

**REPORT ON
NAZARETH AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2022**

NAZARETH AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2022

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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
Nazareth Area School District
One Education Plaza
Nazareth, PA 18064-2397

We have performed the Single Audit of the Nazareth Area School District for the fiscal year ended June 30, 2022, 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 Uniformed 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 2, 2022



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. Richard R. Kaskey, Superintendent
Nazareth Area School District
One Education Plaza
Nazareth, PA 18064-2397

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Nazareth Area School District for the year ended June 30, 2022, and have issued our report thereon dated December 2, 2022.

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 July 18, 2022.

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Nazareth Area School District are described in the notes to the financial statements. Accounting policies 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. All significant transactions have been recognized in the financial statements in the proper period.

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 Actuary's Reports on Other Post-Employment Benefits, and Net Pension Liability. We have evaluated the factors and assumptions used to develop these estimates and have determined the estimates to be reasonable in relation to the financial statements taken as a whole.

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

We have requested certain representations from management that are included in the management representation letter provided to us on December 2, 2022. 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. 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 2021-22 basic financial statements.

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

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

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

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

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

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

As an adjunct to our audit, we remained alert throughout for opportunities to enhance internal controls and operating efficiency. These matters were discussed with management as the audit progressed and have subsequently been reviewed in detail to formulate practical recommendations. We wish to thank your staff for their courtesies and cooperation, which facilitated the efficient performance of audit procedures. 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:

OTHER INFORMATION

SBITAs (Subscription-Based Information Technology Arrangements)

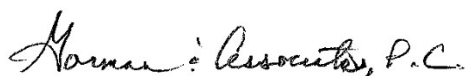
IT software subscriptions allow governments to benefit from the use of IT software without maintaining a perpetual license or title to the software. Therefore, these arrangements are mutually beneficial for both the vendor and the government. Because of the increased popularity of subscription-based information technology arrangements, GASB issued Statement No 96 to address the accounting treatment and financial reporting for these agreements.

Currently these types of arrangements are simply expensed when paid however under the new standard a subscription liability is measured as the present value of the total subscription expected to be made to the vendor during the subscription term. The total future payments are discounted using the interest rate the vendor charges the government, which may be the interest rate implicit in the SBITA, or if such a rate is not stated an estimated incremental borrow rate of the government can be used for the present value calculation. In addition to the subscription liability, the government recognized a subscription asset. Subsequently, the government will amortize the subscription asset in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset. Amortization of the subscription asset begins at the commencement of the subscription term and is reported as an outflow of resources by the governmental entity.

The new guidance is effective for the 22-23 fiscal year.

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

Respectively submitted,



December 2, 2022

REPORT DISTRIBUTION LIST

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

ONE COPY TO: BUREAU OF THE CENSUS
(Electronically Submitted) DATA PREPARATION DIVISION

ONE COPY TO: COMMONWEALTH OF PENNSYLVANIA
(Electronically Submitted) OFFICE OF THE BUDGET/BUREAU OF AUDITS

ONE COPY TO: COLONIAL INTERMEDIATE UNIT 20
6 DANFORTH DRIVE
EASTON, PA 18045-7899

FINANCIAL SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Nazareth Area School District
One Education Plaza
Nazareth, PA 18064-2397

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nazareth Area School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Nazareth Area School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nazareth Area School District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Nazareth Area School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 2-G to the financial statements, in 2022, the District adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Nazareth Area School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nazareth Area School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9-19, the schedules associated with the District's Defined Benefit Pension Plan, and the Schedules of the District's OPEB Plans, on pages 87-94, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

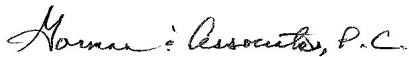
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nazareth Area School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2022, on our consideration of the Nazareth Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Nazareth Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nazareth Area School District's internal control over financial reporting and compliance.

Respectfully submitted,



Northampton, Pennsylvania
December 2, 2022

**NAZARETH AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Year Ended June 30, 2022**

The discussion and analysis of Nazareth Area School District's financial performance provide an overall review of the District's financial activities for the fiscal year ending June 30, 2022. The intent of this discussion and analysis is to look at the 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 District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

The District's overall financial position, as reflected in total net position, changed by \$9,657,572 due in large part to the new reporting requirements of GASB Statement No. 75. This statement and its component statement No. 68 have a massive impact on all governments' entity-wide financial statements. It affects every government in the Commonwealth of PA and every other government located in all 50 states, including state governments.

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

Those governments, like the Nazareth Area School District, that don't report any pension/OPEB obligation because they and we belong to a pension trust (PSERS), now have to report our proportionate share of the pension trust's unfunded actuarial pension liability. Our proportionate share of this significant liability is based up the percentage of our contributions into the plan compared to the total contributions submitted by all participating governments in the pension trust.

Due to the new reporting requirements of GASB Statement No. 68 and 75 the governmental net assets increased by \$2,712,082 and the business-type net position increased by \$110,715.

Program revenues accounted for \$18,638,739 million of total revenues, and general revenues accounted for \$85.6 million.

As of October 1, 2022, we have 4,870 pupils enrolled. The District decreased the principal amount of outstanding General Obligation Debt by \$595,000 million during the 2021-22 fiscal year. The District issued General Obligation Bonds, Series 2022 and Series 2022A G.O.B. to refinance debt at lower interest rates.

NAZARETH AREA SCHOOL DISTRICT
Management's Discussion and Analysis

In governmental funds, total fund balance increased \$1,223,342. The general fund balance increased by \$4,172,879. This was due to decreased operational costs and receipt of stronger than projected local revenues along with additional state and federal stimulus funds. The capital project fund balance decreased by \$2,957,114 resulting from construction projects at two elementary schools. The general fund reported a positive fund balance of \$28.1 million, or 27 percent of the 2022-23, \$102.5 million operating budget. The 2022-23 operating budget includes a \$200,000 transfer to the capital projects fund. This is funded by a \$200,000 appropriation from the fund balance. In accordance with Board policy, and GASB Statement No. 54, \$786,267 of fund balance is nonspendable for inventory and prepaid expenses, \$339,597 is restricted to scholarships and donation from private sources, \$19.1 million is committed for compensated absences and other post-employment payments under GASB 75. Finally, \$1.7 million is allocated to balance the 22-23 budget and \$6.1 million or 6.0% of the 2022-23 \$102.5 million operating budget is unassigned.

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Overview of the Financial Statements

This annual report consists of the Management Discussion and Analysis, the basic financial statements, and required supplementary information. These statements are organized so that the reader can understand Nazareth Area School District as an entire 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.

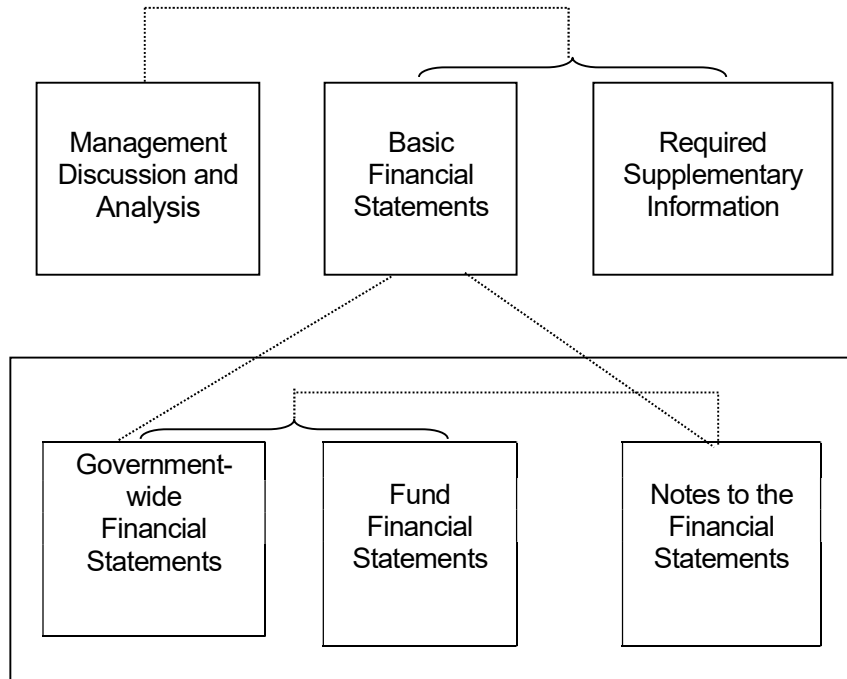
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well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

The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data. The statements also include a statement that further explains and supports the general fund with a comparison of the District's budget for the year.

NAZARETH AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

Figure A-1
Required Components of
Nazareth Area School District's
Financial Report



NAZARETH 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 Nazareth 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 and Custodial 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 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

NAZARETH AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

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

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

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

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

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

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

Fund Financial Statements

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

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

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

NAZARETH 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 combined Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

A comparative analysis of fiscal year 2021-22 to 2020-21 with internal balances included follows:

Table A-1
Fiscal Year ended June 30, 2022
Net Position

	2021-22			2020-21		
	Govern- mental Activities	Business-type Type Activities	Total	Govern- mental Activities	Business-type Type Activities	Total
Current and other assets	\$ 54,479,961	\$ 1,975,825	\$ 56,455,786	\$ 55,136,467	\$ 757,875	\$ 55,894,342
Non current assets	131,297,598	170,138	131,467,736	128,990,222	176,436	129,166,658
Deferred Outflow of Resources	25,896,204	417,628	26,313,832	25,355,116	391,953	25,747,069
Total Assets & Deferred Outflow of Resources	\$ 211,673,763	\$ 2,563,591	\$ 214,237,354	\$ 209,481,805	\$ 1,326,264	\$ 210,808,069
Current and other liabilities	15,455,093	320,040	15,775,133	16,954,764	221,108	17,175,872
Long-term liabilities	233,534,680	2,940,658	236,475,338	254,616,496	3,257,704	257,874,200
Deferred Inflow of Resources	19,388,043	368,124	19,756,167	3,068,801	116,052	3,184,853
Total Liabilities & Deferred Inflow of Resources	268,377,816	3,628,822	272,006,638	274,640,061	3,594,864	278,234,925
Net Position						
Net Investment in Capital Assets	33,214,447	170,138	33,384,585	30,841,214	176,436	31,017,650
Restricted	9,935,187	-	9,935,187	10,003,223	-	10,003,223
Unrestricted	(99,853,687)	(1,235,369)	(101,089,056)	(106,002,693)	(2,445,036)	(108,447,729)
Total Net Position	\$ (56,704,053)	\$ (1,065,231)	\$ (57,769,284)	\$ (65,158,256)	\$ (2,268,600)	\$ (67,426,856)

Most of the District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is combined of designated and undesignated amounts. The designated balances are amounts set-aside to fund future purchases or capital projects as planned by the district. The significant change in the unrestricted net position is due to the new reporting requirements under GASB Statement No. 68 and 75 which is explained under the Financial Highlights section of the 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.

NAZARETH AREA SCHOOL DISTRICT
Management's Discussion and Analysis

The District Funds

At June 30, 2022, the District governmental funds reported a combined fund balance of \$40,536,074.

General Fund Budgetary Highlights:

The General Fund balance increased by \$4,172,879 due in part to expenditures coming in less than budgeted along with higher than anticipated local, state and federal COVID-related stimulus funds. In comparing revenues to expenditures, revenues exceeded expenditures by \$5.4 million minus \$1.27 million in other financing sources.

The local tax revenue provides approximately three-fourths of the District's total revenues. These revenues are also the most difficult to budget for because of the current economy and several revenues do not have a consistent trend. The local revenues were \$3.48 million or 4.8% over budget. State funding was \$72,314 or .3% under budget. Federal funding was \$400,236 million or 26.7% over budget. The District also budgeted but did not use fund balance allocation of \$1,709,148. Finally, sales of fixed assets came in \$2,500 less than budgeted.

Capital Project Fund:

The District established this fund for planned capital projects each year and necessary emergencies. These funds will be used for facility projects, vehicle and equipment replacement, and technology projects. The District maintains a five-year plan for facility projects and a five-year plan for technology. These plans are reviewed and updated annually.

This past year, \$1.5 million was transferred to this fund from the general fund to capital reserve fund for future projects. The District is planning to transfer funds from the general fund to this fund annually. We currently have a long-range capital project list of approximately \$20 million for facilities and technology. This list includes new HVAC systems in the District.

NAZARETH AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is provided.

Table A-2 takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues for the 2021-22 year. This table also shows a comparative analysis of fiscal year 2021-22 to 2020-21.

Table A-2
Fiscal Year ended June 30, 2022
Changes in Net Position

	2021-22			2020-21		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
Revenues						
Charges for services	\$ 202,694	\$ 435,715	\$ 638,409	\$ 106,894	\$ 115,437	\$ 222,331
Operating grants and contributions	14,753,809	2,886,719	17,640,528	14,883,717	1,224,793	16,108,510
Capital grants and contributions	359,802	-	359,802	355,292	-	355,292
<i>General revenues</i>						
Property taxes	62,417,509	-	62,417,509	59,920,265	-	59,920,265
Other taxes	10,987,892	-	10,987,892	9,500,618	-	9,500,618
Grants, subsidies and contributions, unrestricted	11,599,422	-	11,599,422	11,103,068	-	11,103,068
Other	626,063	42,577	668,640	305,818	442,685	748,503
Total Revenues	\$ 100,947,191	\$ 3,365,011	\$ 104,312,202	\$ 96,175,672	\$ 1,782,915	\$ 97,958,587
Expenses						
Instruction	\$ 57,509,597	\$ -	\$ 57,509,597	\$ 58,154,762	\$ -	\$ 58,154,762
Instructional student support	6,015,639	-	6,015,639	6,360,953	-	6,360,953
Administrative and financial support	7,308,493	-	7,308,493	7,397,652	-	7,397,652
Operation and maintenance of plant	8,482,679	-	8,482,679	9,024,188	-	9,024,188
Pupil transportation	4,818,334	-	4,818,334	3,985,724	-	3,985,724
Student activities	1,653,277	-	1,653,277	1,507,073	-	1,507,073
Community services	200,851	-	200,851	204,660	-	204,660
Scholarships and Awards	63,616	-	63,616	64,490	-	64,490
Interest on long term debt	2,963,624	-	2,963,624	3,336,658	-	3,336,658
Unallocated depreciation expense	3,476,878	-	3,476,878	3,427,430	-	3,427,430
Food Service	-	2,161,642	2,161,642	-	1,672,200	1,672,200
Total Expenses	\$ 92,492,988	\$ 2,161,642	\$ 94,654,630	\$ 93,463,590	\$ 1,672,200	\$ 95,135,790
Increase (decrease) in net position	\$ 8,454,203	\$ 1,203,369	\$ 9,657,572	\$ 2,712,082	\$ 110,715	\$ 2,822,797

NAZARETH AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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. This table also shows a comparative analysis of fiscal year 2021-22 to 2020-21.

Table A-3
Fiscal Year ended June 30, 2022
Governmental Activities

Functions/Programs	2021-22		2020-21	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 57,509,597	\$ 46,250,416	\$ 58,154,762	\$ 47,065,657
Instructional student support	6,015,639	5,057,960	6,360,953	5,472,046
Administrative	7,308,493	6,528,804	7,397,652	6,646,892
Operation and maintenance	8,482,679	7,733,121	9,024,188	8,161,878
Pupil transportation	4,818,334	3,829,991	3,985,724	2,804,832
Student activities	1,653,277	1,332,095	1,507,073	1,300,555
Community services	200,851	166,714	204,660	192,541
Scholarships and Awards	63,616	63,616	64,490	64,490
Interest on long-term debt	2,963,624	2,737,088	3,336,658	2,981,366
Unallocated depreciation expense	3,476,878	3,476,878	3,427,430	3,427,430
Total governmental activities	\$ 92,492,988	\$ 77,176,683	\$ 93,463,590	\$ 78,117,687
Less:				
Unrestricted grants, subsidies		11,599,422		11,103,068
Total needs from local Taxes and other revenues		\$ 65,577,261		\$ 67,014,619

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District. This table also shows a comparative analysis of fiscal year 2021-22 to 2020-21.

Table A-4
Fiscal Year ended June 30, 2022
Business-type Activities

Functions/Programs	2021-22		2020-21	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	\$ 2,161,642	\$ (1,160,792)	\$ 1,672,200	\$ 331,970
Less:		-		-
Investment earnings and other		42,577		442,685
Total business-type activities		\$ (1,203,369)		\$ (110,715)

NAZARETH AREA SCHOOL DISTRICT
Management's Discussion and Analysis

The Statement of Revenues, Expenses and Changes in Fund Net Position for this proprietary fund will further detail the actual results of operations.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2022, the District had \$124,430,164 invested in a broad range of capital assets, including land, buildings, furniture, equipment, and vehicles. This amount represents a net increase (including additions, deletions and depreciation) of \$999,024 million or .8% from last year.

Table A-5
Governmental and Business-Type Activities
Capital assets - Net of Depreciation

	2021-22	2020-21
Land & Land Improvements	\$ 6,716,106	\$ 6,745,419
Buildings	98,033,395	100,627,311
Furniture, Equipment, & Vehicles	2,697,089	2,646,818
Intangible Right-To-Use - Equipment	204,255	-
Construction In Progress	16,983,574	13,411,592

Debt Administration

As of July 1, 2021, the District had total outstanding bond principal of \$93,805,000. The District issued a debt refinancing G.O.B Series 2022 and 2022A. These transactions have resulted in an ending outstanding debt as of June 30, 2022 of \$93,210,000.

Table A-6
Outstanding Debt

	2021-22	2020-21
General Obligation Bonds:		
-Series of 2017	11,135,000	11,135,000
-Series A of 2017	8,245,000	8,250,000
-Series B of 2017	2,070,000	2,835,000
-Series C of 2017	6,720,000	6,720,000
-Series D of 2017	-	14,850,000
-Series E of 2017	-	13,455,000
-Series of 2018	9,910,000	9,980,000
-Series of 2019	9,760,000	9,775,000
-Series A of 2019	5,175,000	5,240,000
-Series of 2020	8,370,000	9,370,000
-Series of 2020 G.O.N	2,190,000	2,195,000
-Series of 2022	15,680,000	-
-Series of 2022A	16,145,000	-
TOTAL	\$ 95,400,000	\$ 93,805,000

NAZARETH AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Other obligations for the District include accrued vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in Note 5 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The District's general obligation bond rating from Standard & Poor's is AA stable. With this rating, the District did not have to purchase bond insurance for its new debt that was issued during the 2021-22 year. Standard & Poor's cited the strong wealth and income indicators for the district residents and the district's strong financial profile.

The comparison of revenue and expenditure categories is as follows:

Table A-7
Budgeted Revenues

	2021-22	2020-21
Local	74.2%	73.4%
State	23.9%	24.3%
Federal/Other	1.9%	2.3%

Budgeted Expenditures		
	2021-22	2020-21
Instruction	62.5%	62.0%
Support Services	28.2%	27.8%
Non-Instruction/Community	2.0%	1.8%
Fund Transfers/Debt	7.3%	8.4%

Contacting the District Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Dr. Stuart Whiteleather, Business Administrator/Board Secretary at Nazareth Area School District, One Education Plaza, Nazareth, PA 18064, 610-759-1170.

