECT FUND</u>	<u>TOTAL CAPITAL PROJECT FUNDS</u>
REVENUES			
Local Sources	\$ 4,457	\$ 106,670	\$ 111,127
State Sources	-	1,581,875	1,581,875
Federal Sources	-	-	-
TOTAL REVENUES	<u>4,457</u>	<u>1,688,545</u>	<u>1,693,002</u>
EXPENDITURES			
Instruction	-	-	-
Support Services	-	-	-
Operation of Non-Instructional Services	-	-	-
Capital Outlay	1,235,573	17,083,166	18,318,739
Debt Service	-	-	-
TOTAL EXPENDITURES	<u>1,235,573</u>	<u>17,083,166</u>	<u>18,318,739</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,231,116)</u>	<u>(15,394,621)</u>	<u>(16,625,737)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Bond Issues	-	-	-
Bond Premium	-	-	-
Transfer from Primary Government	-	-	-
Payment to bond refunding escrow agent	-	-	-
Bond Discount	-	-	-
Swap Termination Fee	-	-	-
Sale/Compensation for Fixed Assets	-	-	-
Transfers in	3,656,500	-	3,656,500
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>3,656,500</u>	<u>-</u>	<u>3,656,500</u>
NET CHANGE IN FUND BALANCES	2,425,384	(15,394,621)	(12,969,237)
FUND BALANCES - BEGINNING	<u>3,117,761</u>	<u>32,600,589</u>	<u>35,718,350</u>
FUND BALANCES - ENDING	<u>\$ 5,543,145</u>	<u>\$ 17,205,968</u>	<u>\$ 22,749,113</u>

**Bethlehem Area School District
Combining Balance Sheet
All Non-Major Governmental Funds
As of June 30, 2016**

	SPECIAL REVENUE FUND AUTHORITY GENERAL FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
	FUND	FUNDS
<u>ASSETS</u>		
Cash and cash equivalents	\$ 974,647	\$ 974,647
Investments	-	-
Other Receivables	-	-
Due from other funds	-	-
Due from Primary Government	-	-
Prepaid Expenditures	-	-
TOTAL ASSETS	\$ 974,647	\$ 974,647
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charges on Refundings, net	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 974,647	\$ 974,647
<u>LIABILITIES</u>		
Accounts Payable	\$ -	\$ -
Current Portion of Long-Term Debt	5,000	5,000
Due to other funds	-	-
Interest Payable	-	-
Other current liabilities	969,644	969,644
TOTAL LIABILITIES	974,644	974,644
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unearned/Unavailable Revenue	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	974,644	974,644
FUND BALANCES:		
Nonspendable Fund Balance	-	-
Restricted Fund Balance	-	-
Committed Fund Balance	-	-
Assigned Fund Balance	3	3
TOTAL FUND BALANCES	3	3
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 974,647	\$ 974,647

Bethlehem Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Non-Major Governmental Funds
For the Year Ended June 30, 2016

	SPECIAL REVENUE	
	<u>FUND</u>	TOTAL
	AUTHORITY	NON-MAJOR
	GENERAL	GOVERNMENTAL
	FUND	FUNDS
REVENUES		
Local Sources	\$ 4,298,085	\$ 4,298,085
State Sources	-	-
Federal Sources	-	-
TOTAL REVENUES	4,298,085	4,298,085
 EXPENDITURES		
Instruction	-	-
Support Services	-	-
Operation of Non-Instructional Services	-	-
Capital Outlay	-	-
Debt Service	4,298,085	4,298,085
TOTAL EXPENDITURES	4,298,085	4,298,085
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-
 OTHER FINANCING SOURCES (USES)		
Proceeds from Refunding Bond Issues	-	-
Bond Premium	-	-
Payment to bond refunding escrow agent	-	-
Bond Discount	-	-
Transfers in	-	-
Transfers out	-	-
TOTAL OTHER FINANCING SOURCES AND USES	-	-
 NET CHANGE IN FUND BALANCES	-	-
 FUND BALANCES - BEGINNING	3	3
 FUND BALANCES - ENDING	\$ 3	\$ 3

Bethlehem Area School District
Combining Statement of Changes In Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2016

SCHOLARSHIP/AWARD	7/1/15 NET POSITION	CONTRIBUTIONS	INTEREST	AWARDS	6/30/16 NET POSITION
Minority Scholarships/Awards:					
General Scholarships	\$ 23,753	\$ 20,150	\$ -	\$ 26,325	\$ 17,578
Lee Mae Segal - Minority Affairs	41,586	-	-	1,000	40,586
Freedom High School Scholarships:					
180 Degree Class of 2011	5,481	500	-	1,250	4,731
Charlotte L. Jay	-	500	-	500	-
Donley Award for Excellence	-	-	-	-	-
Elizabeth Bette Ann Rinker	1,591	-	-	100	1,491
Elizabeth Shine	12	-	-	-	12
Ethel Mae Bunny	413	-	-	25	388
Freedom Athletic-Charles Dubbs-SS	148	-	-	-	148
Janet Mack	1	-	-	-	1
Lee Mae Segal	9	-	-	-	9
Margaret "Peggy" Fluck Business	-	25	-	25	-
Marion B. Goodman-SS	886	-	-	100	786
Mary Ann Orlando Memorial	100	100	-	200	-
Mary Catherine Anthony	-	150	-	150	-
NorthEast TreeWorx	45	1,925	-	1,900	70
Ray Salabsky	-	150	-	150	-
Robert J. Whirl	-	600	-	600	-
Ron Madouse	-	500	-	-	500
Student Services	-	995	-	800	195
Taylor Brown Award	-	100	-	100	-
Todd E. Beinich Memorial	-	2,000	-	2,000	-
Webster Koehler Math Fund	454	-	-	25	429
William M. Calloway Attendance	-	100	-	100	-
Liberty High School Scholarships:					
Al Senivitis	6,472	-	-	500	5,972
All College Week Scholarship	-	600	-	600	-
Capt. Donald Kilpatrick Memorial	515	-	-	100	415
Carlton Weaver	1	50	-	51	-
Charles Klein Memorial	5,747	249	-	650	5,346
Class of 1941	17	-	-	17	-
Class of 1965	-	5,000	-	5,000	-
Class of 2014	8,755	-	-	1,000	7,755
Daniel Tomanio	-	500	-	500	-
Donald Snider	1	50	-	51	-
Donley Awards for Excellence	-	-	-	-	-
Elly Vasquez	870	300	-	200	970
Ginny Rohn	3,742	-	-	250	3,492
James Delgrosso Scholarship	8,008	-	-	1,000	7,008
James Diefenderfer Scholarship	-	-	-	-	-
James Krasley Scholarship	75	-	-	75	-
John Priestas Scholarship	2,349	-	-	1,000	1,349
Joy Shuler Memorial	-	640	-	-	640
Kraig E. Yurchak Memorial	651	-	-	75	576
Louis N. Chiadis	-	100	-	100	-
Mabel Keichner Memorial	13,699	-	-	1,000	12,699
Martha Schaedler Schabhuetti Scholarship	110,238	-	-	4,000	106,238
Ronald P. Sherry	-	250	-	250	-
Ruth Metzger	-	100	-	100	-
Trevor Van Akeren	875	-	-	600	275
Walter Batt, Jr. Memorial	892	-	-	250	642
Miscellaneous Scholarships:					
MSS	1,297	-	3	-	1,300
Interest	-	-	311	-	311
Knauss Scholarship	-	918	-	-	918
Scholarship	-	2,626	-	2,500	126
Natalie Merkin Scholarship	600	70	-	-	670
TOTAL	\$ 239,283	\$ 39,248	\$ 314	\$ 55,219	\$ 223,626

