

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 19, 2024

NEW ISSUE—BOOK-ENTRY ONLY

**RATING: S&P: “AA” (Stable Outlook) (Underlying)
See “Rating” herein**

In the opinion of Bond Counsel, under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded as gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed, however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on Corporations under Internal Revenue Code of 1986. This opinion of Bond Counsel is subject to continuing compliance by the School District with its covenants in the Resolution and other documents to comply with requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, interest on the Bonds are exempt from personal property taxes in the Commonwealth of Pennsylvania and the interest on the Bonds is exempt from the Commonwealth of Pennsylvania Personal Income Tax and the Commonwealth of Pennsylvania Corporate Net Income Tax. This summary of Bond Counsel’s opinion and the summary of Bond Counsel’s opinion set forth under the caption “Opinion of Bond Counsel” does not purport to be and should not be construed to be a complete recitation of Bond Counsel’s opinion.

The full text draft of Bond Counsel’s opinion is appended hereto in Appendix “B” and reference is made hereto. For further information concerning federal and state tax matters relating to the Bonds, see “Tax Exemption and Other Tax Matters” herein.

\$9,995,000*

**Nazareth Area School District
Northampton County, Pennsylvania
General Obligation Bonds, Series of 2024**

Dated: December __, 2024

Interest Due: May 15 and November 15

Principal Due: November 15, as shown on inside cover

First Interest Payment: May 15, 2025

The General Obligation Bonds, Series of 2024 (the “Bonds”) in the aggregate principal amount of \$9,995,000* will be issued in registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company (“DTC”), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein. The principal of the Bonds will be paid to the registered owners or assigns, when due, upon presentation and surrender of the Bonds to Manufacturers and Traders Trust Company (the “Paying Agent”), acting as paying agent and sinking fund depository, at its corporate trust payment office in Harrisburg, Pennsylvania. Interest on the Bonds is payable initially on May 15, 2025 and thereafter semiannually on May 15 and November 15 of each year, until the principal sum thereof is paid. Payment of interest on the Bonds will be made by check drawn on the Paying Agent mailed to the registered owners of the Bonds as of the Record Date (see “The Bonds” *infra*).

The Bonds are subject to optional redemption prior to maturity as described herein.

The Bonds are general obligations of the Nazareth Area School District, Northampton County, Pennsylvania (the “School District”) payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and available taxing power. (*But see “Security” and “Act 1 of Special Session 2006 (“Taxpayer Relief Act”)” herein.*)

Proceeds of the Bonds will be used to: (1) finance various capital projects of the District including but not limited to funding for a new elementary school, and (2) pay the costs and expenses allocable to issuing the Bonds.

The Bonds are an authorized investment for fiduciaries in the Commonwealth of Pennsylvania pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

**MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS
(As Shown on Inside Cover)**

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of King, Spry, Herman, Freund & Faul, LLC, Bethlehem, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Fox Rothschild LLP, of Blue Bell, Pennsylvania, School District Solicitor and certain legal matters for the Underwriter will be passed upon by McNees Wallace & Nurick LLC, Lancaster, Pennsylvania, Limited Scope Underwriter’s Counsel. PFM Financial Advisors LLC, of Harrisburg, Pennsylvania will serve as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through DTC in New York, New York, on or about December __, 2024.

RAYMOND JAMES®

Dated:

*Estimated, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

\$9,995,000*
Nazareth Area School District
Northampton County, Pennsylvania
General Obligation Bonds, Series of 2024

MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS

Dated: December __, 2024

Interest Due: May 15 and November 15

Principal Due: November 15, as shown below

First Interest Payment: May 15, 2025

Maturity Date (May15) Year	Principal Amounts	Interest Rates	Initial Offering Yields	CUSIP Numbers⁽¹⁾
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
2050				
2051				
2052				
2053				
2054				

⁽¹⁾The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

*Estimate, subject to change.