B A S I C F I N A N C I A L S T A T E M E N T S

**Nazareth Area School District
Statement of Net Position
As of June 30, 2022**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 47,308,456	\$ 1,797,942	\$ 49,106,398
Investments	-	-	-
Receivables, net	2,108,435	-	2,108,435
Internal Balances	99,407	53,323	- ⁽¹⁾
Due From Other Governments	3,963,854	29,992	3,993,846
Other Receivables	213,542	3,124	216,666
Inventories	114,846	91,344	206,190
Prepaid Expenses	671,421	100	671,521
Other Current Assets	-	-	-
Total Current Assets	54,479,961	1,975,825	56,303,056
Non-Current Assets:			
Restricted Cash and Cash Equivalents	1,996	-	1,996
Long-term Receivables	6,661,183	-	6,661,183
Land	953,670	-	953,670
Site Improvements (net of depreciation)	5,762,436	-	5,762,436
Building and Bldg. Improvements (net of depreciation)	98,033,395	-	98,033,395
Furniture and Equipment (net of depreciation)	2,697,089	170,138	2,867,227
Intangible Right-To-Use - Equipment (net of amortization)	204,255	-	204,255
Construction in Progress	16,983,574	-	16,983,574
Total Non-Current Assets	131,297,598	170,138	131,467,736
TOTAL ASSETS	\$ 185,777,559	\$ 2,145,963	\$ 187,770,792
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Bond Refundings, net	1,599,543	-	1,599,543
Deferred Outflow of Resources - Related to Pensions	21,101,738	389,119	21,490,857
Deferred Costs on Refunding - Related to OPEB	3,194,923	28,509	3,223,432
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 211,673,763	\$ 2,563,591	\$ 214,084,624
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 53,323	\$ 99,407	\$ - ⁽¹⁾
Due to other governments	358,713	-	358,713
Accounts Payable	1,596,795	20,497	1,617,292
Current Portion of Long-Term Obligations	2,803,020	-	2,803,020
Accrued Salaries and Benefits	6,657,322	150,791	6,808,113
Prepayments	11,796	49,345	61,141
Other Current Liabilities	3,974,124	-	3,974,124
Total Current Liabilities	15,455,093	320,040	15,622,403
Non-Current Liabilities:			
Bonds and Notes Payable	94,835,445	-	94,835,445
Finance Purchase Obligations	321,515	-	321,515
Lease Obligations	137,283	-	137,283
Long-Term Portion of Compensated Absences	6,040,527	82,183	6,122,710
Net Pension Liability	108,569,856	2,636,393	111,206,249
Net OPEB Liability - Single Employer Plan	17,217,116	81,968	17,299,084
Net OPEB Liability - Multiple Employer Plan	6,412,938	140,114	6,553,052
TOTAL LIABILITIES	248,989,773	3,260,698	252,097,741
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Related to Pensions	19,385,687	317,116	19,702,803
Deferred Inflows of Resources - Related to OPEB	2,356	51,008	53,364
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	268,377,816	3,628,822	271,853,908
NET POSITION			
Net Investment in Capital Assets	33,214,447	170,138	33,384,585
Restricted For:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	9,935,187	-	9,935,187
Unrestricted (deficit)	(99,853,687)	(1,235,369)	(101,089,056)
TOTAL NET POSITION	(56,704,053)	(1,065,231)	(57,769,284)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 211,673,763	\$ 2,563,591	\$ 214,084,624

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).

Nazareth Area School District
Statement of Activities
For the Year Ended June 30, 2022

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	\$ 57,509,597	\$ 23,114	\$ 11,102,801	\$ 133,266	\$ (46,250,416)	\$ -	\$ (46,250,416)
Instructional Student Support	6,015,639	-	957,679	-	(5,057,960)	-	(5,057,960)
Admin. & Fin'l Support Services	7,308,493	-	779,689	-	(6,528,804)	-	(6,528,804)
Oper. & Maint. of Plant Svcs.	8,482,679	-	749,558	-	(7,733,121)	-	(7,733,121)
Pupil Transportation	4,818,334	-	988,343	-	(3,829,991)	-	(3,829,991)
Student activities	1,653,277	145,693	175,489	-	(1,332,095)	-	(1,332,095)
Community Services	200,851	33,887	250	-	(166,714)	-	(166,714)
Scholarships and Awards	63,616	-	-	-	(63,616)	-	(63,616)
Interest on Long-Term Debt	2,963,624	-	-	226,536	(2,737,088)	-	(2,737,088)
Unallocated Depreciation Expense	3,476,878	-	-	-	(3,476,878)	-	(3,476,878)
TOTAL GOVERNMENTAL ACTIVITIES	92,492,988	202,694	14,753,809	359,802	(77,176,683)	-	(77,176,683)
BUSINESS-TYPE ACTIVITIES:							
Food Services	2,161,642	435,715	2,886,719	-	-	1,160,792	1,160,792
TOTAL PRIMARY GOVERNMENT	\$ 94,654,630	\$ 638,409	\$ 17,640,528	\$ 359,802	\$ (77,176,683)	\$ 1,160,792	\$ (76,015,891)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 62,417,509	\$ -	\$ 62,417,509
Taxes levied for specific purposes					10,987,892	-	10,987,892
Grants, subsidies, & contributions not restricted					11,599,422	-	11,599,422
Investment Earnings					72,248	1,771	74,019
Miscellaneous Income					565,656	29,349	595,005
Special item - Gain or (Loss) on sale of capital assets					(384)	-	(384)
Special Item - Insurance Recoveries					-	-	-
Capital Contributions					-	-	-
Extraordinary Items					-	-	-
Transfers					(11,457)	11,457	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					85,630,886	42,577	85,673,463
CHANGES IN NET POSITION					8,454,203	1,203,369	9,657,572
NET POSITION - BEGINNING					(65,158,256)	(2,268,600)	(67,426,856)
NET POSITION - ENDING					\$ (56,704,053)	\$ (1,065,231)	\$ (57,769,284)

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

**Nazareth Area School District
Balance Sheet
Governmental Funds
As of June 30, 2022**

	GENERAL	CAPITAL PROJECTS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 34,871,886	\$ 12,428,993	\$ 7,577	\$ 47,308,456
Restricted Cash	-	1,996	-	1,996
Investments	-	-	-	-
Taxes Receivable, net	2,108,435	-	-	2,108,435
Due from other funds	124,026	250,690	-	374,716
Due from Other Governments	3,963,854	-	-	3,963,854
Other Receivables	189,202	-	-	189,202
Inventories	114,846	-	-	114,846
Prepaid Expenditures	671,421	-	-	671,421
TOTAL ASSETS	\$ 42,043,670	\$ 12,681,679	\$ 7,577	\$ 54,732,926
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 42,043,670</u>	<u>\$ 12,681,679</u>	<u>\$ 7,577</u>	<u>\$ 54,732,926</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$ 304,497	\$ 280	\$ -	\$ 304,777
Due to Other Governments	358,713	-	-	358,713
Accounts Payable	1,328,910	267,401	-	1,596,311
Current Portion of Long-Term Debt	308,515	-	-	308,515
Accrued Salaries and Benefits	6,657,322	-	-	6,657,322
Payroll Deductions and Withholdings	3,514,985	-	-	3,514,985
Prepayments	11,796	-	-	11,796
Other Current Liabilities	1,920	-	-	1,920
TOTAL LIABILITIES	12,486,658	267,681	-	12,754,339
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned/Unavailable Property Taxes	1,442,513	-	-	1,442,513
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>13,929,171</u>	<u>267,681</u>	<u>-</u>	<u>14,196,852</u>
<u>FUND BALANCES:</u>				
Nonspendable Fund Balance	786,267	-	-	786,267
Restricted Fund Balance	339,597	12,413,998	7,577	12,761,172
Committed Fund Balance	19,140,702	-	-	19,140,702
Assigned Fund Balance	1,705,877	-	-	1,705,877
Unassigned Fund Balance	6,142,056	-	-	6,142,056
TOTAL FUND BALANCES	<u>28,114,499</u>	<u>12,413,998</u>	<u>7,577</u>	<u>40,536,074</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 42,043,670</u>	<u>\$ 12,681,679</u>	<u>\$ 7,577</u>	<u>\$ 54,732,926</u>

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

**Nazareth Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As of June 30, 2022**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 40,536,074**

**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 \$188,448,334 and the accumulated depreciation is \$63,813,915. 124,634,419

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. 1,442,513

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. 6,661,183

This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues. 1,599,543

This represents deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension/OPEB Liability. 4,908,620

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. (236,486,405)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (56,704,053)**

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

Nazareth Area School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 74,951,181	\$ 20,981	\$ -	\$ 74,972,162
State Sources	24,182,707	-	-	24,182,707
Federal Sources	1,900,236	-	-	1,900,236
TOTAL REVENUES	<u>101,034,124</u>	<u>20,981</u>	<u>-</u>	<u>101,055,105</u>
	-----	-----	-----	-----
EXPENDITURES				
Instruction	60,728,394	74,808	-	60,803,202
Support Services	27,407,983	210,288	379,613	27,997,884
Operation of Non-Instructional Services	1,939,012	-	-	1,939,012
Capital Outlay	-	4,225,332	-	4,225,332
Debt Service	5,514,406	-	5,767	5,520,173
TOTAL EXPENDITURES	<u>95,589,795</u>	<u>4,510,428</u>	<u>385,380</u>	<u>100,485,603</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,444,329</u>	<u>(4,489,447)</u>	<u>(385,380)</u>	<u>569,502</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Refunding Bond Issues	-	-	31,825,000	31,825,000
Proceeds from Leases	272,340			272,340
Interfund Transfers In	-	1,532,333	-	1,532,333
Payment to bond refunding escrow agent	-	-	(31,432,043)	(31,432,043)
Operating Transfers Out	(1,543,790)	-	-	(1,543,790)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,271,450)</u>	<u>1,532,333</u>	<u>392,957</u>	<u>653,840</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items - Insurance Recoveries	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	4,172,879	(2,957,114)	7,577	1,223,342
FUND BALANCES - BEGINNING	<u>23,941,620</u>	<u>15,371,112</u>	<u>-</u>	<u>39,312,732</u>
FUND BALANCES - ENDING	<u>\$ 28,114,499</u>	<u>\$ 12,413,998</u>	<u>\$ 7,577</u>	<u>\$ 40,536,074</u>

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

**Nazareth Area School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2022**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 1,223,342**

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	\$ 3,992,756	
less - capital outlays	<u>5,196,417</u>	1,203,661

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. (384)

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 increased by this amount this year. (96,074)

Repayment of bonds, Notes, Finance Purchases, and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,157,156

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. (510,197)

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. 1,104,097

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. 399,392

Bonds, Notes, Finance Purchase and lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Refunding bonds, notes, finance purchases, and lease 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 bonds, notes, finance purchases, and lease proceeds and refunding payments made to paying agents. (665,297)

The difference between current year pension/OPEB expense reported on the governmental activities column of the government-wide financial statements and the pension/OPEB contributions made this past year reported as expenditures in the governmental funds. 3,638,507

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 8,454,203**

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

**Nazareth Area School District
Statement of Fund Net Position
Proprietary Funds
As of June 30, 2022**

	FOOD SERVICE
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,797,942
Due from other funds	53,323
Due From Other Governments	29,992
Other Receivables	3,124
Inventories	91,344
Prepaid expenses	100
TOTAL CURRENT ASSETS	1,975,825

NON-CURRENT ASSETS:	
Machinery & Equipment (net)	170,138
TOTAL NON-CURRENT ASSETS	170,138

TOTAL ASSETS	\$ 2,145,963
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources - Related to Pension	389,119
Deferred Outflows of Resources - Related to OPEB	28,509
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 2,563,591

<u>LIABILITIES</u>	
CURRENT LIABILITIES:	
Due to Other Funds	\$ 99,407
Accounts Payable	20,497
Accrued Salaries and Benefits	150,791
Prepayments	49,345
TOTAL CURRENT LIABILITIES	320,040

NON-CURRENT LIABILITIES:	
Long-Term Portion of Compensated Absences	82,183
Net Pension Liability	2,636,393
Net OPEB Liability - Single Employer Plan	81,968
Net OPEB Liability - Multiple Employer Plan	140,114
TOTAL NON-CURRENT LIABILITIES	2,940,658
TOTAL LIABILITIES	3,260,698
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows of Resources - Related to Pension	317,116
Deferred Inflows of Resources - Related to OPEB	51,008
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	3,628,822

<u>FUND NET POSITION</u>	
Net Investment in Capital Assets	170,137
Unrestricted	(1,235,368)
TOTAL FUND NET POSITION	(1,065,231)

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 2,563,591

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

Nazareth Area School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	FOOD SERVICE
OPERATING REVENUES:	
Food Service Revenue	\$ 455,715
Other Operating Revenues	9,349
TOTAL OPERATING REVENUES	<u>465,064</u>
OPERATING EXPENSES:	
Salaries	743,537
Employee benefits	369,347
Purchased Professional and Technical Services	1,650
Purchased Property Service	37,104
Other Purchased Services	3,126
Supplies	995,452
Depreciation	10,175
Dues and Fees	1,251
TOTAL OPERATING EXPENSES	<u>2,161,642</u>
OPERATING INCOME (LOSS)	<u>(1,696,578)</u>
NON-OPERATING REVENUES (EXPENSES)	
Earnings on investments	1,771
State Sources	208,298
Federal Sources	2,678,421
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,888,490</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	1,191,912
Transfers in (out)	<u>11,457</u>
CHANGES IN FUND NET POSITION	1,203,369
FUND NET POSITION - BEGINNING	<u>(2,268,600)</u>
FUND NET POSITION - ENDING	<u>\$ (1,065,231)</u>

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

**Nazareth Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2022**

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 431,299
Cash Received from Other Operating Revenue	30,050
Cash Payments to Employees for Services	(1,083,896)
Cash Payments to Suppliers for Goods and Services	(839,121)
Cash Payments to Other Operating Expenses	(1,251)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(1,462,919)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	211,017
Federal Sources	2,537,085
Operating Transfers In (Out)	11,457
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	2,759,559
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Facilities Acquisition/Const./Improvement Svcs.	(3,878)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(3,878)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	1,771
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	1,771
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,294,533
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	503,409
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,797,942
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
OPERATING INCOME (LOSS)	\$ (1,696,578)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Depreciation and Net Amortization	10,175
Donated Commodities Used	216,695
CHANGE IN ASSETS AND LIABILITIES:	
(Increase) Decrease in Accounts Receivable	63,507
(Increase) Decrease in Advances to Other Funds	(1,292)
(Increase) Decrease in Inventories	2,222
(Increase) Decrease in Prepaid Expenses	700
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion of NPL	(8,413)
(Increase) Decrease in Deferred Outflows of Resources - Current Year Contributions	(31,182)
(Increase) Decrease in Deferred Outflows of Resources - Change in Assumptions	(96,342)
(Increase) Decrease in Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	110,630
Increase (Decrease) in Accounts Payable	891
Increase (Decrease) in Accrued Salaries and Benefits	1,190
Increase (Decrease) in Net OPEB Liability - Single Employer Plan	4,769
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	10,774
Increase (Decrease) in Net Pension Liability	(338,733)
Increase (Decrease) in Advances from Other Funds	57,960
Increase (Decrease) in Prepayments	(21,596)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	279,899
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	(699)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	(27,496)
TOTAL ADJUSTMENTS	233,659
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (1,462,919)

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

**Nazareth Area School District
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2022**

	PRIVATE- PURPOSE TRUST	CUSTODIAL FUNDS
ASSETS		
Cash and cash equivalents	\$ 2	\$ 191,686
Due from Other Funds	-	484
Other Receivables	-	4,851
TOTAL ASSETS	\$ 2	\$ 197,021
DEFERRED OUTFLOWS OF RESOURCES	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 2	\$ 197,021
LIABILITIES		
Accounts Payable	\$ -	\$ 1,998
Intergovernmental Payables	-	24,283
Due to Other Funds	-	56
TOTAL LIABILITIES	-	26,337
DEFERRED INFLOWS OF RESOURCES	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	26,337
NET POSITION		
Restricted for		
Individuals, organizations, and other governments	2	170,684
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	\$ 2	\$ 197,021

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

Nazareth Area School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	PRIVATE- PURPOSE TRUST FUND	CUSTODIAL FUNDS
ADDITIONS		
Contributions - Members	\$ -	\$ 144,016
Contributions - Other	-	61,223
Special Events	-	4,883
Other Income	-	41,507
INVESTMENT EARNINGS:		
Interest and Dividends	-	27
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	-	251,656
	-----	-----
DEDUCTIONS		
Administrative expense	-	9,762
Payments for student club activities	-	196,001
TOTAL DEDUCTIONS	-	205,763
	-----	-----
NET INCREASE (DECREASE IN FIDUCIARY NET POSITION)	-	45,893
NET POSITION - BEGINNING OF YEAR	2	124,791
	-----	-----
NET POSITION - END OF YEAR	\$ 2	\$ 170,684
	=====	=====

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

Nazareth Area School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -
General Fund
For the Year Ended June 30, 2022

	BUDGETED AMOUNTS		ACTUAL GAAP BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local Sources	\$ 71,467,142	\$ 71,467,142	\$ 74,951,181	\$ 3,484,039
State Sources	24,255,020	24,255,021	24,182,707	(72,314)
Federal Sources	1,500,000	1,500,000	1,900,236	400,236
TOTAL REVENUES	<u>97,222,162</u>	<u>97,222,163</u>	<u>101,034,124</u>	<u>3,811,961</u>
EXPENDITURES				
Regular Instruction	43,796,825	44,676,055	44,544,306	131,749
Special Programs	13,487,977	14,121,983	13,712,143	409,840
Vocational Programs	1,693,516	1,700,516	1,699,668	848
Other Instructional Programs	133,445	134,447	74,158	60,289
Nonpublic School Programs	7,000	9,000	8,399	601
Adult Education Programs	697,388	697,389	689,720	7,669
Pupil Personnel Services	3,490,369	3,500,072	3,215,434	284,638
Instructional Staff Services	2,077,883	2,109,604	1,913,260	196,344
Administrative Services	5,329,894	5,317,499	4,790,223	527,276
Pupil Health	1,200,226	1,310,227	1,303,489	6,738
Business Services	1,121,228	1,184,229	1,177,837	6,392
Operation & Maintenance of Plant Services	9,099,265	9,317,366	8,799,931	517,435
Student Transportation Services	5,161,755	5,163,876	4,831,192	332,684
Central Support Services	1,465,060	1,483,151	1,332,231	150,920
Other Support Services	45,000	45,000	44,386	614
Student Activities	1,686,560	1,700,953	1,674,545	26,408
Community Services	230,300	231,300	200,851	30,449
Scholarships and Awards	70,000	70,000	63,616	6,384
Debt Service	6,790,119	6,111,144	5,514,406	596,738
TOTAL EXPENDITURES	<u>97,583,810</u>	<u>98,883,811</u>	<u>95,589,795</u>	<u>3,294,016</u>
Excess (deficiency) of revenues over expenditures	(361,648)	(1,661,648)	5,444,329	7,105,977
OTHER FINANCING SOURCES (USES)				
Proceeds From Leases	-	-	272,340	272,340
Sale/Compensation for Fixed Assets	2,500	2,500	-	(2,500)
Transfers out	(50,000)	(50,000)	(1,543,790)	(1,493,790)
Budgetary Reserve	(1,300,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,347,500)</u>	<u>(47,500)</u>	<u>(1,271,450)</u>	<u>(1,223,950)</u>
Special Items - Insurance Recoveries	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>(1,709,148)</u>	<u>(1,709,148)</u>	<u>4,172,879</u>	<u>5,882,027</u>
FUND BALANCE - JULY 1, 2021	<u>23,726,446</u>	<u>23,726,446</u>	<u>23,941,620</u>	<u>215,174</u>
FUND BALANCE - JUNE 30, 2022	<u>\$ 22,017,298</u>	<u>\$ 22,017,298</u>	<u>\$ 28,114,499</u>	<u>\$ 6,097,201</u>

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

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

Note 1 - Description of the School District and Reporting Entity

School District

The Nazareth Area School District is located in Northampton County in eastern Pennsylvania, approximately ten miles to the north and west of Easton, the county seat of Northampton County. The School District is comprised of Nazareth, Tatamy, and Stockertown Boroughs, and Bushkill, Lower Nazareth, and Upper Nazareth Townships.