**Bethlehem Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2016**

	Bethlehem Township	Freemansburg	Fountain Hill	Hanover Township	City of Bethlehem		Total
					Lehigh	Northampton	
<u>Current Real Estate Taxes</u>							
Assessed Value	\$ 831,340,500	\$ 43,981,100	\$ 236,283,100	\$ 519,451,050	\$ 1,400,909,600	\$ 1,129,594,000	\$ 4,161,559,350
Millage Rate	0.05251	0.05251	0.01623	0.05251	0.01623	0.05251	Avg.
Total Tax to be Collected	43,653,690	2,309,448	3,834,875	27,276,375	22,736,763	59,314,981	159,126,132
Less: Act 1 Deduction	1,294,212	106,746	189,150	650,092	776,324	1,714,199	4,730,723
Total Taxable Duplicate	42,359,478	2,202,702	3,645,724	26,626,283	21,960,439	57,600,782	154,395,408
Plus:							
Additions	-	-	-	-	-	-	-
Overpayments	415	-	31	(6,016)	(14,644)	(2,891)	(23,105)
Penalties	80,110	4,173	8,733	28,313	66,378	133,460	321,167
Total Taxes to be Collected	42,440,003	2,206,875	3,654,488	26,648,580	22,012,173	57,731,351	154,693,470
Less -							
Discounts	672,174	34,049	53,445	442,450	341,799	893,774	2,437,691
Reductions	10,613	-	-	4,999	1,294	72,863	89,769
Refunds	6,917	-	-	-	49,500	62,740	119,157
TIFF Payments	-	-	-	1,099	-	4,561,760	4,562,859
Exonerations	2,244	-	1,486	-	-	41,442	45,172
Returned to County	1,044,540	81,429	157,396	182,750	527,927	1,801,005	3,795,047
Outstanding	-	-	-	-	-	-	-
Net Current Real Estate Taxes Collected	\$ 40,703,515	\$ 2,091,397	\$ 3,442,161	\$ 26,017,282	\$ 21,091,653	\$ 50,297,767	\$ 143,643,775
<u>Current Interim Real Estate Taxes Collected</u>	\$ 615,414	\$ 3,773	\$ 569	\$ 297,631	\$ 345,523	\$ 446,969	\$ 1,709,879
<u>Current Per Capita Taxes</u>						<u>Combined</u>	
No. of Persons Assessed	18,559	2,049	2,755	9,743	-	53,757	86,863
Tax Rate	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
Taxable Valuation	\$ 185,590	\$ 20,490	\$ 27,550	\$ 97,430	\$ -	\$ 537,570	\$ 868,630
Plus -							
Additions	1,630	310	410	580	-	3,200	6,130
Adjustments	8	4	(1)	3	-	34	48
Penalties	749	82	128	353	-	1,839	3,151
Collections made by the District	20	-	-	20	-	59	99
Taxes to be Collected	187,997	20,886	28,087	98,386	-	542,702	878,058
Less -							
Discounts	2,146	150	211	1,191	-	4,388	8,086
Exonerations	4,864	324	420	3,070	-	10,140	18,818
Refunds	-	-	-	-	-	-	-
Returned to Delinquent Tax Collector	44,330	10,100	12,690	20,040	-	227,710	314,870
Outstanding	-	-	-	-	-	-	-
Reductions	8,540	1,050	1,100	4,760	-	32,840	48,290
Net Current Per Capita Taxes Collected	\$ 128,117	\$ 9,262	\$ 13,666	\$ 69,325	\$ -	\$ 267,624	\$ 487,994