NAZARETH AREA SCHOOL DISTRICT
Northampton County, Pennsylvania

BOARD OF SCHOOL DIRECTORS

Linda G. Stubits, Ed.D.	President
Wayne Simpson	Vice President
Gregory C. Leh	Treasurer
Stuart C. Whiteleather, Ph.D.	Secretary*
Elmo Frey, Jr.	Member
Melinda Gladstone	Member
Melissa S. Kalinoski	Member
Jodi L. Mammanna	Member
Christopher G. Miller	Member
Kathryn Roberts, Esq.	Member

*Non-member.

SUPERINTENDENT

DR. ISABEL RESENDE, Ed.D.

BUSINESS ADMINISTRATOR

DR. STUART C. WHITELEATHER, Ph.D., PRSBA

SOLICITOR

FOX ROTHSCHILD LLP
Blue Bell, Pennsylvania

BOND COUNSEL

KING, SPRY, HERMAN, FREUND & FAUL, LLC
Bethlehem, Pennsylvania

FINANCIAL ADVISOR

PFM FINANCIAL ADVISORS LLC
Harrisburg, Pennsylvania

UNDERWRITER

RAYMOND JAMES & ASSOCIATES, INC.
Lancaster, Pennsylvania

LIMITED SCOPE UNDERWRITER'S COUNSEL

MCNEES, WALLACE & NURICK LLC
Lancaster, Pennsylvania

PAYING AGENT

MANUFACTURERS AND TRADERS TRUST COMPANY
Harrisburg, Pennsylvania

SCHOOL DISTRICT ADDRESS

District Office
One Education Plaza
Nazareth, Pennsylvania 18064

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

IN CONNECTION WITH THIS OFFERING OF BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE PUBLIC OFFERING PRICES STATED ON THE COVER HEREOF MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER WITHOUT PRIOR NOTICE.

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS PRELIMINARY OFFICIAL STATEMENT PURSUANT TO ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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PRELIMINARY OFFICIAL STATEMENT

\$9,995,000*

**Nazareth Area School District
Northampton County, Pennsylvania
General Obligation Bonds, Series of 2024**

INTRODUCTION

This Preliminary Official Statement, including the cover page and inside cover page hereof, is furnished by Nazareth Area School District, Northampton County, Pennsylvania (the "School District") in connection with the offering of \$9,995,000* aggregate principal amount General Obligation Bonds, Series of 2024 (the "Bonds") dated as of December __, 2024. The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on November 26, 2024 (the "Resolution") and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, 53 C.S.Chs. 80-82 (the "Act").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to: (1) finance various capital projects of the District including but not limited to funding for a new elementary school, and (2) pay the costs and expenses allocable to issuing the Bonds.

Sources and Uses of Bond Proceeds

	TOTAL
Source of Funds:	
Bonds.....	
Net Original Issue Premium/(Discount)	
Total	
Use of Funds:	
Deposit to Construction Fund.....	
Costs of Issuance ⁽¹⁾	
Total	

⁽¹⁾Includes legal, financial advisor, printing, credit rating, underwriter's discount, CUSIP, paying agent, escrow agent, verification agent and miscellaneous costs.

*Estimated, subject to change

THE BONDS

Description

The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof, will be in the aggregate principal amount of \$9,995,000*, will be dated as of December __, 2024 and will bear interest at the rates and mature in the amounts and at the times set forth on the inside cover of this Preliminary Official Statement. Interest on the Bonds will be payable initially May 15, 2025, and thereafter, semiannually on May 15 and November 15 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. Purchasers of the Bonds (the “Beneficial Owners”) will not receive any physical delivery of Bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See “BOOK – ENTRY ONLY SYSTEM” herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs:

The principal of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to Manufacturers and Traders Trust Company (the “Paying Agent”), acting as paying agent and sinking fund depository for the Bonds, at its specified corporate trust office in Harrisburg, Pennsylvania (or to any successor paying agent at its designated office(s)).