The Nazareth 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 Nazareth 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 Business Administrator, 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 Nazareth Area School District. The Business Administrator is directly responsible to the Superintendent.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

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 Nazareth Area School District, this includes general operations, food service, and student related activities of the School District.

Nazareth Area School District is a municipal Corporation governed by an elected nine-member board. As required by accounting principles, generally accepted in the United States of America, these financial statements are to present Nazareth 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 Nazareth Area School District does not have any component units.

Joint Ventures

Career Institute of Technology

The School District is a participating member of the Career Institute of Technology (CIT). The CIT 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 CIT's annual operating budget. Each participating district pays a pro-rata share of the CIT's operating costs based on the number of students attending the CIT for each District. The District's share of the CIT's operating costs for 2021-22 was \$1,699,668.

On dissolution of the Career Institute of Technology, the net position of CIT 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 CIT 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 CIT can be obtained from the CIT's administrative office at 5335 Kesslersville Rd., Easton, PA. 18040.

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 2021-22 was \$689,720.

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 the NCC can be obtained from the NCC's administrative office at 3835 Green Pond Rd., Bethlehem, PA 18020.

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

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. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced. GASB Statement No. 62 was issued to include all prior Financial Accounting Standards Board's statements and interpretations, along with predecessors' statements and interpretations pertaining to governments into the hierarchy of the Governmental Accounting Standards Board's jurisdiction.

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 one business-type activity 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.

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Deferred outflows of resources is recorded in a particular governmental fund where costs are spent for a future period. Current Liabilities are assigned to the governmental fund from which they will be paid. Deferred inflows of resources is recorded in a particular governmental fund that has received resources for a future period. The difference between the sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund

The general fund should be used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Fund

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establish that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Under this definition, the District does not have any special revenue funds.

Capital Projects Fund

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:

2018 Capital Project Fund

This fund was created in part to undertake certain capital improvements consisting of constructing, renovating, maintain and upgrading of HVAC systems, roofs, turf fields, and various capital projects with the issuance of \$13,455,000 and \$9,995,000 in General Obligation Bonds – Series E of 2017 and Series of 2018, respectively.

2019 Capital Project Fund

This fund was created in part to undertake certain capital improvements projects consisting of renovations, alterations, additions, improvements, furnishing and equipment to the District's facilities and grounds with the issuance of \$5,260,000 in General Obligation Bonds Series A of 2019.

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

Capital Reserve Fund

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

Debt Service Fund

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

2022 Debt Service Fund

This fund was created with the issuance of General Obligation Bonds Series of 2022 to record the transactions of the refunding the General Obligation Bonds Series E of 2017.

2022A Debt Service Fund

This fund was created with the issuance of General Obligation Bonds Series A of 2022 to record the transactions of the refunding the General Obligation Bonds Series D of 2017.

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

Enterprise Funds

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

Food Service Fund

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

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

Student Activity Funds

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

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

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 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 reconciliation's 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 net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its enterprise activities.

D. Basis of Accounting

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

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

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

E. Budgetary Process

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

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

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 2021-22 budget transfers.

F. Use of Estimates

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

G. Changes in Accounting Principles

During the 2021-22 fiscal year the School District implemented the following new generally accepted accounting principles:

GASB Statement No. 87 (Leases). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB Statement No. 89 (Accounting for Interest Cost Incurred before the End of a Construction Period). The objectives of the statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before construction ends. This standard requires expensing interest costs when incurred rather than capitalizing the costs.

GASB Statement No. 92 (Omnibus 2020). The primary objective is to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including (1) effective date of Statement No. 87, Leases for interim financial reports (2) Reporting of intra-entity transfers between primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan (3) Applicability of certain requirements of Statement No. 84 (4) Measurement of liabilities related to AROs (5) Reporting risk pools for amounts that are recoverable from reinsurers or excess insurers (6) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (7) Terminology used to refer to derivative instruments.

GASB Statement No. 93 (Replacement of Interbank Offered Rates). The objective of this Statement is to address the issue the London Interbank Offered Rate (LIBOR) is being replaced with an interbank offered rate (IBOR).

GASB Statement No. 97 (Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32). The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

GASB Statement No. 98, (The Annual Comprehensive Financial Report). - This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local government.

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.

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

I. Other Postemployment Benefits

Multiple Employer Cost Sharing OPEB Plan

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

Single Employer OPEB Plan

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

J. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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

Investments

In accordance 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.

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

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, 2022, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

Property taxes that were levied during the current fiscal year, which are not estimated to be received within sixty (60) days after the fiscal year-end, are recorded as receivable and deferred inflows of resources in the fund financial statements.

In the government-wide financial statements, all property taxes levied during the fiscal year are recognized as revenue, net of estimated uncollectible amount.

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. A physical inventory taken at June 30, 2022 reflects \$114,846 in the governmental activities column and \$91,344 in the business-type activities column.

Inventory type items in governmental funds utilize the consumption method, that is, they are charged to expenditures when used. A physical inventory was taken as of June 30, 2022; therefore, there is \$114,846 of inventory and 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 is the Food Service Fund. Inventory within this fund consists of donated commodities, which are valued at U.S.D.A.'s approximate costs, and purchased food.

Inventories on hand at June 30, 2022, consist of:

Purchased Food	\$ 75,372
Donated Commodities	15,972
TOTAL	\$ 91,344

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.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

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-five hundred (\$2,500) dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise funds is also capitalized.

All reported capital assets except land, certain land improvements, and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Site Improvements	10-20 years	10-20 years
Buildings and Improvements	20 - 50 years	20 - 50 years
Furniture and Equipment	5 - 20 years	5 - 20 years
Right -to-use-Equipment	Length of Lease	Length of Lease

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.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

Leases

Lessee:

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

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

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

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

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

Lessor:

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

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

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

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

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts, and deferred amounts on refundings are deferred and amortized over the life of the bonds using modification of the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any deferred amount on refundings are reported as deferred outflows of resources and amortized over the life of the bond issue. Bond issuance costs are expensed in the year they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts and premiums on debt issuances are reported as other financing uses and other financing sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2022, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements reported on the modified accrual basis of accounting.

Net Position

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

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

Fund Balance Categories

Fund balance for governmental funds should be reported in classifications that compromise 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.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

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 governmental laws or regulations, or the constraint is imposed by enabling legislation or constitutional provisions.

Committed Fund Balance

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

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

Assigned Fund Balance

This category includes all remaining amounts that are reported in governmental funds, except the general fund, that are not classified in one of the above-mentioned categories.

In the general fund, this category represents the District's intent to use resources for a specific purpose, which does not require formal action by the governing body. The District's policy dictates the Superintendent or his/her designee is responsible to make these assignments.

Unassigned Fund Balance

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

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

Contributions of capital 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 did not receive any 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".

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

The details of this \$236,486,405 difference are:

Bonds payable	\$ 95,400,000
Less: Issuance discount (to be amortized as interest expense)	(180,485)
Add: Issuance premium (to be amortized as a contra to interest expense)	1,885,930
Finance Purchase Obligations	478,293
Lease Obligations	205,011
Net Pension Liability	108,569,856
Accrued interest payable	457,219
Compensated absences	6,040,527
Net OPEB Liability - Single Employer Plan	17,217,116
Net OPEB Liability - Multiple Employer Plan	6,412,938
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	<u>\$ 236,486,405</u>

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

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

- 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.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

Explanation of Differences between Governmental Fund Statements and District-Wide Statements

	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	\$ 62,513,583	\$ (96,074)	\$ -	\$ -	\$ 62,417,509
Taxes levied for specific purposes	10,987,892	-	-	-	10,987,892
Interest and investment earnings	72,248	-	-	-	72,248
Miscellaneous	357,861	-	-	-	357,861
Contributions and Donations	207,795	-	-	-	207,795
Charges for Services	202,694	-	-	-	202,694
Grants, subsidies & contributions not restricted	11,599,422	-	-	-	11,599,422
Proceeds from Leases	272,340	-	-	(272,340)	-
Proceeds from Refunding of Bonds	31,825,000	-	-	(31,825,000)	-
STATE SOURCES:					
Operating and Capital grants and contributions	12,583,285	-	-	-	12,583,285
FEDERAL SOURCES:					
Operating and Capital grants and contributions	2,530,326	-	-	-	2,530,326
SPECIAL AND EXTRAORDINARY ITEMS:					
Gain or (Loss) on disposal of assets	-	-	(384)	-	(384)
TOTAL REVENUES	133,152,446	(96,074)	(384)	(32,097,340)	100,958,648
EXPENDITURES/EXPENSES					
Instruction	60,803,203	(2,855,640)	(437,966)	-	57,509,597
Instructional Student Support	6,432,183	(416,544)	-	-	6,015,639
Admin. & Fin'l Support Services	7,759,609	(449,136)	(1,980)	-	7,308,493
Oper. & Maint. Of Plant Svcs.	8,974,899	(420,888)	(71,332)	-	8,482,679
Pupil Transportation	4,831,192	(12,858)	-	-	4,818,334
Student activities	1,674,545	(77,341)	56,073	-	1,653,277
Community Services	200,851	-	-	-	200,851
Scholarships and Awards	63,616	-	-	-	63,616
Capital Outlay	4,225,333	-	(4,225,333)	-	-
Debt Service	36,952,216	-	-	(33,988,592)	2,963,624
Transfers Out	11,457	-	-	-	11,457
Depreciation - unallocated	-	-	3,476,878	-	3,476,878
TOTAL EXPENDITURES/EXPENSES	131,929,104	(4,232,407)	(1,203,660)	(33,988,592)	92,504,445
NET CHANGE FOR THE YEAR	\$ 1,223,342	\$ 4,136,333	\$ 1,203,276	\$ 1,891,252	\$ 8,454,203

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, 2022, except the governmental activities and business-type activities (Food Service Fund) have \$56,704,053 and \$1,065,231 deficits, respectively.

C. Excess of Expenditures over Appropriations in Individual Funds

The General Fund, which is the only fund with a legally adopted budget and did not have an excess of expenditures over appropriations.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

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, 2022. 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, 2022, \$5,581,960, of the District's bank balance of \$6,091,534 was exposed to custodial credit risk, as follows:

Uninsured and uncollateralized	\$ 8,274
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	5,573,686
TOTAL	<u>\$ 5,581,960</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 5,581,960
Plus: Insured Amount	509,574
Less: Outstanding Checks	<u>(1,181,264)</u>
Carrying Amount - Bank balances	4,910,270
Plus: Petty Cash	972
Deposits in Investment Pools Considered Cash Equivalents	44,388,840
Deposits in Money Market Mutual Funds Considered Cash Equivalents	-
Less: Certificates of Deposit considered Investment by School Code	<u>-</u>
Total Cash Per Financial Statements	<u>\$ 49,300,082</u>

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

Investments

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

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C; and,
4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.
5. Obligations, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
6. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government sponsored enterprise.
7. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
8. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
9. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the paper is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
10. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and, if all of the following conditions are met:
 - The investments of the company are the authorized investments listed above.
 - The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds.
 - The investment company is rated in the highest category by a nationally recognized rating agency.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

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, 2022, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
PA Local Government Investment Trust	N/A	\$ 39,401,508
PA School District Liquid Asset Fund	N/A	4,987,332
Fulton	N/A	427,435
TOTAL		\$ 44,816,275

Interest Rate Risk

The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2022, the District's investments in the Pa. School Liquid Asset Fund was rated AAA by Standard & Poor's. The District's investment in Pa. Local Government Investment Trust was rated AAA by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. As of June 30, 2022, the District did not hold any investments which would subject itself to the concentration of credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

Reconciliation to Financial Statements

Total Investments Above	\$ 44,816,275
Less: Deposits in Investment Pool Considered Cash Equivalents	(44,388,840)
Deposits in Money Market Funds Considered Cash Equivalents	<u>(427,435)</u>
Total Investments Per Financial Statements	<u>\$ -</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, 2022. 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 \$1,126,326,815. In accordance with Act 1 of 2006, the District received \$1,605,668 in property tax reduction funds for the 2021-22 fiscal year. The tax rate for the year was \$5.6800 per \$100 of assessed valuation or 56.800 mills.

The property tax calendar is:

July 1	-	Full year tax assessed for current year.
July 1 - September 11	-	Discount period during which a 2% discount is allowed.
September 12 - November 11	-	Face amount of tax is due.
November 12 - February 11	-	A 10% penalty is added to all payments.
April 24	-	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 as 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 fund financial statements.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

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 PROJECTS FUND	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	2,108,435	-	-	-	-	2,108,435
Accounts	189,202	-	3,124	-	4,851	197,177
Intergovernmental	3,963,854	-	29,992	-	-	3,993,846
GROSS RECEIVABLES	6,261,491	-	33,116	-	4,851	6,299,458
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 6,261,491	\$ -	\$ 33,116	\$ -	\$ 4,851	\$ 6,299,458

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:

Schedule on Deferred Inflows of Resources - Unavailable and Unearned

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Delinquent Property Taxes - General Fund	\$ 1,442,513	\$ -
Grant drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 1,442,513	\$ -

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

Capital Assets

Capital asset balances and activity for the year ending June 30, 2022, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated/amortized:				
Land	\$ 953,670	\$ -	\$ -	\$ 953,670
Construction in Progress	13,411,592	4,419,458	(847,476)	16,983,574
Total Capital Assets not being depreciated/amortized	14,365,262	4,419,458	(847,476)	17,937,244
Capital Assets being depreciated/amortized:				-
Site Improvements	10,163,420	365,945	-	10,529,365
Buildings and Bldg. Improvements	150,976,984	489,581	-	151,466,565
Furniture and Equipment	7,750,086	496,570	(3,836)	8,242,820
Intangible Right-To-Use Equipment	-	272,340	-	272,340
TOTAL CAPITAL ASSETS BEING DEPRECIATED/AMORTIZED	168,890,490	1,624,436	(3,836)	170,511,090
Less accumulated depreciation/amortization for:				
Site Improvements	(4,371,671)	(395,258)	-	(4,766,929)
Buildings and Bldg. Improvements	(50,349,673)	(3,083,497)	-	(53,433,170)
Furniture and Equipment	(5,103,268)	(445,915)	3,452	(5,545,731)
Intangible Right-To-Use Equipment	-	(68,085)	-	(68,085)
TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION	(59,824,612)	(3,992,755)	3,452	(63,813,915)
TOTAL CAPITAL ASSETS BEING DEPRECIATED/AMORTIZED NET OF ACCUMULATED DEPRECIATION/AMORTIZATION	109,065,878	(2,368,319)	(384)	106,697,175
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION/AMORTIZATION	\$ 123,431,140	\$ 2,051,139	\$ (847,860)	\$ 124,634,419
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 1,179,557	\$ 3,876	\$ -	\$ 1,183,433
Less accumulated depreciation	(1,003,121)	(10,174)	-	(1,013,295)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 176,436	\$ (6,298)	\$ -	\$ 170,138

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

Instruction	\$ 292,606
Admin. & Fin'l Support Services	33,244
Oper. & Maint. of Plant Svcs.	133,955
Student activities	56,073
Depreciation - unallocated	3,476,878
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$ 3,992,756

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

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 Projects Fund:

	<u>CONTRACT AMOUNT</u>	<u>EXPENDED TO 6/30/22</u>	<u>OUTSTANDING COMMITMENTS</u>
LNES Renovation/Additions			
General Contractor - CMG of Easton	4,295,000	3,420,453	874,547
Electrical Contractor - Wind Gap Electric	1,317,667	863,558	454,109
Project Total:	<u>5,612,667</u>	<u>4,284,011</u>	<u>1,328,656</u>
BES Renovation/Additions			
General Contractor - CMG of Easton	4,532,000	3,841,991	690,009
Electrical Contractor - Wind Gap Electric	1,069,885	983,194	86,691
Project Total:	<u>5,601,885</u>	<u>4,825,185</u>	<u>776,700</u>
HS North Campus HVAC Replacement			
Engineer - D'Huy Engineering	167,860	128,895	38,965
Contractors - Myco Mechanical	2,592,000	-	2,592,000
Project Total:	<u>2,759,860</u>	<u>128,895</u>	<u>2,630,965</u>
Total Construction Commitments	\$ 13,974,412	\$ 9,238,091	\$ 4,736,321

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

Short-term Debt

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. The balances generally are paid shortly after year end. Transfers represent funds set aside for the anticipation of future capital needs.

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2022:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 124,026	304,497
Capital Project (Capital Reserve) Fund	250,690	-
2019 Capital Projects Fund	-	280
Enterprise (Food Service) Fund	53,323	99,407
Custodial (Activity) Funds	483	24,339
TOTAL	\$ 428,523	\$ 428,523

Interfund transfers

The District also made the following interfund transfers during the year ended June 30, 2022.