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2016

<u>6000 - Revenue from Local Sources</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
6111	Current Real Estate Taxes	\$ 142,943,278	\$ 143,643,775	\$ 700,497
6112	Interim Real Estate Taxes	800,507	1,709,879	909,372
6113	Public Utility	190,000	177,244	(12,756)
6114	Payment in Lieu of Taxes	245,000	445,817	200,817
6120	Current Per Capita Taxes - 679	217,000	243,997	26,997
6141	Current Per Capita Taxes - 511	217,000	243,997	26,997
6143	Local Services Tax	307,500	327,658	20,158
6151	Earned Income Tax	13,703,550	13,563,405	(140,145)
6153	Real Estate Transfer Tax	2,000,000	3,203,903	1,203,903
6157	Act 511 Mercantile Taxes	2,860,000	3,808,516	948,516
6411	Delinquent Real Estate Taxes	4,500,000	4,617,867	117,867
6420	Delinquent Per Capita Taxes	76,000	51,012	(24,988)
6457	Delinquent Mercantile Taxes	410,000	552,539	142,539
6510	Interest	65,040	191,368	126,328
6530	Gains or Losses on Sale of Investments	3,400	-	(3,400)
6710	Admissions	125,000	130,635	5,635
6740	Fees	111,000	97,350	(13,650)
6750	Other Student Activity Income	3,500	5,430	1,930
6832	Federal Revenue from Local Sources	1,869,425	1,998,961	129,536
6910	Rentals	585,750	1,136,060	550,310
6920	Contributions	403,978	363,771	(40,207)
6942	Summer School	59,000	48,647	(10,353)
6944	Receipts from Other LEA's - Education	44,895	431,473	386,578
6970	Services provided to Other Funds	-	299,112	299,112
6980	Revenue from Community Services	2,000	2,500	500
6991	Refunds of Prior Yr. Expenditures	550,000	80,608	(469,392)
6992	Energy Efficient Revenues	-	9,744	9,744
6999	Miscellaneous	210,000	148,972	(61,028)
	TOTAL REVENUE FROM LOCAL SOURCES	172,502,823	177,534,240	5,031,417
<u>7000 - Revenue from State Sources</u>				
7110	Basic Subsidy - ESBE	29,764,852	29,220,357	(544,495)
7160	Orphan Tuition	225,000	280,697	55,697
7250	Migratory Children	1,000	1,200	200
7271	Special Education	6,584,843	6,969,586	384,743
7292	Pre-K Counts	597,360	646,000	48,640
7311	Pupil Transportation Subsidy	2,300,000	1,360,637	(939,363)
7312	Nonpublic and Charter School Pupil Transportation	-	910,525	910,525
7320	Rentals	1,847,430	1,739,537	(107,893)
7330	Health Services	350,000	331,621	(18,379)
7340	State Property Tax Reduction Allocation	4,741,858	4,741,858	-
7360	Safe Schools	-	24,996	24,996
7505	Ready to Learn Grant	1,449,034	1,797,733	348,699
7599	Other State revenue not listed elsewhere	1,117,454	139,454	(978,000)
7810	FICA Revenue	3,688,455	3,450,567	(237,888)
7820	Retirement Revenue	12,088,102	12,330,176	242,074
	TOTAL REVENUE FROM STATE SOURCES	64,755,388	63,944,944	(810,444)

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2016

<u>8000 - Revenue from Federal Sources</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
8110	Payments for Federally Impacted Areas	\$ 50,000	\$ 48,255	\$ (1,745)
8514	Title I	3,743,789	3,906,530	162,741
8515	Title IIA, IID	686,456	672,652	(13,804)
8516	Title III	256,916	245,438	(11,478)
8580	Child Care Grants	164,581	164,581	-
8810	Medical Assistance Reimbursements (Access)	250,000	446,338	196,338
8820	Medical Assistance Reimbursement for Health Related	70,000	90,496	20,496
	TOTAL REVENUE FROM FEDERAL SOURCES	<u>5,221,742</u>	<u>5,574,290</u>	<u>352,548</u>
<u>9000 - Other Financing Sources</u>				
9200	Proceeds from Extended Term Financing	-	677,898	677,898
9400	Sale of or Compensation for Loss of Fixed Assets	20,000	791,000	771,000
9910	Other Financing Sources Not Listed Elsewhere	2,367,350	-	(2,367,350)
	TOTAL OTHER FINANCING SOURCES	<u>2,387,350</u>	<u>1,468,898</u>	<u>(918,452)</u>
	 TOTAL REVENUES AND OTHER FINANCING SOURCES	 <u>\$ 244,867,303</u>	 <u>\$ 248,522,372</u>	 <u>\$ 3,655,069</u>
<u>1000 - Instruction</u>				
1110	Regular Programs - Elem./Secondary	\$ 105,554,227	\$ 105,840,272	\$ (286,045)
1190	Federally Funded Regular Programs	3,792,174	3,505,149	287,025
1211	Life Skills Support - Public	2,209,463	2,209,297	166
1221	Deaf or Hearing Impaired Support	490,212	490,212	-
1224	Blind or Visually Impaired Support	44,748	44,748	-
1225	Speech & Language Impaired	1,727,710	1,727,087	623
1231	Emotional Support	4,593,951	4,593,912	39
1233	Autistic Support	2,479,545	2,479,545	-
1241	Learning Support - Public	13,318,888	13,317,954	934
1243	Gifted Support	902,259	902,131	128
1260	Physical Support	797,423	797,423	-
1270	Multi-Handicapped Support	558,194	558,194	-
1280	Early Intervention Support	69,352	69,352	-
1290	Other Support	5,442,291	5,442,291	-
1390	Other Vocational Education Programs	7,028,981	7,028,981	-
1420	Summer School	222,425	222,425	-
1430	Homebound Instruction	131,138	131,138	-
1441	Adjudicated/Court Placed Programs	112,847	112,847	-
1442	Alternative Education Program	667,056	667,056	-
1450	Instructional Programs Outside Established Schools	141,433	141,433	-
1490	Additional Other Instructional Program	3,268	3,268	-
1500	Nonpublic School Programs	12	8	4
1690	Other Adult Education Programs	-	-	-
1700	Community College Programs	2,353,634	2,353,634	-
1801	Pre-K Instruction	624,400	624,352	48
1802	Pre-K Admin Support	29,241	29,241	-
1805	Pre-K Food Services	659	659	-
1806	Pre-K Professional Development	5	5	-
	Total Instruction	153,295,536	153,292,614	2,922