Interest is payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding May 15, 2025, in which event such Bond shall bear interest from December __, 2024, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest shall be paid initially May 15, 2025, and thereafter, semiannually on May 15 and November 15 of each year, until the principal sum is paid. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the last calendar day of the month (whether or not a day on which the paying agent is open for business) next preceding each interest payment date (the “Record Date”), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owner of such Bond not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the person in whose name such Bond is registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal, premium if any, or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the specified corporate trust office of the Paying Agent which is processing payment is located are authorized by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

Transfer, Exchange and Registration of Bonds

Subject to the provisions described below under “Book-Entry Only System,” certificated Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

*Estimated, subject to change

The School District and the Paying Agent shall not be required (a) to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange any portion of any Bond selected for redemption until after the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds or other authorized denominations of the same series, maturity and interest rate.

State Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended (the "Public School Code"), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at the date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the bonds or notes were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bond or note issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally. But see "**Pennsylvania Budget Adoption**".

Pennsylvania Budget Adoption

Due to the uncertainty of funding and expenditures caused by the COVID-19 pandemic, on May 29, 2020, the governor passed a five-month stopgap budget for the fiscal year 2020-21. This budget provided five months of flat funding for most state programs and a full twelve months of flat funding for public education. On November 20, 2020, the General Assembly passed Senate Bill 1350 and House Bill 2536, which included the 2020-21 Supplemental Budget to fund the Commonwealth through the remaining seven-months of fiscal year 2020-21. The legislation has been sent to the Governor's desk for approval and on November 23, 2020, the Governor approved the 2020-21 Supplemental Budget. The 2020-21 Supplemental Budget includes mostly flat funding for public education similar to stopgap budget adopted for the first five months of the 2020-21 fiscal year.

Then Governor Tom Wolf timely signed the state's 2021-2022 fiscal year budget on June 30, 2021. That budget included an increase of \$300 million for basic education, with \$100 million of that targeted to the 100 historically underfunded school districts that included some in both urban and rural areas of the state. Special education received a \$50 million increase, boosting that budget line to \$1.24 billion, while preschool and Head Start programs received a \$30 million increase, to \$311.5 million. All told, funding for K-12 schools reached a record high of \$13.55 billion in the 2021-2022 budget.

After a week's delay, a \$45.2 billion budget for the state's 2022-2023 fiscal year was signed by then Governor Tom Wolf on July 8, 2022, which included \$7.6 billion for the basic education funding appropriation and \$225 million to supplement those school districts with a higher at risk student population. The total amount was a \$767.8 million (10.83%) increase over the 2021-2022 fiscal year appropriation.

After over a month delay, a \$45.5 billion budget for the state's 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which includes \$8.4 billion for the basic education funding appropriation. The total amount is a \$796.6 million (10.45%) increase over the 2022-2023 fiscal year appropriation. The budget also provides \$50 million in additional aid to school districts for special education services for a total of \$1.3 billion. Certain funds authorized within the 2023-2024 Budget required companion implementation language amending the Fiscal Code to be fully implemented. On December 13, 2023, multiple code bills were passed finalizing the 2023-24 Budget for education.

During a state budget impasse, school districts in Pennsylvania cannot be certain that state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. **Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the Public School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the Public School Code during any future budget impasses. See "Act 85 of 2016" hereinafter.**

Act 85 of 2016

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) ("Act 85 of 2016"), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code ("Fiscal Code"). Act 85 of 2016 adds to the Fiscal Code Article XVI-E.4, entitled "School District Intercepts for the Payment of Debt Service During Budget Impasse", which provides for intercept of subsidy payments by Pennsylvania Department of Education ("PDE") from a school district subject to an intercept statute or an intercept agreement in the event of a Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of "intercept statutes" Sections 633 of the Public School Code. The School District's general obligation bonds, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts as may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement "shall be appropriated" to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year:

(1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;