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 1,543,790
Food Service Fund	11,457	-
Custodial (Activity) Funds	1,245	1,245
Capital Projects (Capital Reserve) Fund	1,532,333	-
TOTAL	\$ 1,545,035	\$ 1,545,035

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

Long-Term Liabilities

Long-term liability balances and activity for the year ended June 30, 2022, were:

CHANGES IN LONG-TERM LIABILITIES

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<u>GOVERNMENTAL ACTIVITIES:</u>					
<u>General Obligation Debt:</u>					
<i>Bonds and notes payable:</i>					
Bonds	\$ 97,148,723	\$ 31,834,766	\$ 34,055,012	\$ 94,928,477	\$ 2,265,000
Notes	2,181,143	827	5,000	2,176,970	5,000
Total general obligation debt	99,329,866	31,835,593	34,060,012	97,105,447	2,270,000
<i>Other liabilities:</i>					
Finance Purchase Obligations	643,120		164,829	478,291	156,777
Lease Obligations	-	272,340	67,330	205,010	67,728
<i>Vested employee benefits:</i>					
Vacation pay	655,268	-	47,431	607,837	116,767
Sick Pay/Years of Service	5,163,121	578,084	-	5,741,205	191,748
Net OPEB Liability - Single Employer Plan	16,447,794	769,322	-	17,217,116	-
Net OPEB Liability - Multiple Employer Plan	5,762,581	650,357	-	6,412,938	-
Net Pension Liability	128,992,633	-	20,422,777	108,569,856	-
Total other liabilities	157,664,517	2,270,103	20,702,367	139,232,253	533,020
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 256,994,383	\$ 34,105,696	\$ 54,762,379	\$ 236,337,700	\$ 2,803,020
<u>BUSINESS-TYPE ACTIVITIES:</u>					
<i>Other liabilities:</i>					
<i>Vested employee benefits</i>					
Vacation Pay	\$ 24,054	\$ 1,944	\$ -	\$ 25,998	\$ -
Sick Pay/Years of Service	51,985	4,200	-	56,185	-
Net Pension Liability	2,975,126	-	338,733	2,636,393	-
Net OPEB Liability - Multiple Employer Plan	129,340	10,774	-	140,114	-
Net OPEB Liability - Single Employer Plan	77,199	4,769	-	81,968	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	\$ 3,257,704	\$ 21,687	\$ 338,733	\$ 2,940,658	\$ -

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:

	EXPENSE	PAID
<u>GOVERNMENTAL ACTIVITIES:</u>		
General obligation debt	\$ 2,956,943	\$ 3,311,445
Finance purchase debt	-	-
Lease debt	1,953	1,953
Refund of Prior Year Revenues/Receipts	4,728	4,728
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	\$ 2,963,624	\$ 3,318,126

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

Finance Purchase – Chromebooks American Capital

On June 14, 2021 the District entered into a finance purchase arrangement with First American Capital to lease 1600 Chromebooks. The present value of the lease rental payments are \$643,120 with a interest rate of 1.683%.

The future principal and interest lease payments as of June 30, 2022, are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 156,777	\$ 8,050
2023-24	159,416	5,411
2024-25	162,099	2,728
2025-26	-	-
2026-27	-	-
TOTAL	\$ 478,293	\$ 16,189

Lease – Lenova Chromebooks – SHI

On July 1, 2021, The District entered into a 48-month lease as lessee for the use of Lenovo Chromebooks. An initial lease liability was recorded in the amount of \$272,340. As of June 30, 2022, the value of the lease liability was \$205,011. The District is required to make annual fixed payments of \$69,282. The lease has an interest rate of 0.893%. The Equipment has a four-year estimated useful life. The value of the right to use asset as of June 30, 2022 was \$204,255 with accumulated amortization of \$68,085.

The future principal and interest lease payments as of June 30, 2022, are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 67,728	\$ 1,554
2023-24	68,335	947
2024-25	68,948	334
2025-26	-	-
2026-27	-	-
TOTAL	\$ 205,011	\$ 2,835

General Obligation Bonds – Series of 2017

On February 16, 2017, the District issued \$11,135,000 of General Obligation Bonds – Series of 2017. Proceeds of the Bonds will be used (1) undertake certain capital improvement projects consisting of construction, renovating, maintain and upgrading of HVAC systems, roofs, turf fields, and various capital projects and (2) pay the costs and expenses allocable to issuing the 2017 bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from November 15, 2032 to November 15, 2034, with interest rates ranging from 4.00% with a total projected indebtedness of \$7,550,213.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

The outstanding debt service requirements at June 30, 2022, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ -	\$ 445,400
2023-24	-	445,400
2024-25	-	445,400
2025-26	-	445,400
2026-27	-	445,400
2027-32	-	2,227,000
2032-35	11,135,000	759,100
SUB-TOTAL	\$ 11,135,000	\$ 5,213,100
Unamortized Premium	355,928	
TOTAL OUTSTANDING	\$ 11,490,928	

General Obligation Bonds – Series A of 2017

On February 16, 2017, the District issued \$8,345,000 of General Obligation Bonds – Series A of 2017. Proceeds of the Bonds will be used (1) currently refund all of the District's outstanding GON Series of 2009, currently outstanding in the aggregate principal amount of \$7,110,000, (2) currently refund a portion of the District's GON Series of 2011, currently outstanding in the aggregate principal amount of \$8,654,000 of which \$1,305,000 shall be refunded, and (3) pay the costs and expenses allocable to issuing the 2017 A Bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from May 15, 2017 to November 15, 2032, with interest rates ranging from 0.90% to 4.00% with a total projected indebtedness of \$4,363,029.

The outstanding debt service requirements at June 30, 2022, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 5,000	\$ 307,100
2023-24	740,000	297,800
2024-25	80,000	287,350
2025-26	105,000	284,575
2026-27	115,000	281,275
2027-32	5,125,000	1,250,425
2032-33	2,075,000	41,500
SUB-TOTAL	\$ 8,245,000	\$ 2,750,025
Unamortized Premium	220,218	
TOTAL OUTSTANDING	\$ 8,465,218	

General Obligation Bond – Series B of 2017

On November 15, 2017, the District issues \$4,310,000 of General Obligation Bonds – Series B of 2017. Proceeds of the Bonds will be used to: (1) terminate the School District's fixed payor swap and constant maturity swap associated with the GON Series of 2015 and (2) pay the costs and expenses allocable to issuing the 2017B Bonds. The bonds mature from November 15, 2019 to November 15, 2025, with interest ranging from 1.90% to 3.050%, with a total projected indebtedness of \$521,790.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

The outstanding debt service requirements at June 30, 2022, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 785,000	\$ 47,667
2023-24	110,000	36,370
2024-25	635,000	25,678
2025-26	540,000	8,235
2026-27	-	-
SUB-TOTAL	\$ 2,070,000	\$ 117,950
Unamortized Premium	-	-
TOTAL OUTSTANDING	\$ 2,070,000	

General Obligation Bond – Series C of 2017

On November 15, 2017, the District issued \$6,720,000 of General Obligation Bonds – Series C of 2017. Proceeds of the Bonds will be used to: (1) currently refund and restructure all of the District's GON Series of 2011, currently outstanding in the aggregate principal amount of \$7,340,000, and (2) pay the costs and expenses allocable to issuing the 2017C Bonds. The Bonds mature from November 15, 2025 to November 15, 2030, with interest ranging from 3.00% to 5.00%.

The outstanding debt service requirements at June 30, 2022, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ -	\$ 265,300
2023-24	-	265,300
2024-25	-	265,300
2025-26	485,000	258,025
2026-27	1,450,000	221,750
2027-31	4,785,000	307,625
SUB-TOTAL	\$ 6,720,000	\$ 1,583,300
Unamortized Premium	447,142	
TOTAL OUTSTANDING	\$ 7,167,142	

General Obligation Bond – Series D of 2017

On November 15, 2017, the District issued \$14,850,000 of General Obligation Bonds – Series D of 2017. Proceeds of the Bonds will be used to: (1) currently refund and restructure all of the District's GON Series of 2011, currently outstanding in the aggregate principal amount of \$17,035,000, and (2) pay the costs and expenses allocable to issuing the 2017 D Bonds. The Bonds mature from November 15, 2030 to November 15, 2037, with interest rates at 5.0%.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

On June 29, 2022 the District refunded the General Obligation Bonds Series D of 2017 with the issuance of the General Obligation Bonds Series A of 2022. Below is the economic gain calculation of the following refunding.

SOURCES

Gross Proceeds of Bonds	\$ 16,145,000
Plus: Premium	-
Less: Original Issue Discount	-
TOTAL SOURCES	<u>\$ 16,145,000</u>

USES

Escrow Deposit	\$ 16,005,211
Issuance Costs	132,212
Sinking Fund Deposit	<u>7,577</u>
TOTAL USES	<u>\$ 16,145,000</u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows		\$ 24,409,250
Cash Flows From New Debt:		
New Debt Service Cash Flow	\$ 23,520,934	
Less: Sinking Fund Deposit	<u>(7,577)</u>	
Net Cash Flows From New Debt		<u>23,513,357</u>
Net Difference in Cash Flows		<u>\$ 895,893</u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows		\$ 16,662,252
Present Value of New Debt Service Cash Flows	\$ 16,012,788	
Less: Sinking Fund Deposit	<u>(7,577)</u>	
TOTAL		<u>16,005,211</u>
ECONOMIC GAIN		<u>\$ 657,041</u>

General Obligation Bond – Series E of 2017

On November 15, 2017, the District issued \$13,455,000 of General Obligation Bonds – Series D of 2017. Proceeds of the Bonds will be used to: (1) undertake certain capital improvement projects consisting of constructing, renovating, maintain and upgrading of HVAC systems, roofs, turf fields and various capital projects and, (2) pay the costs and expenses allocable to issuing the 2017 E Bonds. The bonds mature from November 15, 2037 to November 15, 2039, with interest rates at 5.0%, with a total projected indebtedness of \$14,060,500.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

On February 10, 2022 the District refunded the General Obligation Bonds Series E of 2017 with the issuance of the General Obligation Bonds Series of 2022. Below is the economic gain calculation of the following refunding.

SOURCES

Gross Proceeds of Bonds	\$ 15,680,000
Less: Underwriter's Discount	(117,600)
TOTAL SOURCES	<u>\$ 15,562,400</u>

USES

Escrow Deposit	\$ 15,426,832
Issuance Costs	129,801
Sinking Fund Deposit	5,767
TOTAL USES	<u>\$ 15,562,400</u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows		\$ 24,844,500
Cash Flows From New Debt:		
New Debt Service Cash Flow	\$ 23,204,071	
Less: Sinking Fund Deposit	(5,767)	
Net Cash Flows From New Debt		23,198,304
Net Difference in Cash Flows		<u>\$ 1,646,196</u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows		\$ 16,759,764
Present Value of New Debt Service Cash Flows	\$ 15,432,598	
Less: Sinking Fund Deposit	(5,767)	
TOTAL		15,426,831
ECONOMIC GAIN		<u>\$ 1,332,933</u>

General Obligation Bond – Series of 2018

On February 14, 2018, the District issued \$9,995,000 of General Obligation Bonds – Series of 2018. Proceeds of the Bonds will be used to: (1) currently refund and restructure a portion of the District's GOB Series of 2013, currently outstanding in the aggregate principal amount of \$9,565,000 (the "2013 Bonds"); of which \$9,375,000 shall be refunded, (2) undertake certain capital improvement projects consisting of constructing, renovating, maintaining, and upgrading of HVAC systems, roofs, turf fields and various capital projects and (3) pay the costs and expenses allocable to issuing the Notes. The bonds mature from September 15, 2018 to September 15, 2040, with interest rates ranging from 1.45% to 3.20% with a total projected indebtedness of \$6,631,024.

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

The outstanding debt service requirements at June 30, 2022, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 75,000	\$ 310,719
2023-24	75,000	309,218
2024-25	80,000	307,269
2025-26	80,000	304,869
2026-27	80,000	302,469
2027-32	300,000	1,477,993
2032-37	345,000	1,449,869
2037-41	8,875,000	890,466
SUB-TOTAL	\$ 9,910,000	\$ 5,352,872
Unamortized Discount	(167,455)	
TOTAL OUTSTANDING	\$ 9,742,545	

General Obligation Bond – Series of 2019

On May 17, 2019, the District issued \$9,790,000 of General Obligation Bonds – Series of 2019. Proceeds of the Bonds will be used to (1) currently refund a portion of the District's GOB Series of 2014, currently outstanding in the aggregate principal amount of \$6,100,000, of which, \$1,300,000 shall be refunded, (2) currently refund a portion of the General Obligation Bonds, GOB Series A of 2014, currently outstanding in the aggregate principal amount of \$9,755,000, of which, \$8,385,000 shall be refunded, and pay the costs and expenses allocable to issuing the Bonds. The bonds mature from February 15, 2021 to February 15, 2030, with interest rates ranging from 2.0% to 3.0%, with total interest indebtedness of \$2,123,722.

The outstanding debt service requirements at June 30, 2022, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 15,000	\$ 263,930
2023-24	1,260,000	263,632
2024-25	650,000	226,832
2025-26	1,485,000	213,831
2026-27	1,530,000	169,281
2027-30	4,820,000	260,524
SUB-TOTAL	\$ 9,760,000	\$ 1,398,030
Unamortized Premium	136,153	
TOTAL OUTSTANDING	\$ 9,896,153	

General Obligation Bonds – Series A of 2019

On September 9, 2019, the District issued \$5,260,000 of General Obligation Bonds - Series A of 2019. Proceeds of the Bonds will be used to (1) undertake certain capital improvements consisting of renovations, alterations, additions, improvements, furnishing and equipment to the School District's facilities and grounds and (2) pay the costs and expenses allocable to issuing the Bonds

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from May 15, 2021 to May 15, 2041, with interest rates ranging from 1.20% to 4.00%, with a total interest indebtedness of \$2,912,848.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

The outstanding debt service requirements at June 30, 2022 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 105,000	\$ 177,150
2023-24	105,000	175,050
2024-25	180,000	173,475
2025-26	205,000	169,875
2026-27	205,000	165,775
2027-32	1,090,000	736,750
2032-37	895,000	606,000
2037-41	2,390,000	230,400
SUB-TOTAL	\$ 5,175,000	\$ 2,434,475
Unamortized Premium	304,147	
TOTAL OUTSTANDING	\$ 5,479,147	

General Obligation Bonds – Series of 2020

On March 9, 2020, the District issued \$9,375,000 of General Obligation Bonds – Series of 2020. Proceeds of the Bonds were used to (1) currently refund a portion of the District's GOB Series of 2015, currently outstanding in the aggregate principal amount of \$7,970,000 of which \$6,235,000 shall be refunded, (2) currently refund a portion of the District's outstanding GOB Series of 2014, currently outstanding in the aggregate principal amount of \$3,680,000 of which \$2,250,000 shall be refunded, (3) currently refund the District's outstanding GOB Series A of 2014, currently outstanding in the aggregate principal amount of \$1,265,000, and (4) pay the costs and expense allocable to issuing the Bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from November 15, 2020 to November 15, 2034, with interest rates ranging from 0.95% to 4.00% with total interest indebtedness of \$1,841,593.

The outstanding debt service requirements at June 30, 2022 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 1,280,000	\$ 234,250
2023-24	810,000	192,450
2024-25	1,590,000	144,450
2025-26	465,000	109,163
2026-27	125,000	104,738
2027-32	2,430,000	393,150
2032-35	1,670,000	76,350
SUB-TOTAL	\$ 8,370,000	\$ 1,254,551
Unamortized Premium	422,344	
TOTAL OUTSTANDING	\$ 8,792,344	

General Obligation Notes – Series of 2020

On November 24, 2020, the District issued \$2,195,000 of General Obligation notes- Series of 2020. The proceeds of the Notes were used to (1) currently refund and restructure all of the District's outstanding General Obligation Bonds, Series of 2014, currently outstanding in the aggregate principal amount of \$1,430,000 (2) currently refund and restructure a portion of the District's outstanding General Obligation Bonds, Series of 2015, currently outstanding in the aggregate principal amount of \$1,300,000, of which \$645,000 was refunded, and (3) pay the costs and expenses allocable to issuing the Notes.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

In accordance with the Local Government Debt Act, a sinking fund is established with the paying agent. The Notes are stated to mature from February 15, 2030 to February 15, 2040. Interest rates range from 1.000% to 2.125% and result in a total interest indebtedness of \$762,580.

The outstanding debt service requirements at June 30, 2022 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 5,000	\$ 44,840
2023-24	5,000	44,790
2024-25	5,000	44,740
2025-26	5,000	44,690
2026-27	5,000	44,590
2027-32	65,000	220,650
2032-37	865,000	184,750
2037-41	1,235,000	78,540
SUB-TOTAL	\$ 2,190,000	\$ 707,590
Unamortized Discount	(13,031)	
TOTAL OUTSTANDING	\$ 2,176,969	

Federally Taxable General Obligation Bonds – Series of 2022

On February 10, 2022, the District issued \$15,680,000 of General Obligation Bonds - Series of 2022. The proceeds of the Bonds will be used to (1) advance refund and the District's outstanding General Obligation Bonds, Series E of 2017, currently outstanding in the aggregate principal amount of \$13,455,000, and (2) pay the costs and expenses allocable to issuing the Bonds.

In accordance with the Local Governmental Debt Act, a sinking fund is established with the paying agent. The Bonds are stated to mature from November 15, 2024 to November 15, 2039. Interest rates range from 1.170% to 3.150% and result in a total interest indebtedness of \$7,524,071.

The outstanding debt service requirements at June 30, 2022 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ -	\$ 469,962
2023-24	-	469,962
2024-25	140,000	469,143
2025-26	140,000	467,302
2026-27	145,000	465,084
2027-32	765,000	2,278,791
2032-37	870,000	2,175,177
2037-41	13,620,000	604,633
SUB-TOTAL	\$ 15,680,000	\$ 7,400,054
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 15,680,000	

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

Convertible General Obligation Bonds – Series A of 2022

On June 29, 2022, the District issued \$16,145,000 of General Obligation Bonds - Series A of 2022. The proceeds of the Bonds will be used to (1) advance refund and the District's outstanding General Obligation Bonds, Series D of 2017, currently outstanding in the aggregate principal amount of \$14,850,000 , and (2) pay the costs and expenses allocable to issuing the Bonds.

In accordance with the Local Governmental Debt Act, a sinking fund is established with the paying agent. The Bonds are stated to mature from November 15, 2022 to July 1, 2037. Interest rates range from 3.457% to 4.376% and result in a total interest indebtedness of \$7,375,934..