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2016

2000 - Support Services		Budget	Actual	Variance
2110	Supervision of Pupil Personnel Services	1,112	-	1,112
2119	Supervision of Student Services - All Other Supervision	420,819	421,901	(1,082)
2120	Guidance Services	6,104,971	6,104,396	575
2130	Attendance Services	336,792	336,792	-
2140	Psychological Services	1,483,380	1,483,380	-
2160	Social Work Services	553,259	553,239	20
2170	Student Accounting Services	359,688	359,662	26
2190	Other Pupil Personnel Services	449	96	353
2220	Technology Support Services	272,112	272,089	23
2230	Educational Television Services	4,287	4,287	-
2240	Computer Assisted Instruction Services	413,952	413,218	734
2250	School Library Services	1,912,719	1,912,667	52
2260	Instructional & Curriculum Dev. Service	2,191,536	2,191,400	136
2271	Instructional Staff Development Services	808,763	808,543	220
2272	Instructional Staff Development Service	40,314	40,314	-
2280	Nonpublic Support Services	73,132	73,132	-
2310	Board Services	145,051	145,051	-
2330	Tax Assessment & Collection Service	1,072,338	1,072,321	17
2340	Staff Relations	12,642	12,642	-
2350	Legal Services	326,370	326,370	-
2360	Office of the Superintendent Services	465,027	464,915	112
2370	Community Relations Services	107,175	106,750	425
2380	Office of the Principal Services	8,691,930	8,690,218	1,712
2390	Other Administration Services	73,607	73,176	431
2419	Supervision of Health Services - All Other	151,073	151,059	14
2420	Medical Services	3,330	3,330	-
2430	Dental Services	9,339	9,339	-
2440	Nursing Services	1,845,372	1,845,342	30
2450	Non Public Health Service	213,210	213,192	18
2490	Nonpublic Health Services	20,692	17,569	3,123
2511	Supervision of Fiscal Services	324,328	324,091	237
2513	Receiving and Disbursing Funds Services	286,248	286,226	22
2514	Payroll Services	312,962	312,885	77
2515	Financial Accounting Services	35,334	35,334	-
2516	Internal Auditing Services	88,499	88,499	-
2519	Other Fiscal Services	86,748	86,464	284
2520	Purchasing Services	72,110	72,110	-
2530	Warehousing and Distributing Services	175,857	175,843	14
2540	Printing, Publishing and Duplicating Services	430,078	430,066	12
2590	Other Support Services - Business	85	85	-
2611	Supervision of Operation and Maintenance of Plant	308,854	308,742	112
2619	Supervision of Operation and Maintenance of Plant	462,923	462,887	36
2620	Operation of Building Services	14,486,209	14,485,558	651
2630	Care and Upkeep of Grounds Services	877,835	877,799	36
2650	Vehicle Operation and Maint. Services	380,509	380,509	-
2660	Security Services	848,854	848,839	15
2719	Supervision of Student Transportation Services	496,065	495,937	128
2720	Vehicle Operation Services	5,743,322	5,742,110	1,212
2730	Monitoring Services	486,818	486,790	28
2740	Vehicle Servicing and Maintenance Services	1,294,027	1,293,878	149
	Sub-Total - Support Services	55,312,106	55,301,042	11,064

Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sub-Total - Support Services (Carried Forward)	\$ 55,312,106	\$ 55,301,042	\$ 11,064
2818 System Wide Technology Services	2,640,600	2,640,480	120
2820 Information Services	3,760	-	3,760
2821 Supervision of Information Services	247,519	247,498	21
2823 Public Information Services	59,082	62,842	(3,760)
2831 Supervision of Staff Services	324,399	324,382	17
2832 Recruitment and Placement Services	144,106	144,094	12
2833 Staff Accounting Services	417,516	417,495	21
2834 Staff Development Services - Non-Instructional	239,689	239,173	516
2835 Health Services	352,292	352,292	-
2836 Staff Development Services - Non-Instructional	90,241	89,783	458
2840 Data Processing Services	1,165,046	1,164,457	589
2850 State and Federal Agency Liaison Services	333,272	332,431	841
2910 Support Services not listed elsewhere	<u>109,269</u>	<u>109,269</u>	<u>-</u>
Total Support Services	61,438,897	61,425,238	13,659
 <u>3000 - Operation of Non-Instructional Services</u>			
3210 School Sponsored Student Activities	536,474	535,976	498
3250 School Sponsored Athletics	2,264,745	2,264,708	37
3300 Community Services	71,471	71,241	230
3400 Scholarships and Awards	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Instructional Services	<u>2,872,690</u>	<u>2,871,925</u>	<u>765</u>
 <u>4000 - Facilities Acquisition, Construction, and Improvement Svcs.</u>			
4200 Existing Site Improvement Services	-	-	-
4400 Architecture and Engineering Services	4,950	4,950	-
4600 Existing Building Improvement Services	<u>754</u>	<u>-</u>	<u>754</u>
Total Facilities Acquisition, Construction, and Improvement Svcs.	5,704	4,950	754
 <u>5000 - Other Expenditures and Financing Uses</u>			
5110 Debt Service	23,220,109	23,220,109	-
5130 Refund of Prior Yr. Receipts	246,614	246,614	-
5230 Capital Projects Fund Transfers	3,656,500	3,656,500	-
5310 Transfers To Component Units	99,096	99,096	-
5900 Budgetary Reserve	<u>32,157</u>	<u>-</u>	<u>32,157</u>
Total Other Expenditures and Financing Uses	<u>27,254,476</u>	<u>27,222,319</u>	<u>32,157</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 <u>\$ 244,867,303</u>	 <u>\$ 244,817,046</u>	 <u>\$ 50,257</u>

**Bethlehem Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 244,867,303	\$ 248,522,372	\$ 3,655,069
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>244,867,303</u>	<u>244,817,046</u>	<u>50,257</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	3,705,326	3,705,326
Special Items	-	-	-
Extraordinary Items - Insurance Recoveries	<u>-</u>	<u>1,000</u>	<u>1,000</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES AFTER SPECIAL ITEMS AND EXTRAORDINARY ITEMS	-	3,706,326	3,706,326
FUND BALANCE - JULY 1, 2015	<u>21,552,634</u>	<u>27,855,824</u>	<u>6,303,190</u>
FUND BALANCE - JUNE 30, 2016	<u>\$ 21,552,634</u>	<u>\$ 31,562,150</u>	<u>\$ 10,009,516</u>

**Bethlehem Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2016**

FUND BALANCE - JULY 1, 2015 \$ 3,117,761

REVENUES AND OTHER FINANCING SOURCES

Interest	\$ 4,457	
Transfer from General Fund	3,656,500	3,660,957
TOTAL FUNDS AVAILABLE		6,778,718

EXPENDITURES

INSTRUCTIONAL SERVICES:

Equipment -

SUPPORT SERVICES:

Professional Services -

Repairs and Maintenance -

Legal & Accounting -

Admin. Software and Fees -

Dues and Fees -

Equipment -

CAPITAL OUTLAY:

Professional Services 30,377

Other Purchased Services -

Land Improvements 526,620

Construction Services 678,262

Architect & Engineering -

Building Acquisition -

Dues and Fees 314

Other Financing Uses:

Transfer to General Fund	-	1,235,573
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FUND BALANCE - JUNE 30, 2016 **\$ 5,543,145**

**Bethlehem Area School District
Special Revenue (Authority General Fund) Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2016**

FUND BALANCE - JULY 1, 2015 \$ 3

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Refunding Bond Issues	\$ -		
Transfer from General Fund	-		
Interest Earnings	4,298,085		4,298,085
TOTAL FUNDS AVAILABLE			4,298,088

EXPENDITURES AND OTHER FINANCING USES

SUPPORT SERVICES:

Professional Services		-	
Advertising		-	
Printing		-	
Dues and Fees		-	

NON-INSTRUCTIONAL SERVICES:

Equipment		-	
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DEBT SERVICE:

Bond Principal	45,000		
Bond Interest	4,253,085		

OTHER FINANCING USES:

Payment to Refunding Bond Issue Escrow Agent		-	4,298,085

FUND BALANCE - JUNE 30, 2016 **\$ 3**

**Bethlehem Area School District
Capital Project Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2016**

FUND BALANCE - JULY 1, 2015 \$ 32,600,589

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Bond Issues	\$	-	
Gain (Loss) on Sale of Investments		-	
Bond Premium		-	
Other State Revenues		1,581,875	
Interest Earnings		106,670	
		1,688,545	
TOTAL FUNDS AVAILABLE			34,289,134

EXPENDITURES AND OTHER FINANCING USES

INSTRUCTIONAL:

Supplies		-	
Equipment		-	

SUPPORT SERVICES:

Salaries		-	
Benefits		-	
Professional Services		-	
Repairs and Maintenance		-	
Printing		-	
Property and Liability Insurance		-	
Disposal Services		-	
Telecommunication Services		-	
Supplies		-	
Technology Infrastructure		-	
Equipment		-	
Dues and Fees		-	

NON-INSTRUCTIONAL SERVICES:

Equipment		-	
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CAPITAL OUTLAY:

Professional Services		912,487	
Existing Site Improvements		-	
Construction Services		16,157,096	
Rentals		8,839	
Equipment		-	
Other Purchased Services		1,397	
Dues and Fees		3,347	
Technology Infrastructure		-	

DEBT SERVICE:

Bond Discount		-	
Transfer to General Fund		-	17,083,166
FUND BALANCE - JUNE 30, 2016		17,205,968	\$ 17,205,968

Bethlehem Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2016

REVENUES

Sales	\$ 1,416,790	
Donated Commodities	454,506	
Special Events	389,486	
Federal Equipment Grant	6,425	
State Subsidies	500,527	
Federal Subsidies	4,428,316	
Gain (Loss) on Sale of Fixed Assets	-	
Interest earnings	449	
Rentals	-	
Transfers from General Fund	-	
Miscellaneous	535	
Contributions	3,850	
TOTAL REVENUES		\$ 7,200,884

COST OF COMMODITIES

Beginning Inventory	128,139	
Food Service Management - Food	2,410,314	
Donated Commodities	454,505	
Ending Inventory	(130,690)	
TOTAL COST OF COMMODITIES SOLD		2,862,268
GROSS PROFIT		4,338,616

OPERATING EXPENSES

Salaries	1,760,164	
Self-Insured Medical Benefits	468,288	
Self-Insured Dental Benefits	3,713	
Self-Insured Prescriptions	17,333	
Fica Tax	133,690	
Retirement Contributions	559,549	
Other Benefits	37,704	
Tech & Other Services	436	
Refuse	56,606	
Repairs and Maintenance	61,431	
Electricity	59,436	
Rentals	7,167	
Communications	7,365	
Food Service Management Costs	1,066,169	
Travel	332	
Supplies	27,248	
Technology Supplies	583	
Small Tools	2,200	
Depreciation	23,149	
Dues and Fees	5,568	
TOTAL EXPENSES		4,298,131

CHANGES IN FUND NET POSITION

40,485

FUND NET POSITION - JULY 1, 2015

(5,277,526)

FUND NET POSITION - JUNE 30, 2016

\$ (5,237,041)

**Bethlehem Area School District
Day Care Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2016**

REVENUES

Regular Day School Tuition	\$ 1,593,852	
Revenue from Community Service Activities	631,822	
State Revenue	67,775	
Fica Revenue	44,243	
Retirement Revenue	149,910	
Donations	-	
Child Care and Development grant	-	
Miscellaneous	6,928	
Earnings on Investments	1,431	
TOTAL REVENUES	2,495,961	\$ 2,495,961

OPERATING EXPENSES

Salaries	1,191,471	
Self-ins. Medical Benefits	416,562	
Self-ins. Dental Benefits	32,146	
Self-ins. Prescriptions	144,312	
Self-Ins. Eye Care	98	
Fica Tax	89,186	
Retirement Contributions	397,404	
Workers Compensation	10,454	
Unemployment Compensation	233	
Other Benefits	8,524	
Professional Services	5,807	
Disposal	-	
Other Purchased Services	299,112	
Small Equipment	13,545	
Communications	1,478	
Travel	1,192	
Field Trips	-	
Repairs and Maintenance	-	
Supplies	6,840	
Meals/Refreshments	445	
Depreciation	-	
Miscellaneous	1,132	
Dues and Fees	8,119	
Bad Debt Expense	-	
TOTAL EXPENSES	2,628,060	2,628,060
CHANGES IN FUND NET POSITION		(132,099)
FUND NET POSITION - JULY 1, 2015		(3,096,050)
FUND NET POSITION - JUNE 30, 2016		\$ (3,228,149)

**Bethlehem Area School District
Self-Insurance Fund (Component Unit)
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016**

ADDITIONS

Contributions from Other Funds	\$ 27,182,901	
Cobra and Co-Pay Payments	1,385,614	
Transfers from General Fund (Primary Government)	99,096	
Interest Earnings	15,670	
Other Misc. Revenue	99,741	
TOTAL REVENUES	28,783,022	\$ 28,783,022