(2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and

(3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XV11-E.4 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Preliminary Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. The School District intends on submitting this information to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

General Obligation Pledge

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and available taxing power, which taxing power presently includes the power to levy *ad valorem* taxes on all taxable property within the School District, within limitations provided by law. See "Act 1 of 2006 ("The Taxpayer Relief Act")" *herein for a discussion of certain possible limitations on the School District's taxing powers.*

Sinking Fund

A Sinking Fund for the payment of debt service on the Bonds, designated "Sinking Fund, General Obligation Bonds Series of 2024 (the "Sinking Fund"), has been created under the Resolution and is maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of the School District or the Underwriter.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of

DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Tender Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Tender Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.

REDEMPTION OF BONDS

Mandatory Redemption

The Bonds stated to mature on _____ are subject to redemption prior to maturity as required by the Resolution, in the amounts and on May 15 of the years shown below, from moneys in the Sinking Fund created pursuant to the Resolution, upon payment of the principal amount thereof together with interest accrued to the date fixed for redemption.

Bonds stated to mature _____:

*Final Maturity

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

In the case of any prior, optional redemption in part of a Bond that is subject to future mandatory redemption, the School District shall be entitled to designate whether the principal amount of such Bond redeemed upon optional redemption shall be credited against the principal amount of such Bond to be paid by the School District at the stated maturity of such Bond or credited against the principal amount of such Bond scheduled to be called for mandatory sinking fund redemption on any particular date or dates, in each case in an integral multiple of \$5,000 principal amount.

Optional Redemption

The Bonds stated to mature on or after May 15, ____ shall be subject to redemption prior to maturity, at the option of the School District, as a whole, or from time to time, in part (and if in part, in any order of maturity as selected by the School District and within a maturity by lot), on _____, or on any date thereafter, in either case upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

Notice of Redemption

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding conveyance of notices to Beneficial Owners.

Notice of any redemption shall be given by depositing a copy of the redemption notice by first class mail not more than forty-five (45) days and not less than thirty (30) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof shall not affect the validity of any proceeding for redemption of other Bonds called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds and portions thereof so called for redemption shall cease to accrue interest and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

Manner of Redemption

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, however, payment of the redemption price shall be made to Cede & Co. in accordance with the existing arrangements by and among the School District, the Paying Agent and DTC and, if less than all Bonds of any particular maturity are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner in such Bonds to be redeemed shall be determined by the governing arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding redemption of Bonds registered in the name of Cede & Co.

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing that number of Bonds which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bonds being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized by law or by executive order to remain closed, then the payment of such principal and interest upon such redemption need not be made on such date, but may be made on the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which such banking institutions are authorized to remain closed, with the same force and effect as if made on the nominal date of redemption, and no interest shall accrue after such date.

THE SCHOOL DISTRICT

Introduction

The School District encompasses the Boroughs of Stockertown, Tatamy and Nazareth and the Townships of Bushkill, Lower Nazareth and Upper Nazareth, and a small portion of Palmer Township. The School District has a combined area of approximately 48 square miles and is located in the central portion of Northampton County. The School District is located 10 miles northwest of Easton, the county seat of Northampton County, and about 20 miles northeast of Allentown.

Administration

The present School District was organized in July, 1959, and is comprised of the former school districts of the Boroughs of Nazareth, Stockertown and Tatamy and the Townships of Bushkill, Lower Nazareth and Upper Nazareth all in Northampton County. The Nazareth Area School District assumed all rights and obligations of the former school districts. It is governed by a nine-member Board of School Directors (the "School Board"), elected for four-year terms. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Business Administrator is responsible for budget and financial operations. Both officials are appointed by the School Board.

School Facilities

The School District presently operates three elementary schools, one intermediate school, one middle school, and a high school, all as described on the following table.