The outstanding debt service requirements at June 30, 2022 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 60,000	\$ 618,842
2023-24	5,000	703,770
2024-25	5,000	703,551
2025-26	55,000	628,627
2026-27	135,000	551,478
2027-32	3,985,000	2,514,017
2032-37	10,940,000	1,651,409
2037-41	960,000	4,241
SUB-TOTAL	\$ 16,145,000	\$ 7,375,935
Unamortized Discount	-	-
TOTAL OUTSTANDING	\$ 16,145,000	

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

Combined General Obligation Debt

The combined general debt obligations for subsequent years are:

Fiscal Year Ended June 30	Bonds									
	GO Bonds - 2017		GO Bonds - 2017A		GO Bonds - 2017B		GO Bonds - 2017C		GO Bonds - 2018	
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2023	\$ 445,400	\$ -	\$ 307,100	\$ 5,000	\$ 47,667	\$ 785,000	\$ 265,300	\$ -	\$ 310,719	\$ 75,000
2024	445,400	-	297,800	740,000	36,370	110,000	265,300	-	309,218	75,000
2025	445,400	-	287,350	80,000	25,678	635,000	265,300	-	307,269	80,000
2026	445,400	-	284,575	105,000	8,235	540,000	258,025	485,000	304,869	80,000
2027	445,400	-	281,275	115,000	-	-	221,750	1,450,000	302,469	80,000
2027-2032	2,227,000	-	1,250,425	5,125,000	-	-	307,625	4,785,000	1,477,993	300,000
2032-2037	759,100	11,135,000	41,500	2,075,000	-	-	-	-	1,449,869	345,000
2037-2041	-	-	-	-	-	-	-	-	890,466	8,875,000
TOTAL	\$ 5,213,100	\$ 11,135,000	\$ 2,750,025	\$ 8,245,000	\$ 117,950	\$ 2,070,000	\$ 1,583,300	\$ 6,720,000	\$ 5,352,872	\$ 9,910,000

Bonds - Continued

Fiscal Year Ended June 30	GO Bonds - 2019		GO Bonds - 2019A		GO Bonds - 2020		GO Bonds - 2022		GO Bonds - 2022A	
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2023	\$ 263,930	\$ 15,000	\$ 177,150	\$ 105,000	\$ 234,250	\$ 1,280,000	\$ 469,962	\$ -	\$ 618,842	\$ 60,000
2024	263,632	1,260,000	175,050	105,000	192,450	810,000	469,962	-	703,770	5,000
2025	226,832	650,000	173,475	180,000	144,450	1,590,000	469,143	140,000	703,551	5,000
2026	213,831	1,485,000	169,875	205,000	109,163	465,000	467,302	140,000	628,627	55,000
2027	169,281	1,530,000	165,775	205,000	104,738	125,000	465,084	145,000	551,478	135,000
2027-2032	260,524	4,820,000	736,750	1,090,000	393,150	2,430,000	2,278,791	765,000	2,514,017	3,985,000
2032-2037	-	-	606,000	895,000	76,350	1,670,000	2,175,177	870,000	1,651,409	10,940,000
2037-2041	-	-	230,400	2,390,000	-	-	604,633	13,620,000	4,241	960,000
TOTAL	\$ 1,398,030	\$ 9,760,000	\$ 2,434,475	\$ 5,175,000	\$ 1,254,551	\$ 8,370,000	\$ 7,400,054	\$ 15,680,000	\$ 7,375,935	\$ 16,145,000

Bonds - Continued

Fiscal Year Ended June 30	Totals	
	Interest	Principal
2023	\$ 3,140,320	\$ 2,325,000
2024	3,158,952	3,105,000
2025	3,048,448	3,360,000
2026	2,889,902	3,560,000
2027	2,707,250	3,785,000
2027-2032	11,446,275	23,300,000
2032-2037	6,759,405	27,930,000
2037-2041	1,729,740	25,845,000
TOTAL	\$ 34,880,292	\$ 93,210,000

Direct Borrowing

GO Notes 2020	
Interest	Principal
\$ 44,840	\$ 5,000
44,790	5,000
44,740	5,000
44,690	5,000
44,590	5,000
220,650	65,000
184,750	865,000
78,540	1,235,000
\$ 707,590	\$ 2,190,000

Bonds and Direct Borrowing

Totals	
Interest	Principal
\$ 3,185,160	\$ 2,330,000
3,203,742	3,110,000
3,093,188	3,365,000
2,934,592	3,565,000
2,751,840	3,790,000
11,666,925	23,365,000
6,944,155	28,795,000
1,808,280	27,080,000
\$ 35,587,882	\$ 95,400,000

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

Compensated Absences

Sick-Pay

Under the District's various bargaining agreements and plans, professional and eligible support personnel accumulate unused sick days from year to year based on their classification. These accumulated sick days are vesting during the employee's tenure. Upon retirement, these employees are also eligible for remuneration for unused sick days under the following bargaining agreements:

- | | | |
|----|--|----------------|
| 1. | Nazareth Education Association Members | - \$40 per day |
| 2. | Teamsters Union Members | - \$25 per day |
| 3. | Support Personnel Members | - \$25 per day |
| 4. | Administrative Plan Members | - \$45 per day |

As an alternative to receiving remuneration for accumulated unused sick days, each eligible employee shall be entitled to a retirement severance payment calculated on criteria established in each member's respective contract based on years of service (as outlined) in the District. Each employee, per group, eligible under his/her respective agreement shall choose the option he or she wishes.

The District maintains records of each employee's accumulated sick days that are vested with employees who are eligible to retire and the number of eligible years in the second alternative. The District has recorded, as a compensated absence, the option that would result in the largest liability to the District. In accordance with GASB Statement No. 16, \$191,748 including FICA tax (net of reimbursement), which will use currently available financial resources, has been recorded in the General Fund for governmental employees, and as a current liability in the governmental activities column of the government-wide statement of net position. The remaining sick leave termination benefit of \$5,549,457, 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.

The Food Service Fund and the business-type activities column of the government-wide financial statement of net position recorded \$56,185, including FICA tax (net of disbursement) as a long term liability.

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, 2022, that will use currently available financial resources is \$116,767, including FICA tax and retirement contributions (net of reimbursement), which has been recorded in the General Fund and as a current liability in the governmental activities column of the government-wide statement of net position. The Food Service (Enterprise) Fund has recorded \$25,998, including FICA tax and retirement contributions (net of reimbursement). This amount is also shown as a long-term liability in the business type activities column of the government-wide statement of net position. The remaining vacation pay earned at June 30, 2022, of \$491,070, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

Defined Benefit Pension Plan

Public School Employees' Retirement System (PSERS) Pension Plan

Summary of Significant Accounting Policies

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

Pensions

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

General Information about the Pension Plan

Plan description

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

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. 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 Class T-F members, the right to benefits is vested after ten years of service.

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

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

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

Contributions

Member Contributions:

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

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

Shared Risk Program Summary

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

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2022 was 34.14% 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 \$14,134,307 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$111,206,249 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the District's proportion was 0.2764 percent, which was an increase of 0.0041 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense of \$8,962,849. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Notes To Basic Financial Statements
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Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Proportionate Share vs Actual Paid Separately Finance Liabilities	\$ 21,550	\$ -
Changes in Assumptions	5,504,000	-
Net difference between projected and actual contributions made	-	231,803
Net difference between projected and actual earnings on pension plan investments	-	18,064,000
Difference between expected and actual experience	-	1,407,000
Changes in proportion of the Net Pension Liability	1,831,000	-
District contributions subsequent to the measurement date	14,134,307	-
Total	\$ 21,490,857	\$ 19,702,803

\$14,134,307 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Amount</u>
2022	\$ (3,292,000)
2023	(1,384,142)
2024	(1,770,058)
2025	(5,883,308)
Thereafter	(16,745)
Total	\$ (12,346,253)

Changes in Actuarial Assumptions

The Total Pension Liability as of June 30, 2021 was determined by rolling forward the System's Total Pension Liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2020
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.

**Nazareth Area School District
Notes To Basic Financial Statements
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- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	27.0%	5.2%
Private Equity	12.0%	7.3%
Fixed Income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	1.0%
Leverage	-13.0%	1.0%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net

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position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 148,948,000	\$ 113,481,000	\$ 83,563,000

Pension plan fiduciary net position

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

State Funding

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2022, the School District recognized revenue of \$7,093,229 as reimbursement from the State for its current year pension payments

Payables to the Pension Plan

As of June 30, 2022, the School District had \$5,024,279 included in accrued wages liability, of which \$3,438,185 is for the contractually required contribution for the second quarter of 2022 and \$1,586,094 is related to the accrued payroll liability for wages incurred as of June 30, 2022.

Other Postemployment Benefits

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

Summary of Significant Accounting Policies

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by

**Nazareth Area School District
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PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Pension Plan description

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

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

Contributions

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% 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

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year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$331,208 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$6,553,052 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.2766 percent, which was an increase of 0.0038 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$431,788. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<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	\$ 1,070	\$ -
Changes in Assumptions	611,000	-
Net difference between projected and actual contributions made	-	2,399
Net difference between projected and actual investment earnings	13,000	-
Difference between expected and actual experience	61,000	-
Changes in proportion of the Net OPEB Liability	163,000	-
District contributions subsequent to the measurement date	331,208	-
Total	<u>\$ 1,180,278</u>	<u>\$ 2,399</u>

\$331,208 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2022	\$ 147,000
2023	144,788
2024	190,791
2025	138,709
2026	128,593
Thereafter	<u>96,790</u>
Total	<u>\$ 846,671</u>

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Actuarial Assumptions

The Total OPEB Liability as of June 30, 2021, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

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OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	0.1%
US Core Fixed Income	17.5%	0.7%
Non-US Developed Fixed	2.7%	-0.3%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount rate

The discount rate used to measure the Total OPEB Liability was 2.18%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.18% which represents the S&P 20-year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2021, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 611 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2021, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if the health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
System net OPEB liability	\$ 6,556,000	\$ 6,557,000	\$ 6,557,000

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

The following presents the net OPEB liability, calculated using the discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage-point higher (3.18%) than the current rate:

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	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
District's proportionate share of the net OPEB liability	\$ 7,525,000	\$ 6,557,000	\$ 5,759,000

OPEB plan fiduciary net position

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

Payables to the Multiple Employer OPEB Plan

As of June 30, 2022, the School District had \$117,734 included in accrued wages liability, of which \$80,567 is for the contractually required contribution for the second quarter of 2022 and \$37,167 is related to the accrued payroll liability for wages incurred as of June 30, 2022.

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Single Employer OPEB Plan

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.

Plan Description: Nazareth Area School District has one single-employer defined benefit plan with the pertinent descriptions shown on the tables below:

<u>Summary of Plan Provisions</u>			
Group	Eligibility	Coverage And Premium Sharing	Duration
<u>I. ADMINISTRATORS</u>			
A) Former Superintendent and Former Business Administrators	N/A – Already retired.	<ul style="list-style-type: none"> Coverage: Medical, Prescription Drug, Dental, and Vision Premium Sharing: The school district will pay the full 2 party premium for medical, prescription drug, dental, and vision coverage. Dependents: Spouses included. 	<p>Until the member reaches Medicare eligibility.</p> <p>* Spouse of Former Superintendent can continue past member Medicare eligibility until spouse reaches Medicare eligibility.</p>
B) All other Administrators	Act 110/43 or 10 years of service with the district.	<ul style="list-style-type: none"> Coverage: Medical, Prescription Drug, Dental, and Vision Premium Sharing: If the member reaches 10 years of service with the district, the school district will pay the full single premium for medical coverage for the member for up to 5 years. The member must contribute the full premium for prescription drug, dental, and vision coverage if elected. Spouses and dependents must pay the full premium as determined for the purpose of COBRA if coverage is elected. <p>If the member does not reach the requirements for the district subsidy but does reach Act 110/43 requirements, the member and dependent may continue medical, prescription drug, dental, and vision coverage by paying the full premium as determined for the purpose of COBRA.</p> <ul style="list-style-type: none"> Dependents: Family included. 	<p>Until the member reaches Medicare eligibility. If the spouse reaches Medicare eligibility prior to the member, spousal coverage will cease.</p>

**Nazareth Area School District
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<u>II. ALL OTHER EMPLOYEES</u>	Act 110/43 or 25 years of PSERS service and 15 years of service with the district.	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug, Dental, and Vision. • Premium Sharing: If the member reaches 25 years of PSERS service and 15 years of service with the District, the school district will pay the full single premium for medical coverage for the member for up to 3 years. The member must contribute the full premium for prescription drug, dental, and vision coverage if elected. Spouses and dependents must pay the full premium as determined for the purpose of COBRA if coverage is elected. If the member does not reach the requirements for the district subsidy, but does reach Act 110/43 requirements, the member and dependents may continue medical, prescription drug, dental, and vision coverage by paying the full premium as determined for the purpose of COBRA. • Dependents: Family Included. 	Same as IB.
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Notes: Act 110/43 Benefit: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

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

PSERS Superannuation Retirement:

- 1) Pension Class T-C or T-D: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 62 with 5 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
- 2) Pension Class T-E or T-F: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 65 with 10 years of PSERS Service or ii) 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 a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.
- 3) Pension Class T-G: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 67 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 4) Pension Class T-H: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 67 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.

Coordination with Medicare: District pays primary.

Nazareth Area School District
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Employees Covered by Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms:

Active Participants	560
Vested Former Participants	0
Retired Participants	25
Total	585

Total OPEB Liability

The School's total OPEB liability under this single employer plan of \$17,299,084, was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions and Other Inputs

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

Actuarial Methods and Assumptions

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

	Single Employer OPEB Healthcare Benefit
Actuarial Valuation Date	7/1/2020
Actuarial Cost Method	Entry Age Normal
Interest Rate	2.28%
Projected salary increases	3.50% to 6.25%
Healthcare inflation rate	5.5% in 2021 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Asset Valuation Method	pay as you go basis
The discount rate is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2021.	

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

Changes in the Total OPEB Liability

	<u>2021-22</u>
Total OPEB Liability	
Service Cost	\$ 1,304,814
Interest	328,133
Changes in Benefit Terms	-
Difference between expected and actual experience	-
Changes in assumptions	(511,304)
Benefit payments	<u>(347,552)</u>
Net change in total OPEB Liability	774,091
Total OPEB Liability - beginning	<u>16,524,993</u>
Total OPEB Liability - ending	<u>\$ 17,299,084</u>
 Covered employee payroll	 <u>\$ 37,816,856</u>

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

For the year ended June 30, 2022, the School recognized OPEB expense of \$1,780,693. At June 30, 2022, the School reported deferred outflows of resource and deferred inflows of resources related to this single employer OPEB plan from the following sources:

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 1,037,456	\$ -
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	509,621	-
Changes in proportion of the Net OPEB Liability	-	-
District contributions subsequent to the measurement date	<u>445,112</u>	<u>-</u>
Total	<u>\$ 1,992,189</u>	<u>\$ -</u>

Nazareth Area School District
Notes To Basic Financial Statements
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to this single employer OPEB plan will be recognized in OPEB expense as follows:

Year ended June 30:	<u>Amount</u>
2023	\$ 147,746
2024	147,746
2025	147,746
2026	147,746
2027	147,746
Thereafter	<u>808,347</u>
Total	<u>\$ 1,547,077</u>

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

The following presents the total OPEB liability of the School's single employer OPEB plan, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.28%) or 1-percentage point higher (3.28%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>1.28%</u>	<u>Discount Rate</u>	<u>3.28%</u>
		<u>2.28%</u>	
District's proportionate share of the net OPEB liability	\$ 18,528,989	\$ 17,299,084	\$ 16,116,976

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

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
		<u>Trend Rate</u>	
System net OPEB liability	\$ 15,119,332	\$ 17,299,084	\$ 19,895,854

Nazareth Area School District
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Combined Deferred Outflows/Inflows on Pensions and OPEB

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

GOVERNMENTAL ACTIVITIES				
	<i>Pension - GASB 68</i>	<i>Single Employer OPEB - GASB 75</i>	<i>Multiple Employer OPEB - GASB 75</i>	<i>Pension & OPEB Total</i>
	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>
	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>
<u>IN DEFERRED OUTFLOWS/INFLOWS</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>
Change in Proportion	\$ 1,784,626	\$ -	\$ 160,101	\$ 1,944,727
Current Year Contributions	13,891,414	441,510	325,516	14,658,440
Change in Assumption	5,404,148	1,032,160	601,357	7,037,665
Diff in Projected Vs Actual Contributions	(227,688)	-	(2,356)	(230,044)
Difference in Investment Earnings	(17,783,847)	-	12,746	(17,771,101)
Diff. between Expected vs Actual Experience	(1,374,152)	560,586	59,877	(753,689)
Diff. between Prop. Share vs Actual POS	21,550	-	1,070	22,620
Net Pension Liability	\$ 108,569,856	\$ -	\$ -	\$ 108,569,856
Net OPEB Liability	\$ -	\$ 17,217,116	\$ 6,412,938	\$ 23,630,054

BUSINESS-TYPE ACTIVITIES				
	<i>Pension - GASB 68</i>	<i>Single Employer OPEB - GASB 75</i>	<i>Multiple Employer OPEB - GASB 75</i>	<i>Pension & OPEB Total</i>
	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>
	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>
<u>IN DEFERRED OUTFLOWS/INFLOWS</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>
Change in Proportion	\$ 46,374	\$ -	\$ 2,899	\$ 49,273
Current Year Contributions	242,893	3,602	5,692	252,187
Change in Assumption	99,852	5,296	9,643	114,791
Diff in Projected Vs Actual Contributions	(4,115)	-	(43)	(4,158)
Difference in Investment Earnings	(280,153)	-	254	(279,899)
Diff. between Expected vs Actual Experience	(32,848)	(50,965)	1,123	(82,690)
Diff. between Prop. Share vs Actual POS	-	-	-	-
Net Pension Liability	\$ 2,636,393	\$ -	\$ -	\$ 2,636,393
Net OPEB Liability	\$ -	\$ 81,968	\$ 140,114	\$ 222,082

STATEMENT OF NET POSITION	
<i>Governmental & Business-Type Activities</i>	<i>Total</i>
	<u>DR OR (CR)</u>
	<u>CURRENT YR</u>
<u>IN DEFERRED OUTFLOWS/INFLOWS</u>	<u>BALANCE</u>
Change in Proportion	\$ 1,994,000
Current Year Contributions	14,910,627
Change in Assumption	7,152,456
Diff in Projected Vs Actual Contributions	(234,202)
Difference in Investment Earnings	(18,051,000)
Diff. between Expected vs Actual Experience	(836,379)
Diff. between Prop. Share vs Actual POS	22,620
Net Pension Liability	\$ 111,206,249
Net OPEB Liability	\$ 23,852,136

RECONCILIATION TO FINANCIAL STATEMENTS		
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
<i>Pension Plan</i>		
Net Pension Liability	\$ 108,569,856	\$ 2,636,393
Deferred Outflow Related to Pension	(21,101,738)	(389,119)
Deferred Inflows Related to Pension	19,385,687	317,116
Total liab. Net deferred inflows/outflows	\$ 106,853,805	\$ 2,564,390
<i>OPEB - Single & Multiple Employer Plans</i>		
Net OPEB Liability	\$ 23,630,054	\$ 222,082
Deferred Outflows Related to OPEB	(3,194,923)	(28,509)
Deferred Inflows Related to OPEB	2,356	51,008
Total liab. Net deferred inflows/outflows	\$ 20,437,487	\$ 244,581

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

Other Employee Benefits

Employee Medical Insurance

The Nazareth Area School District is one of ten members comprising the Employee Benefit Trust of Eastern Pennsylvania. Trustees, acting as representatives of the members, manage the schedule of benefits as determined by respective members, ensure the trust is adequately funded, review claims administration and obtain excess catastrophe insurance. The Trustees have appointed independent consultants to provide the administrative services for the Trust. The accountability for the Trust's fiscal 2022, remains with the Board of Trustees. The Trust owes \$6,661,183, to the District as of June 30, 2022, for excess premiums paid.