DEDUCTIONS

Health Benefit Costs	19,351,376	
Dental Costs	1,409,106	
Drug Costs	6,831,206	
Unemployment	111,186	
PA Trust - Stop Loss Insurance	517,867	
Workers Compensation	43,204	
Dues and Fees	154,182	
Professional Services	2,272	
TOTAL EXPENSES	28,420,399	28,420,399

CHANGES IN NET POSITION 362,623

NET POSITION - JULY 1, 2015 12,629,397

NET POSITION - JUNE 30, 2016 **\$ 12,992,020**

Bethlehem Area School District
Schedule on General Obligation Bonds - Series A of 2007
For the Year Ended June 30, 2016

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	\$ 25,875	\$ 1,035,000
TOTAL OUTSTANDING	\$ 25,875	\$ 1,035,000

Schedule on General Obligation Bonds - Series A of 2009
For the Year Ended June 30, 2016

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	\$ 2,127,944	\$ 8,045,000
2017-18	1,763,819	9,005,000
2018-19	1,406,569	6,410,000
2019-20	1,160,444	3,435,000
2020-21	914,943	6,385,000
2021-22	469,081	13,470,000
2022-23	131,544	2,280,000
2023-24	40,121	1,735,000
TOTAL OUTSTANDING	\$ 8,014,465	\$ 50,765,000

Schedule on General Obligation Bonds - Series AA of 2009
For the Year Ended June 30, 2016

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	\$ 580,400	\$ -
2017-18	580,400	-
2018-19	523,400	3,000,000
2019-20	338,200	6,410,000
2020-21	105,000	5,000,000
TOTAL OUTSTANDING	\$ 2,127,400	\$ 14,410,000

**Bethlehem Area School District
Schedule on General Obligation Bonds - Series B of 2009
For the Year Ended June 30, 2016**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	\$ 346,526	\$ 495,000
2017-18	329,434	510,000
2018-19	310,438	530,000
2019-20	289,369	550,000
2020-21	266,294	575,000
2021-22	241,575	595,000
2022-23	214,869	625,000
2023-24	186,006	640,000
2024-25	155,769	650,000
2025-26	124,000	670,000
2026-27	90,419	690,000
2027-28	55,419	710,000
2028-29	18,834	735,000
TOTAL OUTSTANDING	\$ 2,628,952	\$ 7,975,000

**Schedule on General Obligation Bonds - Series of 2010
For the Year Ended June 30, 2016**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	\$ 1,387,987	\$ 5,000
2017-18	1,387,837	5,000
2018-19	1,387,672	5,000
2019-20	1,387,498	5,000
2020-21	1,387,297	5,000
2021-22	1,387,098	20,000
2022-23	1,386,297	5,530,000
2023-24	1,154,038	6,475,000
2024-25	878,850	8,135,000
2025-26	451,762	8,605,000
TOTAL OUTSTANDING	\$ 12,196,336	\$ 28,790,000

**Bethlehem Area School District
Schedule on Guaranteed Revenue Bonds - Series of 2011
For the Year Ended June 30, 2016**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	\$ 347,999	\$ 5,000
2017-18	347,956	5,000
2018-19	347,913	5,000
2019-20	347,870	5,000
2020-21	347,827	5,000
2021-22	347,784	5,000
2022-23	337,447	1,310,000
2023-24	325,740	1,365,000
2024-25	309,576	1,925,000
2025-26	292,341	2,010,000
2026-27	253,234	4,775,000
2027-28	210,448	4,990,000
2028-29	165,812	5,205,000
2029-30	115,145	5,950,000
2030-31	61,578	6,250,000
2031-32	4,758	6,635,000
TOTAL OUTSTANDING	\$ 4,163,428	\$ 40,445,000

**Schedule on General Obligation Bonds - Series of 2011
For the Year Ended June 30, 2016**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	\$ 1,287,336	\$ 5,000
2017-18	1,287,244	5,000
2018-19	1,287,137	5,000
2019-20	1,287,019	5,000
2020-21	1,286,887	5,000
2021-22	1,286,744	5,000
2022-23	1,225,497	3,915,000
2023-24	1,096,234	4,035,000
2024-25	954,819	4,190,000
2025-26	772,744	4,350,000
2026-27	579,900	4,485,000
2027-28	403,206	4,630,000
2028-29	214,806	4,790,000
2029-30	59,503	2,885,000
TOTAL OUTSTANDING	\$ 13,029,076	\$ 33,310,000

**Bethlehem Area School District
Schedule on Guaranteed Revenue Bonds - Series A of 2011
For the Year Ended June 30, 2016**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	\$ 257,924	\$ 5,000
2017-18	257,881	5,000
2018-19	257,837	5,000
2019-20	257,794	5,000
2020-21	257,751	5,000
2021-22	257,708	5,000
2022-23	257,665	5,000
2023-24	257,622	5,000
2024-25	257,579	5,000
2025-26	257,536	5,000
2026-27	257,493	5,000
2027-28	257,450	5,000
2028-29	257,407	5,000
2029-30	249,745	2,130,000
2030-31	190,290	13,600,000
2031-32	71,180	14,180,000
TOTAL OUTSTANDING	\$ 3,860,862	\$ 29,975,000

**Schedule on Guaranteed Revenue Bonds - Series of 2014
For the Year Ended June 30, 2016**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	\$ 228,137	\$ 35,000
2017-18	227,857	40,000
2018-19	227,555	40,000
2019-20	227,252	40,000
2020-21	226,950	40,000
2021-22	226,648	40,000
2022-23	226,346	40,000
2023-24	226,043	40,000
2024-25	225,741	40,000
2025-26	225,439	40,000
2026-27	204,076	6,730,000
2027-28	151,938	7,140,000
2028-29	96,608	7,580,000
2029-30	36,867	8,365,000
TOTAL OUTSTANDING	\$ 2,757,457	\$ 30,210,000

Bethlehem Area School District
Schedule on General Obligation Bonds - Series A of 2015
For the Year Ended June 30, 2016