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 Nazareth Area School District is a participating member of a Workers' Compensation Consortium. The Consortium is comprised of 81 member School Districts which jointly self-assume their workers' compensation liabilities. Each District is required to make contributions to the Consortium based on formulae set forth in the contract. Each member School District individually retains sole liability up to a retention level, which is fixed annually by multiplying its Experience Modification Factor times the last audited fiscal year payroll of the member. The result is then multiplied by a contribution rate, which is the same for all members. Even though the member school districts contribute to a central fund, they remain individually liable for any workers' compensation claims.

Above the level of retention, the Consortium pays claims up to the level of coverage of \$100,000 for the year ended June 30, 2022, provided by an excess insurance policy. Claims above the maximum coverage of excess insurance are paid by the members of the Consortium through additional assessments against members.

The members of the Consortium are required to participate in deficiencies and are subject to periodic assessments by the Executive Committee, as required.

At June 30, 2022, the most recent available financial statements, the consortium did not have a deficit, in which the ultimate responsibility to pay for a deficit belongs to the member districts.

Note 7 - Fund Balance Allocations

Nonspendable Fund Balance

The General Fund had \$786,267, in nonspendable fund balance at June 30, 2022, comprised of \$114,846, of inventories on hand at year-end and \$671,421, of prepaid expenditures.

Restricted Fund Balance

The General Fund has \$339,597 restricted for contributions received, but not spent at year end.

The Capital Project Funds have \$12,413,998 of restrictions on the use of the resources at year end. The Capital Reserve Fund's \$9,991,207 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.

Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022

Committed Fund Balance

The governing body (Board of School Directors) has committed, of the General Fund's year end fund balance for the following purposes: Compensated Absences, \$6,040,527, Other Post-Employment Benefits, \$6,500,000, Athletic Field replacement of \$1,000,000 and Tax Stabilization of \$5,600,175.

Assigned Fund Balance

The General Fund has \$1,705,877, assigned for balancing the 2022-23 budget.

Note 8 - Restricted Net Position

Net Investment in Capital Assets

The components of this restriction in the governmental activities column are total capital assets of \$124,634,419, unspent proceeds of \$2,486,388, with related debt of \$93,906,360, which includes unamortized bonds discounts, and premiums. The governmental activities also has \$9,927,610 restricted for capital projects. The business-type activities column reflects \$170,138 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, 2022.

Litigation

In accordance with legal counsel, there are no legal matters that could materially affect the financial situation of the District as of June 30, 2022.

Note 10 - New Accounting Pronouncements

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

- Statement No. 91, *Conduit Debt Obligations* – The primary objective is to provide a single method of reporting conduit debt obligations by issuers associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Effective date: Periods beginning after December 15, 2021.
- Statement No. 94, *PPP's* – The primary objective of this Statement is to improve financial reporting related to public-private and public-public partnership arrangements (PPPs). A PPP is defined in which (1) the operator collects and is compensated by fees from third parties: (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services: and (3) the transferor is entitled to

**Nazareth Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2022**

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

- Statement No. 96, *Subscription-Based Information Technology Arrangements* – This statement provided guidance on accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to use subscription asset – and intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Effective date: Periods beginning after June 15, 2022
- Statement No. 99, *Omnibus 2022* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Effective Dates: Requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. Requirements related to financial guarantees and the classification and reporting of derivative instruments with in the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.
- Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Effective Date: for fiscal years beginning after June 15, 2023.
- Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Effective Date: for fiscal years beginning after December 15, 2023.

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

NAZARETH 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, 2022

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
District's proportion of the net pension liability (asset)	0.2764%	0.2723%	0.2689%	0.2728%	0.2631%	0.2639%	0.2619%	0.2546%
District's proportionate share of the net pension liability (asset)	\$ 113,481,000	\$ 134,078,000	\$ 125,798,000	\$ 130,958,000	\$ 129,941,000	\$ 130,780,000	\$ 113,443,000	\$ 100,773,000
District's covered employee payroll	41,401,015	39,281,058	38,485,323	37,286,518	36,704,303	35,055,014	34,389,042	33,834,159
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	274.10%	341.33%	326.87%	351.22%	354.02%	373.07%	329.88%	297.84%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

NAZARETH AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2022

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
Contractually required contribution	\$ 14,134,307	\$ 13,233,789	\$ 12,873,341	\$ 12,155,405	\$ 11,649,946	\$ 10,236,064	\$ 8,597,260	\$ 6,936,003	\$ 5,054,899	\$ 3,482,875
Contributions in relation to the contractually required contribution	<u>14,134,307</u>	<u>13,233,789</u>	<u>12,873,341</u>	<u>12,155,405</u>	<u>11,649,946</u>	<u>10,236,064</u>	<u>8,597,260</u>	<u>6,936,003</u>	<u>5,054,899</u>	<u>3,482,875</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 41,401,015	\$ 39,281,058	\$ 38,485,323	\$ 37,286,518	\$ 36,704,303	\$ 35,055,014	\$ 34,389,042	\$ 33,834,159	\$ 31,593,119	\$ 30,285,866
Contributions as a percentage of covered employee payroll	34.14%	33.69%	33.45%	32.60%	31.74%	29.20%	25.00%	20.50%	16.00%	11.50%

**NAZARETH AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
District's proportion of the net OPEB liability	0.2766%	0.2728%	0.2689%	0.2728%	0.2631%	0.2639%
District's proportionate share of the net OPEB liability (asset)	\$ 6,557,000	\$ 5,894,000	\$ 5,719,000	\$ 5,688,000	\$ 5,360,000	\$ 5,684,000
District's covered-employee payroll	39,217,281	39,281,058	38,485,323	37,286,518	36,704,303	35,055,014
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	16.72%	15.00%	14.86%	15.25%	14.60%	16.21%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

NAZARETH AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2022

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
Contractually required contribution	\$ 331,208	\$ 322,105	\$ 323,277	\$ 309,478	\$ 304,645	\$ 290,957	\$ 288,868	\$ 304,508	\$ 293,818	\$ 260,456
Contributions in relation to the contractually required contribution	331,208	322,105	323,277	309,478	304,645	290,957	288,868	304,508	293,818	260,456
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 41,401,015	\$ 39,281,058	\$ 38,485,323	\$ 37,286,518	\$ 36,704,303	\$ 35,055,014	\$ 34,389,042	\$ 33,834,159	\$ 31,593,119	\$ 30,285,866
Contributions as a percentage of covered employee payroll	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%	0.84%	0.90%	0.93%	0.86%

NAZARETH AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
SINGLE EMPLOYER HEALTH INSURANCE PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2022

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total OPEB Liability					
Service Cost	\$ 1,304,814	\$ 870,279	\$ 883,019	\$ 859,422	\$ 834,062
Interest	328,133	464,861	395,716	386,380	276,466
Changes in Benefit Terms	-	-	-	-	-
Difference between expected and actual experience	-	607,708	-	(6,889)	-
Changes in assumptions	(511,304)	1,788,947	(367,596)	3,669	437,056
Benefit payments	<u>(347,552)</u>	<u>(374,585)</u>	<u>(304,193)</u>	<u>(363,815)</u>	<u>(293,455)</u>
Net change in total OPEB Liability	774,091	3,357,210	606,946	878,767	1,254,129
Total OPEB Liability - beginning	<u>16,524,993</u>	<u>13,167,783</u>	<u>12,560,837</u>	<u>11,682,070</u>	<u>10,427,941</u>
Total OPEB Liability - ending	<u>\$ 17,299,084</u>	<u>\$ 16,524,993</u>	<u>\$ 13,167,783</u>	<u>\$ 12,560,837</u>	<u>\$ 11,682,070</u>
 Covered employee payroll	 <u>\$ 37,816,856</u>	 <u>\$ 37,816,856</u>	 <u>\$ 34,384,681</u>	 <u>\$ 34,384,681</u>	 <u>\$ 32,811,665</u>
 Total OPEB Liability as a percentage of covered employee payroll	 45.74%	 43.70%	 38.30%	 36.53%	 35.60%

**Nazareth Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2022**

Public School Employees' Retirement System

Changes of Benefit Terms

None.

Changes in Assumptions

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

- Valuation Date -- June 30, 2020
- Actuarial cost method -- Entry Age Normal -- level % of pay.
- Investment return -- 7.00% includes inflation at 2.50%.
- Salary growth -- Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreases from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Proportionate Share of the Net Pension Liability

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

Other Postemployment Benefits -- Teachers Health Insurance Assistance

Changes of Benefit Terms

None.

Changes in Assumptions

The discount rate used to measure the Total OPEB liability decreased from 2.66% as of June 30, 2020 to 2.18% as of June 30, 2021.

**Nazareth Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2022**

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

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

- Investment return – 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary increases – Effective average of 4.5%, which reflects an allowance for inflation of 2.50%, and 2.00% for real wage growth and merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The following Assumptions were Used to Determine the Contribution Rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Proportionate Share of the Net OPEB Liability

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

Other Postemployment Benefits – Single Employer Healthcare Plan

Changes of Benefit Terms

None.

Changes in Assumptions

The discount rate changed from 1.86% to 2.28%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

**Nazareth Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2022**

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

- Actuarial Cost Method – Entry Age Normal
- Salary Increases – 3.50% to 6.25%
- Healthcare cost trend rate – 5.5% in 2021 to 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model
- Asset Valuation Method – Pay as you go basis
- Discount Rate – The rate of 2.28% is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2021.

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

**Nazareth Area School District
Combining Balance Sheet
All Capital Project Funds
For the Year Ended June 30, 2022**

	CAPITAL RESERVE FUND	2017 CAPITAL PROJECTS FUND	2018 CAPITAL PROJECTS FUND	2019 CAPITAL PROJECTS FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>					
Cash and cash equivalents	\$ 9,740,517	\$ -	\$ -	\$ 2,688,476	\$ 12,428,993
Restricted Cash	-	1,996	-	-	1,996
Due from other funds	250,690	-	-	-	250,690
TOTAL ASSETS	\$ 9,991,207	\$ 1,996	\$ -	\$ 2,688,476	\$ 12,681,679
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	-	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 9,991,207</u>	<u>\$ 1,996</u>	<u>\$ -</u>	<u>\$ 2,688,476</u>	<u>\$ 12,681,679</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 63,597	\$ -	\$ -	\$ 203,804	\$ 267,401
Due to other funds	-	-	-	280	280
TOTAL LIABILITIES	63,597	-	-	204,084	267,681
<u>DEFERRED INFLOWS OF RESOURCES</u>	-	-	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	63,597	-	-	204,084	267,681
<u>FUND BALANCES</u>					
Restricted Fund Balance	9,927,610	1,996	-	2,484,392	12,413,998
Assigned Fund Balance	-	-	-	-	-
TOTAL FUND BALANCES	9,927,610	1,996	-	2,484,392	12,413,998
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES	<u>\$ 9,991,207</u>	<u>\$ 1,996</u>	<u>\$ -</u>	<u>\$ 2,688,476</u>	<u>\$ 12,681,679</u>

Nazareth Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2022

	CAPITAL RESERVE FUND	2017 CAPITAL PROJECTS FUND	2018 CAPITAL PROJECTS FUND	2019 CAPITAL PROJECTS FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES					
Local Sources	\$ 16,331	\$ -	\$ 19	\$ 4,631	\$ 20,981
TOTAL REVENUES	<u>16,331</u>	<u>-</u>	<u>19</u>	<u>4,631</u>	<u>20,981</u>
EXPENDITURES					
Instruction	-	-	-	74,808	74,808
Support Services	163,883	-	-	46,405	210,288
Capital Outlay	<u>1,460,394</u>	<u>-</u>	<u>15,463</u>	<u>2,749,475</u>	<u>4,225,332</u>
TOTAL EXPENDITURES	<u>1,624,277</u>	<u>-</u>	<u>15,463</u>	<u>2,870,688</u>	<u>4,510,428</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,607,946)</u>	<u>-</u>	<u>(15,444)</u>	<u>(2,866,057)</u>	<u>(4,489,447)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>1,532,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,532,333</u>
TOTAL OTHER FINANCING SOURCES AND USES	<u>1,532,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,532,333</u>
NET CHANGE IN FUND BALANCES	(75,613)	-	(15,444)	(2,866,057)	(2,957,114)
FUND BALANCES - BEGINNING	<u>10,003,223</u>	<u>1,996</u>	<u>15,444</u>	<u>5,350,449</u>	<u>15,371,112</u>
FUND BALANCES - ENDING	<u>\$ 9,927,610</u>	<u>\$ 1,996</u>	<u>\$ -</u>	<u>\$ 2,484,392</u>	<u>\$ 12,413,998</u>

Nazareth Area School District
Combining Balance Sheet
All Non-Major Governmental Funds
For the Year Ended June 30, 2022

	2022 DEBT SERVICE FUND	2022A DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ 7,577	\$ 7,577
TOTAL ASSETS	\$ -	\$ 7,577	\$ 7,577
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ 7,577</u>	<u>\$ 7,577</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-
<u>DEFERRED INFLOWS OF RESOURCES</u>	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	-
<u>FUND BALANCES</u>			
Restricted Fund Balance	-	7,577	7,577
Assigned Fund Balance	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>7,577</u>	<u>7,577</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES	<u>\$ -</u>	<u>\$ 7,577</u>	<u>\$ 7,577</u>

Nazareth Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Non-Major Governmental Funds
For the Year Ended June 30, 2022

	2022 DEBT SERVICE FUND	2022A DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES			
Local Sources	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-
EXPENDITURES			
Support Services	247,401	132,212	379,613
Debt Service	5,767	-	5,767
TOTAL EXPENDITURES	253,168	132,212	385,380
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(253,168)	(132,212)	(385,380)
OTHER FINANCING SOURCES (USES)			
Proceeds from Refunding Bond Issues	15,680,000	16,145,000	31,825,000
Payment to bond refunding escrow agent	(15,426,832)	(16,005,211)	(31,432,043)
TOTAL OTHER FINANCING SOURCES AND USES	253,168	139,789	392,957
NET CHANGE IN FUND BALANCES	-	7,577	7,577
FUND BALANCES - BEGINNING	-	-	-
FUND BALANCES - ENDING	\$ -	\$ 7,577	\$ 7,577

Nazareth Area School District
Combining Statement of Fiduciary Net Position
All Custodial Funds
As of June 30, 2022

	Middle School Activity Fund	Intermediate School Activity Fund	High School Activity Fund	E-Sports Activity Fund	Total
ASSETS					
Cash and cash equivalents	\$ 39,614	\$ 20,262	\$ 127,302	\$ 4,508	\$ 191,686
Due from Other Funds	121	40	242	81	484
Other Receivables	100	-	4,751	-	4,851
TOTAL ASSETS	39,835	20,302	132,295	4,589	197,021
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 39,835	\$ 20,302	\$ 132,295	\$ 4,589	\$ 197,021
	-----	-----	-----	-----	-----
LIABILITIES					
Accounts Payable	\$ 47	\$ 1,004	\$ 947	\$ -	\$ 1,998
Intergovernmental Payable	9,571	2,255	12,457	-	24,283
Due to Other Funds	-	-	-	56	56
TOTAL LIABILITIES	9,618	3,259	13,404	56	26,337
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	9,618	3,259	13,404	56	26,337
NET POSITION					
Restricted for					
Individuals, organizations, and other governments	30,217	17,043	118,891	4,533	170,684
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 39,835	\$ 20,302	\$ 132,295	\$ 4,589	\$ 197,021

Nazareth Area School District
Combining Statement of Changes in Fiduciary Net Position
All Custodial Funds
For the Year Ended June 30, 2022

	Middle School Activity Fund	Intermediate School Activity Fund	High School Activity Fund	E-Sports Activity Fund	Total
ADDITIONS					
Contributions - Students	\$ 30,704	\$ -	\$ 113,208	\$ 104	\$ 144,016
Contributions - Other	7,575	7,033	33,043	13,572	61,223
Special Events	2,134	1,150	1,479	120	4,883
Other Income	7,863	5,356	28,207	81	41,507
INVESTMENT EARNINGS:	-	-	-	-	-
Interest and Dividends	8	5	13	1	27
Net increase (decrease) in fair value of investments	-	-	-	-	-
Less investment expense	-	-	-	-	-
Transfers In (Out)	(755)	-	755	-	-
TOTAL ADDITIONS	<u>47,529</u>	<u>13,544</u>	<u>176,705</u>	<u>13,878</u>	<u>251,656</u>
DEDUCTIONS					
Administrative expense	1,211	-	8,551	-	9,762
Payments for student club activities	<u>29,972</u>	<u>12,445</u>	<u>144,239</u>	<u>9,345</u>	<u>196,001</u>
TOTAL DEDUCTIONS	<u>31,183</u>	<u>12,445</u>	<u>152,790</u>	<u>9,345</u>	<u>205,763</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	16,346	1,099	23,915	4,533	45,893
NET POSITION - BEGINNING OF YEAR	<u>13,871</u>	<u>15,944</u>	<u>94,976</u>	<u>-</u>	<u>124,791</u>
NET POSITION - END OF YEAR	<u>\$ 30,217</u>	<u>\$ 17,043</u>	<u>\$ 118,891</u>	<u>\$ 4,533</u>	<u>\$ 170,684</u>

Nazareth Area School District
General Fund - Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2022

	BUSHKILL TOWNSHIP	LOWER NAZARETH TOWNSHIP	NAZARETH BOROUGH	UPPER NAZARETH TOWNSHIP	TATAMY BOROUGH	STOCKERTOWN BOROUGH	TOTAL
CURRENT REAL ESTATE TAXES							
Assessed Value	\$ 289,909,900	\$ 466,900,900	\$ 125,092,000	\$ 184,523,397	\$ 33,506,318	\$ 26,394,300	\$ 1,126,326,815
Millage Rate	0.056800	0.056800	0.056800	0.056800	0.056800	0.056800	0.056800
TOTAL ASSESSED TAX	16,467,464	26,520,164	7,105,226	10,480,923	1,903,158	1,499,195	63,976,130
Less: Act 1 Deduction	<u>511,978</u>	<u>411,336</u>	<u>213,602</u>	<u>359,132</u>	<u>65,772</u>	<u>43,848</u>	<u>1,605,668</u>
TOTAL TAXABLE DUPLICATE	15,955,486	26,108,828	6,891,624	10,121,791	1,837,386	1,455,348	62,370,462
PLUS: - Additions	2,102	24,590	595	32,494	-	-	59,781
- Penalties	41,474	40,605	10,412	17,735	4,248	1,780	116,254
- Current Year A/R	-	-	-	-	-	-	-
- Duplicate Payments	-	-	-	-	-	-	-
CURRENT REAL ESTATE TAXES TO BE COLLECTED	<u>15,999,062</u>	<u>26,174,023</u>	<u>6,902,631</u>	<u>10,172,020</u>	<u>1,841,634</u>	<u>1,457,128</u>	<u>62,546,497</u>
LESS: - Discounts	250,063	433,077	108,032	174,134	28,954	22,934	1,017,194
- Reductions	1,142	25,078	-	-	-	-	26,220
- Refunds	10,929	5,283	3,052	38,436	1,336	-	59,036
- Returned to County	319,808	270,805	248,275	99,381	58,564	41,008	1,037,841
- Unpaid/Adjustments	(4)	(5)	-	5,834	-	-	5,825
- Exonerations/Deletions	<u>1,264</u>	<u>801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,065</u>
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 15,415,860</u>	<u>\$ 25,438,984</u>	<u>\$ 6,543,272</u>	<u>\$ 9,854,235</u>	<u>\$ 1,752,780</u>	<u>\$ 1,393,186</u>	<u>\$ 60,398,316</u>
 CURRENT INTERIM REAL ESTATE TAXES COLLECTED	 <u>\$ 326,128</u>	 <u>\$ 120,341</u>	 <u>\$ 31,996</u>	 <u>\$ 26,807</u>	 <u>\$ 73,749</u>	 <u>\$ 287</u>	 <u>\$ 579,308</u>

Nazareth Area School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2022

6000 - Revenue from Local Sources		Budget	Actual	Variance
6111	Current Real Estate Taxes	\$ 59,718,194	\$ 60,398,316	\$ 680,122
6112	Interim Real Estate Taxes	775,000	579,308	(195,692)
6113	Public Utility	60,000	66,738	6,738
6114	Payment in Lieu of Taxes	18,000	16,241	(1,759)
6151	Earned Income Tax	7,250,000	8,449,452	1,199,452
6153	Real Estate Transfer Tax	1,150,000	2,455,146	1,305,146
6411	Delinquent Real Estate Taxes	1,500,000	1,535,959	35,959
6420	Delinquent Per Capita Taxes - 511	100	17	(83)
6441	Delinquent Per Capita Taxes - 679	100	17	(83)
6452	Delinquent Occupation Taxes	1,500	281	(1,219)
6510	Interest	16,248	51,266	35,018
6710	Admissions	60,000	49,739	(10,261)
6740	Fees	95,000	68,770	(26,230)
6790	Other Student Activity Income	-	27,184	27,184
6832	Federal IDEA Revenue Received as Pass Through	470,000	489,446	19,446
6833	Federal ARP Act IDEA Revenue Received as Pass Through	-	140,644	140,644
6910	Rentals	65,000	71,181	6,181
6920	Contributions	125,000	207,795	82,795
6941	Regular Day School Tuition	10,000	12,578	2,578
6942	Summer School	18,000	-	(18,000)
6944	Receipts from Other LEA's - Education	20,000	10,536	(9,464)
6980	Revenue from Community Service Activities	40,000	33,887	(6,113)
6991	Refunds of Prior Yr. Expenditures	25,000	65,692	40,692
6999	Other Revenues Not Specified Above	50,000	220,988	170,988
TOTAL REVENUE FROM LOCAL SOURCES		\$ 71,467,142	\$ 74,951,181	\$ 3,484,039
7000 - Revenue from State Sources				
7111	Basic Ed Funding - Formula	9,501,978	9,994,397	492,419
7112	Basic Ed Funding - Social Security	1,589,349	1,466,934	(122,415)
7160	Orphan Tuition	10,000	9,324	(676)
7271	Special Education	2,245,000	2,257,065	12,065
7311	Transportation (Regular and Additional)	1,200,000	875,933	(324,067)
7312	Transportation (Nonpublic and Charter School)	-	90,090	90,090
7320	Rentals	300,000	226,536	(73,464)
7330	Health Services	90,000	87,645	(2,355)
7340	State Property Tax Reduction Allocation	1,605,025	1,605,025	-
7505	Ready to Learn Grant	476,529	476,529	-
7820	Retirement Revenue	7,237,140	7,093,229	(143,911)
TOTAL REVENUE FROM STATE SOURCES		24,255,021	24,182,707	(72,314)
8000 - Revenue from Federal Sources				
8514	Title I	329,704	325,730	(3,974)
8515	Title II	87,296	73,866	(13,430)
8517	Title IV	-	29,416	29,416
8741	ESSER I	-	2,261	2,261
8742	GEER	-	3,102	3,102
8743	ESSER II	-	190,924	190,924
8744	ESSER III	1,000,000	1,062,023	62,023
8751	ARP ESSER Learning Loss	-	33,661	33,661
8810	Medical Assistance Reimbursements (Access)	80,000	175,000	95,000
8820	Medical Assistance Reimbursement for Health-Related	3,000	4,253	1,253
TOTAL REVENUE FROM FEDERAL SOURCES		1,500,000	1,900,236	400,236
9000 - Other Financing Sources				
9220	Proceeds from Leases	-	272,340	272,340
9400	Sale of Fixed Assets	2,500	-	(2,500)
TOTAL OTHER FINANCING SOURCES		2,500	272,340	269,840
TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 97,224,663	\$ 101,306,464	\$ 4,081,801

Nazareth Area School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2022

1000 - Instruction		Budget	Actual	Variance
1110	Regular Programs - Elem./Secondary	\$ 44,117,922	\$ 44,117,736	\$ 186
1190	Federally Funded Regular Programs	558,133	426,570	131,563
1221	Deaf or Hearing Impaired Support	7,600	1,455	6,145
1225	Speech & Language Impaired	569,161	568,369	792
1230	Emotional Support	816,110	804,230	11,880
1241	Learning Support - Public	6,931,559	6,558,043	373,516
1243	Gifted Support	950,948	935,019	15,929
1270	Multi-Handicapped Support	251,000	250,432	568
1280	Early Intervention Support	23,000	22,958	42
1290	Other Support	4,572,605	4,571,637	968
1390	Other Vocational Education Programs	1,700,516	1,699,668	848
1400	Other Instructional Programs - Elementary/Secondary	1,000	249	751
1420	Summer School	61,884	44,907	16,977
1430	Homebound Instruction	19,963	5,096	14,867
1441	Adjudicated / Court Placed Programs	1,500	-	1,500
1442	Alternative Education Program	50,100	23,906	26,194
1500	Nonpublic School Programs	9,000	8,399	601
1691	Instructional Services	1,000	-	1,000
1693	Community College Sponsorship	696,389	689,720	6,669
Total Instruction		61,339,390	60,728,394	610,996
2000 - Support Services				
2111	Supervision of Student Services	327,122	326,756	366
2120	Guidance Services	2,120,944	1,865,392	255,552
2140	Psychological Services	998,602	970,822	27,780
2170	Student Accounting Services	53,404	52,464	940
2200	Support Services - Instructional Staff	7,000	6,332	668
2220	Technology Support Services	1,000	-	1,000
2250	School Library Services	1,111,675	1,111,248	427
2260	Instructional & Curriculum Dev. Services	697,840	618,950	78,890
2271	Instructional Staff Development	283,089	168,397	114,692
2272	Instructional Staff Development Services (Non-Certified)	9,000	8,333	667
2300	Support Services - Administration	18,000	17,410	590
2310	Board Services	78,700	70,753	7,947
2320	Board Treasurer Services	800	744	56
2330	Tax Assessment & Collection Services	293,326	292,661	665
2340	Staff Relations	1,000	-	1,000
2350	Legal Services	135,600	73,491	62,109
2360	Office of the Superintendent Services	1,282,208	957,717	324,491
2370	Community Relations Services	5,000	-	5,000
2380	Office of the Principal Services	3,409,616	3,285,185	124,431
2390	Other Administration Services	93,249	92,262	987
2420	Medical Services	6,180	1,398	4,782
2430	Dental Services	200	44	156
2440	Nursing Services	1,277,072	1,276,256	816
2450	Non-Public Health Services	26,775	25,791	984
2511	Supervision of Fiscal Services	285,217	284,793	424
2512	Budgeting Services	128,912	128,884	28
2513	Receiving and Disbursing Funds	198,114	197,262	852
2514	Payroll Services	100,157	96,881	3,276
Sub-Total on Support Services		12,949,802	11,930,226	1,019,576

Nazareth Area School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2022

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	Sub-Total on Support Services (carried forward)	\$ 12,949,802	\$ 11,930,226	\$ 1,019,576
2515	Financial Accounting Services	162,716	161,757	959
2519	Other Fiscal Services	309,113	308,260	853
2611	Supervision of Operation and Maintenance of Plant	301,536	301,075	461
2619	Supervision of Operation and Maintenance of Plant - Other	166,828	166,456	372
2620	Operation of Buildings Services	7,862,673	7,377,032	485,641
2630	Care and Upkeep of Grounds Services	215,642	215,514	128
2650	Vehicle Operation and Maint. Services	43,000	42,470	530
2660	Security Services	727,687	697,384	30,303
2700	Student Transportation Services	1,000	11	989
2711	Supervision of Student Transportation Services - Head	203,075	195,619	7,456
2719	Student Transportation Services	1,100	401	699
2720	Vehicle Operation Services	4,635,201	4,635,161	40
2750	Non-Public Transportation	315,500	-	315,500
2790	Other Student Transportation Services	8,000	-	8,000
2814	Planning Services	16,000	15,762	238
2820	Information Services	166,582	129,777	36,805
2821	Supervision of Information Services	205,582	205,013	569
2824	Management Information Services	152,846	152,253	593
2829	Other Support Services	600,239	571,738	28,501
2831	Supervision of Staff Services	124,199	116,971	7,228
2832	Recruitment and Placement Services	1,300	230	1,070
2834	Staff Development Services - Non-Instructional, Certified	27,853	3,501	24,352
2836	Staff Development	63,600	12,717	50,883
2844	Operation Services	124,950	124,269	681
2910	Other Support Services	45,000	44,386	614
	Total Support Services	29,431,024	27,407,983	2,023,041
<u>3000 - Operation of Non-Instructional Services</u>				
3210	School Sponsored Student Activities	332,876	332,370	506
3250	School Sponsored Athletics	1,368,077	1,342,175	25,902
3300	Community Services	81,300	81,280	20
3390	Other Community Services	150,000	119,571	30,429
3400	Scholarships and Awards	70,000	63,616	6,384
	Total Non-Instructional Services	2,002,253	1,939,012	63,241
<u>5000 - Other Expenditures and Financing Uses</u>				
5110	Debt Service	6,031,144	5,440,396	590,748
5130	Refund of Prior Year Revenues/Receipts	10,000	4,728	5,272
5140	Lease Payments	70,000	69,282	718
5230	Capital Projects Funds Transfers Out	-	1,532,333	(1,532,333)
5251	Food Service Fund Transfers Out	50,000	11,457	38,543
	Total Other Expenditures and Financing Uses	6,161,144	7,058,196	(897,052)
	TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 98,933,811	\$ 97,133,585	\$ 1,800,226

Nazareth Area School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 97,224,663	\$ 101,306,464	\$ 4,081,801
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>98,933,811</u>	<u>97,133,585</u>	<u>1,800,226</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,709,148)	4,172,879	5,882,027
Special Items - Insurance Recoveries	-	-	-
Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES AFTER SPECIAL ITEMS AND EXTRAORDINARY ITEMS	(1,709,148)	4,172,879	5,882,027
FUND BALANCE - JULY 1, 2021	<u>23,726,446</u>	<u>23,941,620</u>	<u>215,174</u>
FUND BALANCE - JUNE 30, 2022	<u>\$ 22,017,298</u>	<u>\$ 28,114,499</u>	<u>\$ 6,097,201</u>

**Nazareth Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2022**

FUND BALANCE - JULY 1, 2021 **\$ 10,003,223**

REVENUES

Interest	\$ 16,331	
Transfer from General Fund	1,532,333	1,548,664
TOTAL FUNDS AVAILABLE		11,551,887

EXPENDITURES

SUPPORT SERVICES:

Professional Services	1,672	
Repairs and Maintenance	2,895	
Construction Services	59,142	
Supplies	95	
Equipment	100,079	

CAPITAL OUTLAY:

Professional Services	178,699	
Site Improvements	365,945	
Construction	915,750	1,624,277

FUND BALANCE - JUNE 30, 2022 **\$ 9,927,610**

**2017 Capital Projects Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2022**

FUND BALANCE - JULY 1, 2021 **\$ 1,996**

REVENUES

TOTAL FUNDS AVAILABLE		<u>1,996</u>
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EXPENDITURES

FUND BALANCE - JUNE 30, 2022 **\$ 1,996**

**2018 Capital Projects Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2022**

FUND BALANCE - JULY 1, 2021 \$ 15,444

REVENUES

Interest	\$ 19	19
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TOTAL FUNDS AVAILABLE		15,463
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EXPENDITURES

CAPITAL OUTLAY:

Equipment Rental	225	
Construction	15,238	15,463

FUND BALANCE - JUNE 30, 2022 **\$ -**

**2019 Capital Projects Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2022**

FUND BALANCE - JULY 1, 2021 \$ 5,350,449

REVENUES

Interest	\$ 4,631	4,631
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TOTAL FUNDS AVAILABLE		5,355,080
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EXPENDITURES

INSTRUCTIONAL SERVICES:

Supplies	74,808
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SUPPORT SERVICES:

Professional Services	12,852
Techonology Supplies & Fees	33,553

CAPITAL OUTLAY:

Professional Services	114,473	
Repairs and Maintenance	12,275	
Rental	1,532	
Site Improvements	2,558	
Construction	2,572,429	
Supplies	1,449	
Equipment	42,786	
Dues and Fees	1,973	2,870,688

FUND BALANCE - JUNE 30, 2022 **\$ 2,484,392**

**Nazareth Area School District
2022 Debt Service Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2022**

FUND BALANCE - JULY 1, 2021 \$ -

REVENUES

Proceeds from Refunding Bond Issues	\$ 15,680,000	15,680,000
TOTAL FUNDS AVAILABLE		15,680,000

EXPENDITURES

SUPPORT SERVICES:

Professional Services	246,201	
Printing	1,200	

OTHER FINANCING USES:

Debt Service	5,767	
Payment to Refunding Paying Agent	15,426,832	15,680,000

FUND BALANCE - JUNE 30, 2022 \$ -

**2022A Debt Service Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2022**

FUND BALANCE - JULY 1, 2021 \$ -

REVENUES

Proceeds from Refunding Bond Issues	\$ 16,145,000	16,145,000
TOTAL FUNDS AVAILABLE		16,145,000

EXPENDITURES

SUPPORT SERVICES:

Professional Services	132,212	
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OTHER FINANCING USES:

Payment to Refunding Paying Agent	16,005,211	16,137,423
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FUND BALANCE - JUNE 30, 2022 \$ 7,577

Nazareth Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2022

REVENUES

Student Lunches	\$ 17,418	
A la Carte - Adults	3,951	
A la Carte - Students	337,019	
Other Services provided other LEAs	20,000	
Special Events	70,835	
Misc. Income	1,221	
Vending Machines	6,492	
Rebates	8,128	
Interest	1,771	
State Subsidies	208,298	
Federal Subsidies	2,470,114	
Donated Commodities	208,307	
Transfer from General Fund	11,457	
TOTAL REVENUES	<u> </u>	\$ 3,365,011

COST OF FOOD AND COMMODITIES

Beginning Inventory	101,953	
Purchases	702,510	
Donated Commodities	208,308	
Ending Inventory	<u>(91,344)</u>	
TOTAL COST OF FOOD SOLD		<u>921,427</u>

GROSS PROFIT

2,443,584

OPERATING EXPENSES

Salaries	743,537	
Fringe Benefits	369,347	
Supplies	69,782	
Technical Services	1,650	
Repairs and Maintenance	32,890	
Rentals	1,044	
Extermination Services	3,170	
Insurance	2,754	
Communications	81	
Travel	291	
Gasoline	4,243	
Depreciation	10,175	
Dues and Fees	1,251	
		<u>1,240,215</u>

CHANGES IN FUND NET POSITION

1,203,369

FUND NET POSITION - JULY 1, 2021

(2,268,600)

FUND NET POSITION - JUNE 30, 2022

\$ (1,065,231)

**Nazareth Area School District
Middle School Activity Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022**

ADDITIONS

Interest Income	\$ 8	
Admissions	16,263	
Student Organization Membership Dues and Fees	1,904	
Student Fees	12,537	
Special Events	2,134	
Contributions/Donations/Grants from Private Sources	2,575	
State Grants	5,000	
Other Activity Income	7,863	
Transfers In	245	
TOTAL ADDITIONS		\$ 48,529

DEDUCTIONS

Professional and Technical Services	1,000	
Travel	5,482	
Rentals	1,914	
Advertising	108	
Other Purchased Services	8,891	
General Supplies	8,351	
Meals/Refreshments	2,033	
Dues & Fees	1,211	
Donations to Municipal & Community Service Organizations	1,534	
Miscellaneous Expenses	659	
Transfers Out	1,000	
TOTAL DEDUCTIONS		32,183

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION **16,346**

FUND NET POSITION - JULY 1, 2021 **13,871**

FUND NET POSITION - JUNE 30, 2022 **\$ 30,217**

**Nazareth Area School District
Intermediate School Activity Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022**

ADDITIONS

Interest Income	\$	5	
Special Events		1,150	
Contributions/Donations/Grants from Private Sources		2,033	
State Grants		5,000	
Other Activitiy Income		5,356	
		<u> </u>	
TOTAL ADDITIONS			\$ 13,544

DEDUCTIONS

Travel	1,912	
Rentals	138	
Other Purchased Services	2,207	
General Supplies	5,744	
Meals/Refreshments	98	
Donations to Municipal & Community Service Organizations	2,343	
Miscellaneous Expenses	3	
	<u> </u>	
TOTAL DEDUCTIONS		<u>12,445</u>

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION **1,099**

FUND NET POSITION - JULY 1, 2021 **15,944**

FUND NET POSITION - JUNE 30, 2022 **\$ 17,043**

**Nazareth Area School District
High School Activity Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022**

ADDITIONS

Interest Income	\$ 13	
Admissions	93,126	
Student Organization Membership Dues and Fees	5,158	
Student Fees	14,924	
Special Events	1,479	
Contributions/Donations/Grants from Private Sources	28,043	
State Grants	5,000	
Other Activity Income	28,207	
Transfers In	<u>1,000</u>	
TOTAL ADDITIONS		\$ 176,950

DEDUCTIONS

Professional and Technical Services	7,255	
Rental Payments	35,085	
Travel	27,143	
Advertising	160	
Printing and Binding	5,530	
General Supplies	31,895	
Meals/Refreshments	6,544	
Dues & Fees	8,551	
Donations to Municipal & Community Service Organizations	18,945	
Scholarships	6,420	
Miscellaneous Expenses	5,262	
Transfers Out	<u>245</u>	
TOTAL DEDUCTIONS		<u>153,035</u>

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION **23,915**

FUND NET POSITION - JULY 1, 2021 **94,976**

FUND NET POSITION - JUNE 30, 2022 **\$ 118,891**

**Nazareth Area School District
E-Sports Activity Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022**

ADDITIONS

Interest Income	\$ 1	
Admissions	104	
Special Events	120	
Contributions/Donations/Grants from Private Sources	13,572	
Other Activity Income	81	
	<u> </u>	
TOTAL ADDITIONS		\$ 13,878