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	\$ 1,500,000	\$ -
2017-18	1,500,000	-
2018-19	1,500,000	-
2019-20	1,500,000	-
2020-21	1,500,000	-
2021-22	1,500,000	-
2022-23	1,500,000	-
2023-24	1,500,000	-
2024-25	1,500,000	-
2025-26	1,500,000	-
2026-27	1,500,000	-
2027-28	1,500,000	-
2028-29	1,500,000	-
2029-30	1,500,000	-
2030-31	1,500,000	-
2031-32	1,500,000	-
2032-33	1,326,250	6,950,000
2033-34	969,875	7,305,000
2034-35	595,375	7,675,000
2035-36	201,750	8,070,000
TOTAL OUTSTANDING	\$ 27,093,250	\$ 30,000,000

Schedule on General Obligation Notes - Series B of 2015
For the Year Ended June 30, 2016

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	\$ 124,706	\$ -
2017-18	124,706	-
2018-19	124,706	-
2019-20	124,706	-
2020-21	124,707	-
2021-22	124,706	-
2022-23	124,706	-
2023-24	124,706	-
2024-25	124,706	-
2025-26	124,706	-
2026-27	124,707	-
2027-28	124,706	-
2028-29	124,706	-
2029-30	111,545	810,000
2030-31	73,069	1,500,000
2031-32	23,878	1,415,000
TOTAL OUTSTANDING	\$ 1,829,672	\$ 3,725,000

Bethlehem Area School District
Schedule on General Obligation Notes - Series C of 2015
For the Year Ended June 30, 2016

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	\$ 347,364	\$ 5,000
2017-18	347,221	5,000
2018-19	347,078	5,000
2019-20	346,934	5,000
2020-21	346,790	5,000
2021-22	346,647	5,000
2022-23	327,634	1,215,000
2023-24	287,731	1,265,000
2024-25	244,600	1,280,000
2025-26	197,675	1,370,000
2026-27	146,759	1,390,000
2027-28	93,886	1,365,000
2028-29	40,581	1,325,000
2029-30	6,993	340,000
TOTAL OUTSTANDING	\$ 3,427,893	\$ 9,580,000

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

**BETHLEHEM AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

**BETHLEHEM AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/15	REVENUE	EXPEN- TURES	ACCRUED OR (DEFERRED) AT 6/30/16	FOOTNOTES
U. S. DEPARTMENT OF EDUCATION											
IMPACT AID PUBLIC LAW 81-874	D	84.041	N/A	7/1/15-6/30/16	\$ 48,255	\$ 51,408	\$ 3,153	\$ 48,255	\$ 48,255	\$ -	
TOTAL IMPACT AID CLUSTER						51,408	3,153	48,255	48,255	-	
PASSED THROUGH THE PDE											
TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-15-0034 A	7/1/14-9/30/15	\$ 3,613,781	1,239,202	636,358	602,844	602,844	-	2
TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-16-0034 A	7/1/15-9/30/16	\$ 3,441,662	2,762,416	-	3,215,995	3,215,995	453,579	
TITLE I SCHOOL INTERVENTION	I	84.010	042-14-0034	7/1/14-9/30/15	\$ 79,552	26,420	25,383	1,037	1,037	-	
TITLE I SCHOOL INTERVENTION	I	84.010	042-15-0034	7/1/15-9/30/16	\$ 86,654	86,654	-	86,654	86,654	-	
TOTAL TITLE I CLUSTER						4,114,692	661,741	3,906,530	3,906,530	453,579	
PASSED THROUGH THE PDE											
TITLE IIA IMPROVING TEACHER QUALITY	I	84.367	020-15-0034 A	7/1/14-9/30/15	\$ 685,633	97,242	95,190	2,052	2,052	-	2
TITLE IIA IMPROVING TEACHER QUALITY	I	84.367	020-16-0034 A	7/1/15-9/30/16	\$ 680,854	545,603	-	670,600	670,600	124,997	
TOTAL TITLE IIA PROGRAM						642,845	95,190	672,652	672,652	124,997	
PASSED THROUGH THE PDE											
TITLE III LEP / IMMIGRANT STUDENTS	I	84.365	010-15-0034 A	7/1/14-9/30/15	\$ 256,916	36,702	25,854	10,848	10,848	-	2
TITLE III LEP / IMMIGRANT STUDENTS	I	84.365	010-16-0034 A	7/1/15-9/30/16	\$ 234,590	187,672	-	234,590	234,590	46,918	
TOTAL TITLE III PROGRAM						224,374	25,854	245,438	245,438	46,918	
PASSED THROUGH THE COLONIAL I.U. #20											
IDEA	I	84.027	N/A	7/1/14-6/30/15	\$ 1,848,555	-	-	-	-	-	2
IDEA	I	84.027	N/A	7/1/15-6/30/16	\$ 1,930,376	1,930,376	-	1,930,376	1,930,376	-	1
IDEA - SECTION 619A	I	84.173	N/A	7/1/15-6/30/16	\$ 13,883	-	14,808	13,883	13,883	28,691	1
PASSED THROUGH THE LANCASTER-LEBANON I.U. #13											
IDEA	I	84.027	N/A	7/1/15-6/30/16	\$ 5,000	2,247	-	4,758	4,758	2,511	1
IDEA	I	84.027	N/A	7/1/15-6/30/16	\$ 50,000	13,044	-	49,944	49,944	36,900	1
TOTAL IDEA CLUSTER						1,945,667	14,808	1,998,961	1,998,961	68,102	
TOTAL U.S. DEPARTMENT OF EDUCATION						\$ 6,978,986	\$ 800,746	\$ 6,871,836	\$ 6,871,836	\$ 693,596	

**BETHLEHEM AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

U.S. DEPT. OF HEALTH AND HUMAN SERVICES

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

CHILD CARE MANDATORY/MATCH FUNDS	I	93.556	SAP 4100057287	7/1/14-6/30/15	\$	162,152	44,031	44,031	-	-	-	2
CHILD CARE MANDATORY/MATCH FUNDS	I	93.556	SAP 4100066996	7/1/15-6/30/16	\$	162,152	110,050	-	162,152	162,152	52,102	
CHILD CARE MANDATORY/MATCH FUNDS	I	93.590	SAP 4100057287	7/1/14-6/30/15	\$	2,429	1,061	1,061	-	-	-	
CHILD CARE MANDATORY/MATCH FUNDS	I	93.590	SAP 4100066996	7/1/15-6/30/16	\$	2,429	1,770	-	2,429	2,429	659	
TOTAL CHILD CARE CLUSTER							<u>156,912</u>	<u>45,092</u>	<u>164,581</u>	<u>164,581</u>	<u>52,761</u>	
ESEA - TITLE 19 MEDICAID REIMBURSEMENT	I	93.778	N/A	7/1/15-6/30/16	N/A	<u>62,857</u>	<u>17,463</u>	<u>90,497</u>	<u>90,497</u>	<u>45,103</u>		

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

\$ 219,769 \$ 62,555 \$ 255,078 \$ 255,078 \$ 97,864

U. S. DEPT. OF AGRICULTURE

**PASSED THROUGH THE PA
DEPT OF EDUCATION**

NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/14 - 6/30/15	N/A	400,190	400,190	-	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/15 - 6/30/16	N/A	2,790,603	-	3,264,289	3,264,289	473,686	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/14 - 6/30/15	N/A	168	168	-	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/15 - 6/30/16	N/A	11,790	-	14,652	14,652	2,862	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/14 - 6/30/15	N/A	77,754	77,754	-	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/15 - 6/30/16	N/A	673,749	-	788,554	788,554	114,805	-	
AFTER SCHOOL SNACK	I	10.555	N/A	7/1/14 - 6/30/15	N/A	1,753	1,753	-	-	-	-	
AFTER SCHOOL SNACK	I	10.555	N/A	7/1/15 - 6/30/16	N/A	35,586	-	43,640	43,640	8,054	-	
SPECIAL MILK	I	10.556	N/A	7/1/14 - 6/30/15	N/A	213	213	-	-	-	-	
SPECIAL MILK	I	10.556	N/A	7/1/15 - 6/30/16	N/A	-	-	-	-	-	-	
SUMMER FOOD	I	10.559	N/A	7/1/14 - 6/30/15	N/A	50,947	50,947	-	-	-	-	
SUMMER FOOD	I	10.559	N/A	7/1/15 - 6/30/16	N/A	105,856	-	143,125	143,125	37,269	-	

**PASSED THROUGH THE PA
DEPARTMENT OF AGRICULTURE**

NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/1/15 - 6/30/16	N/A	<u>454,501</u>	<u>(16,224)</u>	<u>441,049</u>	<u>441,049</u>	<u>(29,676)</u>		2
TOTAL CHILD NUTRITION CLUSTER						<u>4,603,110</u>	<u>514,801</u>	<u>4,695,309</u>	<u>4,695,309</u>	<u>607,000</u>		3,4

**PASSED THROUGH THE PA
DEPARTMENT OF EDUCATION**

FRESH FRUIT AND VEGETABLE PROGRAM	I	10.582	N/A	7/1/15 - 6/30/16	N/A	174,350	6,706	174,056	174,056	6,412		
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TOTAL U.S. DEPARTMENT OF AGRICULTURE

4,777,460 521,507 4,869,365 4,869,365 613,412

TOTAL FEDERAL FINANCIAL AWARDS

\$ 11,976,215 \$ 1,384,808 \$ 11,996,279 \$ 11,996,279 \$ 1,404,872

SOURCE: D-DIRECT; I-INDIRECT

Bethlehem Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note 1 - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting for all federal awards charged to governmental funds and on the accrual basis of accounting for all federal awards charged to proprietary funds, as contemplated by generally accepted accounting principles.

Note 2- Organization and Scope

The District recognized 2.87% of its total general fund revenue in federal awards, and 67.62% of its total enterprise fund revenue.

Note 3 – 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 minimus cost rate.

Note 4 - Program Disclosure – Footnotes

1. The federal awards passed through the Colonial I.U. under the U.S. Department of Education heading, are part of a consortium of participating school districts. In accordance with directions from the Commonwealth of Pennsylvania, these awards are reported on the basic financial statements as local source revenues.
2. The Federal Grants were passed through the following entities in the totals below:

<u>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Department of Education	\$ 9,079,642	\$ 9,252,936
PA Department of Public Welfare	329,162	255,078
Lancaster-Lebanon I.U. #13	55,000	54,702
Colonial I.U. #20	3,792,814	1,944,259
PA Department of Agriculture	N/A	441,049
Totals	<u>\$ 13,256,618</u>	<u>\$ 11,948,024</u>

3. The District received non-monetary assistance of \$454,501 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2015-16 fiscal year, the District used \$441,049 in commodities and established a year-end inventory of \$29,676 at June 30, 2016.
4. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards, under the U.S. Department of Agriculture heading, represents the commodities used, versus the commodities received, which are recognized as revenue in the basic financial statements.

Bethlehem Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

FINANCIAL STATEMENT RECONCILIATION

General Fund Federal Source Revenues	\$ 5,574,290
Federal Grants in Local Sources	1,998,961
Food Service Fund Federal Revenue	<u>4,882,821</u>
Total Federal Revenue, per financial statements	12,456,072
Less - Medical Access Reimbursement	(446,338)
Plus: Change in Donated Commodities	<u>(13,455)</u>
Total Federal Revenue Reported on SEFA	<u>\$ 11,996,279</u>



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT UNDER GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement of the general fund of the Bethlehem Area School District, as of and for the year ended June 30, 2016, 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 16, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



December 16, 2016



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT UNDER UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Bethlehem Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement that could have a direct and material effect on each of Bethlehem Area School District's major federal programs for the year ended June 30, 2016*. Bethlehem Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bethlehem Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bethlehem Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bethlehem Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Bethlehem Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Bethlehem Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bethlehem Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bethlehem Area School District's internal control over compliance.

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

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

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

Respectfully submitted,



December 16, 2016

**Bethlehem Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) Identified? yes no
- Significant Deficiencies identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) Identified? yes no
- Significant Deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance? yes no

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
84.365	Title III Program
10.553,10.555,10.556,10.559	Child Nutrition Cluster

Percentage of programs tested to total awards 41.2%

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

Auditee qualified as low-risk auditee? yes no

**Bethlehem Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section II – Financial Statement Findings

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

Section III – Findings and Questioned Costs for Federal Awards

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

Audit Follow-Up Procedures

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