DEDUCTIONS

General Supplies	2,099	
Supplies & Fees - Technology Related	7,246	
	<u> </u>	
TOTAL DEDUCTIONS		<u>9,345</u>

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	4,533
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FUND NET POSITION - JULY 1, 2021	<u>-</u>
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FUND NET POSITION - JUNE 30, 2022	<u>\$ 4,533</u>
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Nazareth Area School District
Schedule on General Obligation Bonds - Series of 2017
Dated as of February 16, 2017
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	-	\$ 445,400	\$ -
2023-24	-	445,400	-
2024-25	-	445,400	-
2025-26	-	445,400	-
2026-27	-	445,400	-
2027-28	-	445,400	-
2028-29	-	445,400	-
2029-30	-	445,400	-
2030-31	-	445,400	-
2031-32	-	445,400	-
2032-33	4.00%	400,500	2,245,000
2033-34	4.00%	268,200	4,370,000
2034-35	4.00%	90,400	4,520,000
TOTAL OUTSTANDING		\$ 5,213,100	\$ 11,135,000

Schedule on General Obligation Bonds - Series A of 2017
Dated as of February 16, 2017
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	2.00%	\$ 307,100	\$ 5,000
2023-24	2.50%	297,800	740,000
2024-25	3.00%	287,350	80,000
2025-26	3.00%	284,575	105,000
2026-27	3.00%	281,275	115,000
2027-28	3.00%	277,675	125,000
2028-29	3.00%	273,775	135,000
2029-30	3.00%	269,575	145,000
2030-31	3.00%	260,800	440,000
2031-32	4.00%	168,600	4,280,000
2032-33	4.00%	41,500	2,075,000
TOTAL OUTSTANDING		\$ 2,750,025	\$ 8,245,000

Schedule on General Obligation Bonds - Series B of 2017
Dated as of November 15, 2017
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	2.50%	\$ 47,667	\$ 785,000
2023-24	2.70%	36,370	110,000
2024-25	2.90%	25,678	635,000
2025-26	3.05%	8,235	540,000
TOTAL OUTSTANDING		\$ 117,950	\$ 2,070,000

Nazareth Area School District
Schedule on General Obligation Bonds - Series C of 2017
Dated as of November 15, 2017
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	-	\$ 265,300	\$ -
2023-24	-	265,300	-
2024-25	-	265,300	-
2025-26	3.00%	258,025	485,000
2026-27	4.00%	221,750	1,450,000
2027-28	4.00%	162,950	1,490,000
2028-29	4.00%	102,250	1,545,000
2029-30	4.00%	39,050	1,615,000
2030-31	5.00%	3,375	135,000
TOTAL OUTSTANDING		\$ 1,583,300	\$ 6,720,000

Schedule on General Obligation Bonds - Series of 2018
Dated as of February 14, 2018
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	2.000%	\$ 310,719	\$ 75,000
2023-24	2.000%	309,218	75,000
2024-25	3.000%	307,269	80,000
2025-26	3.000%	304,869	80,000
2026-27	3.000%	302,469	80,000
2027-28	3.000%	300,068	80,000
2028-29	3.000%	297,594	85,000
2029-30	3.000%	294,969	90,000
2030-31	3.000%	293,018	40,000
2031-32	3.000%	292,344	5,000
2032-33	3.000%	292,194	5,000
2033-34	3.000%	292,044	5,000
2034-35	3.000%	291,893	5,000
2035-36	3.000%	289,344	165,000
2036-37	3.000%	284,394	165,000
2037-38	3.125%	280,278	105,000
2038-39	3.125%	277,153	95,000
2039-40	3.125%	235,435	2,575,000
2040-41	3.200%	97,600	6,100,000
TOTAL OUTSTANDING		\$ 5,352,872	\$ 9,910,000

Nazareth Area School District
Schedule on General Obligation Bonds - Series of 2019
Dated as of May 17, 2019
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	2.000%	\$ 263,930	\$ 15,000
2023-24	2.000%	263,632	1,260,000
2024-25	2.000%	226,832	650,000
2025-26	3.000%	213,831	1,485,000
2026-27	3.000%	169,281	1,530,000
2027-28	2.250%	123,381	1,575,000
2028-29	2.375%	87,943	1,605,000
2029-30	3.000%	49,200	1,640,000
TOTAL OUTSTANDING		\$ 1,398,030	\$ 9,760,000

Schedule on General Obligation Bonds - Series A of 2019
Dated as of September 9, 2019
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	2.000%	\$ 177,150	\$ 105,000
2023-24	1.500%	175,050	105,000
2024-25	2.000%	173,475	180,000
2025-26	2.000%	169,875	205,000
2026-27	2.000%	165,775	205,000
2027-28	2.000%	161,675	270,000
2028-29	2.500%	156,275	315,000
2029-30	3.000%	148,400	320,000
2030-31	4.000%	138,800	180,000
2031-32	4.000%	131,600	5,000
2032-33	4.000%	131,400	40,000
2033-34	4.000%	129,800	160,000
2034-35	4.000%	123,400	195,000
2035-36	4.000%	115,600	245,000
2036-37	4.000%	105,800	255,000
2037-38	4.000%	95,600	590,000
2038-39	4.000%	72,000	685,000
2039-40	4.000%	44,600	660,000
2040-41	4.000%	18,200	455,000
TOTAL OUTSTANDING		\$ 2,434,475	\$ 5,175,000

Nazareth Area School District
Schedule on General Obligation Bonds - Series of 2020
Dated as of March 27, 2020
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	4.000%	\$ 234,250	\$ 1,280,000
2023-24	4.000%	192,450	810,000
2024-25	4.000%	144,450	1,590,000
2025-26	1.500%	109,163	465,000
2026-27	1.500%	104,738	125,000
2027-28	2.000%	98,800	500,000
2028-29	2.000%	88,700	510,000
2029-30	2.000%	78,500	510,000
2030-31	2.000%	69,400	400,000
2031-32	3.000%	57,750	510,000
2032-33	3.000%	42,075	535,000
2033-34	3.000%	25,650	560,000
2034-35	3.000%	8,625	575,000
TOTAL OUTSTANDING		\$ 1,254,551	\$ 8,370,000

Schedule on General Obligation Notes - Series of 2020
Dated as of November 24, 2020
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	1.000%	\$ 44,840	\$ 5,000
2023-24	1.000%	44,790	5,000
2024-25	1.000%	44,740	5,000
2025-26	2.000%	44,690	5,000
2026-27	2.000%	44,590	5,000
2027-28	2.000%	44,490	5,000
2028-29	2.000%	44,390	5,000
2029-30	2.000%	44,290	5,000
2030-31	2.000%	44,190	45,000
2031-32	2.000%	43,290	5,000
2032-33	2.000%	43,190	125,000
2033-34	2.000%	40,690	170,000
2034-35	2.000%	37,290	180,000
2035-36	2.000%	33,690	190,000
2036-37	2.000%	29,890	200,000
2037-38	2.000%	25,890	200,000
2038-39	2.100%	21,890	205,000
2039-40	2.100%	17,585	210,000
2040-41	2.125%	13,175	620,000
TOTAL OUTSTANDING		\$ 707,590	\$ 2,190,000

Nazareth Area School District
Schedule on General Obligation Bonds - Series of 2022 (Taxable)
Dated as of February 10, 2022
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23		\$ 469,962	\$ -
2023-24		469,962	-
2024-25	1.170%	469,143	140,000
2025-26	1.460%	467,302	140,000
2026-27	1.650%	465,084	145,000
2027-28	2.120%	462,351	145,000
2028-29	2.120%	459,224	150,000
2029-30	2.120%	455,991	155,000
2030-31	2.390%	452,495	155,000
2031-32	2.390%	448,731	160,000
2032-33	2.390%	444,907	160,000
2033-34	2.990%	440,454	170,000
2034-35	2.990%	435,296	175,000
2035-36	2.990%	429,989	180,000
2036-37	2.990%	424,532	185,000
2037-38	2.990%	353,893	4,540,000
2038-39	3.150%	196,875	5,660,000
3039-40	3.150%	53,865	3,420,000
TOTAL OUTSTANDING		\$ 7,400,053	\$ 15,680,000

Schedule on General Obligation Bonds - Series A of 2022
Dated as of June 29, 2022
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	4.376%	\$ 618,842	\$ 60,000
2023-24	4.376%	703,770	5,000
2024-25	4.376%	703,551	5,000
2025-26	4.376%-3.457%	628,627	55,000
2026-27	3.457%	551,478	135,000
2027-28	3.457%	546,811	135,000
2028-29	3.457%	542,058	140,000
2029-30	3.457%	537,045	150,000
2030-31	3.457%	474,819	3,450,000
2031-32	3.457%	413,284	110,000
2032-33	3.457%	409,395	115,000
2033-34	3.457%	405,333	120,000
2034-35	3.457%	401,185	120,000
2035-36	3.457%	309,229	5,200,000
2036-37	3.457%	126,267	5,385,000
2037-38	3.457%	4,241	960,000
TOTAL OUTSTANDING		\$ 7,375,935	\$ 16,145,000

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

Nazareth Area School District
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2022

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL ALN	PASS THROUGH GRANTOR NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) 7/1/21	REVENUE	EXPEND.	ACCRUED OR (DEFERRED) 6/30/22	FOOT- NOTES
U.S. DEPT. OF EDUCATION											
<u>PASSED THROUGH THE PA DEPARTMENT OF EDUCATION (PDE)</u>											
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-21-0276	7/1/20-9/30/21	\$ 391,167	\$ 137,903	\$ 132,181	\$ 5,722	\$ 5,722	\$ -	2
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-22-0276	7/1/21-9/30/22	\$ 332,491	261,243	-	320,008	320,008	58,765	
TOTAL TITLE I PROGRAM						399,146	132,181	325,730	325,730	58,765	
<u>PASSED THROUGH THE PDE</u>											
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-21-0276	7/1/20-9/30/21	\$ 89,643	(715)	(715)	-	-	-	2
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-22-0276	7/1/21-9/30/22	\$ 73,866	73,418	-	73,866	73,866	448	
TOTAL TITLE II PROGRAM						72,703	(715)	73,866	73,866	448	
<u>PASSED THROUGH THE PDE</u>											
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	FA-144-21-0276	7/1/20-9/30/21	\$ 22,073	-	-	-	-	-	2
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	FA-144-22-0276	7/1/21-9/30/22	\$ 29,416	29,399	-	29,416	29,416	17	
TOTAL TITLE IV PROGRAM						29,399	-	29,416	29,416	17	
<u>PASSED THROUGH THE PDE</u>											
COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF (ESSER)											2
FUND - ESSER II	I	84.425D	FA-200-21-0276	3/13/20-9/30/23	\$ 1,444,456	1,309,285	1,151,924	190,924	190,924	33,563	
COVID-19 GOVERNOR'S EMERGENCY EDUCATION RELIEF (GEER) FUND - SECIM	I	84.425C	FA-252-20-0276	3/13/20-9/30/21	\$ 37,934	11,979	8,877	3,102	3,102	-	
COVID-19 AMERICAN RESCUE PLAN - ESSER (ARP-ESSER)	I	84.425U	223-21-0276	3/13/20-9/30/24	\$ 2,921,717	743,710	-	1,062,023	1,062,023	318,313	6
COVID-19 ARP-ESSER - LEARNING LOSS SET ASIDE	I	84.425U	FA-225-21-0276	3/13/20-9/30/24	\$ 162,202	29,491	-	33,661	33,661	4,170	
COVID-19 ARP-ESSER - SUMMER SCHOOL SET ASIDE	I	84.425U	FA-225-21-0276	3/13/20-9/30/24	\$ 32,440	5,898	-	-	-	(5,898)	
COVID-19 ARP-ESSER - AFTER SCHOOL SET ASIDE	I	84.425U	FA-225-21-0276	3/13/20-9/30/24	\$ 32,440	5,898	-	-	-	(5,898)	
<u>PASSED THROUGH THE PA COMMISSION ON CRIME AND DELINQ. (PCCD)</u>											
COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF (ESSER)											2
FUND - ESSER I	I	84.425D	2020-ES-01-35274	3/13/20-9/30/22	\$ 145,704	12,803	10,542	2,261	2,261	-	
TOTAL EDUCATION STABILIZATION FUND						2,119,064	1,171,343	1,291,971	1,291,971	344,250	
<u>PASSED THROUGH THE COLONIAL I.U.</u>											
IDEA, PART B	I	84.027	062-21-0020	7/1/20-9/30/21	\$ 502,675	129,264	129,264	-	-	-	2
IDEA, PART B	I	84.027	062-21-0020	7/1/21-9/30/22	\$ 485,791	294,140	-	485,791	485,791	191,651	1
COVID-19 ARP-IDEA	I	84.027X	062-22-0020	7/1/21-9/30/23	\$ 140,644	-	-	140,644	140,644	140,644	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/20-9/30/21	\$ 3,360	-	-	-	-	-	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/21-9/30/22	\$ 3,655	3,655	-	3,655	3,655	-	1
TOTAL IDEA CLUSTER						427,059	129,264	630,090	630,090	332,295	
TOTAL U. S. DEPARTMENT OF EDUCATION						3,047,371	1,432,073	2,351,073	2,351,073	735,775	
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES											
<u>PASSED THROUGH THE PA DEPARTMENT OF PUBLIC WELFARE</u>											
TITLE 19 MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/20-9/30/21	N/A	4,253	-	4,253	4,253	-	2
TOTAL U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES						4,253	-	4,253	4,253	-	
SOURCE: D -DIRECT; I -INDIRECT											

Nazareth Area School District
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2022

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL ALN	PASS THROUGH GRANTOR NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) 7/1/21	REVENUE	EXPEND.	ACCRUED OR (DEFERRED) 6/30/22	FOOT- NOTES
<u>U. S. DEPARTMENT OF AGRICULTURE</u>											
<u>PASSED THROUGH THE PDE</u>											2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/20-6/30/21	N/A	81,431	81,431	-	-	-	
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/21-6/30/22	N/A	2,164,734	-	2,193,337	2,193,337	28,603	
COVID-19 NATIONAL SCHOOL LUNCH - SUPPLY CHAIN ASSISTANCE	I	10.555	N/A	N/A	N/A	100,521	-	100,521	100,521	-	
COVID-19 NATIONAL SCHOOL LUNCH - SNP EMERGENCY OPERATING COSTS	I	10.555	N/A	N/A	N/A	76,143	-	76,143	76,143	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/21-6/30/22	N/A	96,321	14,872	97,050	97,050	15,601	
<u>PASSED THROUGH THE PA DEPT. OF AGRICULTURE:</u>											2
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/1/21-6/30/22	N/A	208,307	(24,359)	216,695	216,695	(15,971)	3,4
TOTAL CHILD NUTRITION CLUSTER						<u>2,727,457</u>	<u>71,944</u>	<u>2,683,746</u>	<u>2,683,746</u>	<u>28,233</u>	
<u>PASSED THROUGH THE PDE</u>											2
COVID-19 STATE PANDEMIC ELECTRONIC BENEFIT TRANSFER (P-EBT) ADMIN. COSTS	I	10.649	N/A	N/A	N/A	3,063	-	3,063	3,063	-	
TOTAL U.S. DEPARTMENT OF AGRICULTURE						<u>2,730,520</u>	<u>71,944</u>	<u>2,686,809</u>	<u>2,686,809</u>	<u>28,233</u>	
TOTAL FEDERAL FINANCIAL AWARDS						<u>\$ 5,782,144</u>	<u>\$ 1,504,017</u>	<u>\$ 5,042,135</u>	<u>\$ 5,042,135</u>	<u>\$ 764,008</u>	

SOURCE: D -DIRECT; I -INDIRECT

Nazareth Area School District
Notes to the Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2022

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Nazareth Area School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Nazareth Area School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Nazareth Area School District.

Note 2 - Significant Accounting Policies

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

Note 3 - Organization and Scope

The District recognized 2.5% of its total general fund revenue in federal awards, and 79.8% of its total enterprise fund revenue.

Note 4 - Indirect Costs

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

Note 5 - Program Disclosure - Footnotes

1. The federal awards passed through the Colonial Intermediate Unit, under the U.S. Department of Education heading, is 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 revenue.
2. The Federal Grants were passed through the following entities in the totals below:

	<u>Total Awards</u>	<u>Total Expenditures</u>
<u>Passed through</u>		
PA Commission on Crime & Delinquency	\$ 145,704	\$ 2,261
PA Department of Education	5,569,845	4,188,836
Colonial I.U. #20	1,136,125	630,090
PA Department of Public Welfare	N/A	4,253
PA Department of Agriculture	N/A	216,695
Totals	<u>\$ 6,851,674</u>	<u>\$ 5,042,135</u>

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$208,307, in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2021-22 fiscal-year, the District used \$216,695 in commodities and established a year-end inventory of \$15,971 at June 30, 2022.

Nazareth Area School District
Notes to the Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2022

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.
5. The Medical Access grant passed through the PA Department of Education is reflected as federal source revenue on the basic financial statements; however pursuant to instructions from the commonwealth of PA, it is not reported as revenue on the Schedule of Expenditures of Federal Awards.
6. Of the \$1,062,023 reported expenditures for the ARP-ESSER grant, \$15,777 were incurred in the prior fiscal year.

FINANCIAL STATEMENT RECONCILIATION

General Fund Federal Source Revenues	\$ 2,212,917
Federal Grants in Local Sources	606,005
Food Service Fund Federal Revenue	<u>1,059,260</u>
Total Federal Revenue, per financial statements	3,878,182
Less - Medical Access Reimbursement	(80,000)
Plus: Change in Donated Commodities	<u>4,701</u>
Total Federal Revenue Reported on SEFA	<u>\$ 3,802,883</u>



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Board of School Directors
Nazareth Area School District
One Education Plaza
Nazareth, PA 18064-2397

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 Nazareth Area School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Nazareth Area School District's basic financial statements, and have issued our report thereon dated December 2, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nazareth 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 Nazareth Area School District's internal control.

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

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

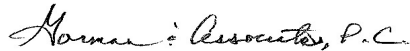
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nazareth 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 2, 2022



GORMAN & ASSOCIATES, P.C.

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

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

Board of School Directors
Nazareth Area School District
One Education Plaza
Nazareth, PA 18064-2397

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Nazareth 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 Nazareth Area School District's major federal programs for the year ended June 30, 2022. Nazareth Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Nazareth 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Nazareth Area School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Nazareth Area School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Nazareth Area School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

Nazareth Area School District

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,

Norman J. Rescortto, P.C.

December 2, 2022

**Nazareth Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

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
84.425C, 84.425D, 84.425U	Education Stabilization Fund Under

Percentage of programs tested to total awards 25.6%

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

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

**Nazareth Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Section II - Financial Statement Findings

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

Section III - Findings and Questioned Costs for Federal Awards

We did not discover any findings or questioned costs on federal awards, in accordance with Uniform Guidance Section 200.516.

Audit Follow-Up Procedures

We did not perform any follow-up procedures on last year findings since there were no prior year findings to report.