**TABLE 1
NAZARETH AREA SCHOOL DISTRICT FACILITIES**

<u>Building</u>	<u>Original Construction Date</u>	<u>Addition/ Renovation Date(s)</u>	<u>Grades</u>	<u>Rated Pupil Capacity</u>	<u>2024-25 Enrollment</u>
<i>Elementary:</i>					
Kenneth N. Butz	1955	1990, 2021	K-3	750	578
Lower Nazareth	1972	1990, 2003, 2021	K-3	625	613
Floyd R. Shafer	1963	1980, 1997	K-3	1,061	562
Nazareth Area Intermediate	1998	---	4-6	1,187	752
<i>Secondary:</i>					
Nazareth Area Middle	2009	---	7-8	1,000	774
Nazareth Area High	1955	1992, 2003, 2006	9-12	1,223	1,618

Source: School District officials.

Enrollment Trends

The following Table 2 presents recent trends in school enrollment and projections of enrollment for the next five years, as prepared by the School District's administrative officials.

**TABLE 2
NAZARETH AREA SCHOOL DISTRICT ENROLLMENT TRENDS**

<u>Actual Enrollments</u>				<u>Projected Enrollments</u>			
<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>	<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2020-21	2,340	2,365	4,705	2025-26	2,560	2,417	4,977
2021-22	2,449	2,389	4,838	2026-27	2,575	2,432	5,007
2022-23	2,484	2,386	4,870	2027-28	2,585	2,442	5,027
2023-24	2,530	2,387	4,917	2028-29	2,595	2,452	5,047
2024-25	2,545	2,402	4,947	2029-30	2,605	2,462	5,067

Source: School District officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Business Administrator and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll taxes and pension fund contributions payable, delinquent taxes receivable, loans receivable from other funds, and revenues receivable from other governmental units. Its financial statements are audited by independent certified public accountants, as required by State law. Gorman & Associates, PC, Northampton, Pennsylvania, currently serve as the School District Auditor.

The School District's auditor has not been engaged to perform, and has not performed, since the date of its report included in Appendix C to this Preliminary Official Statement, any procedure on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Preliminary Official Statement.

Budgeting Process as modified by Act 1 of 2006 (Taxpayer Relief Act)

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of each fiscal year which commences on July 1.

Procedures for Adoption of the Annual Budget. Unless the Simplified Procedures described below are utilized, under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (together “The Taxpayer Relief Act” or “Act 1”) all school districts of the first class A, second class, third class and fourth class must adopt a preliminary budget (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the primary election immediately preceding the beginning of each fiscal year. This preliminary budget must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days’ public notice of its intent to adopt the preliminary budget prior to its adoption. The board of school directors shall print the final budget and make it available for public inspection at least 20 days prior to its adoption and shall give public notice of its intent to adopt the final budget at least 10 days prior to adoption, and may hold a public hearing prior to adoption. Guidance from the PA Department of Education (PDE) suggests that the preliminary budget be converted to a proposed budget adopted by the board of school directors at least 30 days prior to the adoption of the final budget as required by the School Code. The School District follows the requirements of Act 1 and the guidance of PDE pursuant to the requirements of the School Code.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (see “**The Taxpayer Relief Act (Act 1)**” herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, or seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see “**The Taxpayer Relief Act (Act 1)**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE. If PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing must be published by the school district immediately upon receipt of the notification from PDE that a hearing is required. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared and approved at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days’ public notice be given of the board’s intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

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Summary and Discussion of Financial Results

A summary of the General Fund balance sheet and changes in fund balances is presented in Tables 3 and 4. The budget for 2024-25, as adopted June 11, 2024, has budgeted revenues of \$110,976,993 and expenditures of \$110,976,993 which includes a budgetary reserve of \$600,000. The budget increased the real estate taxes to 58.23 mills.

Table 5 shows revenues and expenditures for the past four years, estimated 2023-24 and 2024-25 budget.

**TABLE 3
NAZARETH AREA SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
ASSETS					
Cash and Cash Equivalents	\$22,821,891	\$27,441,217	\$30,178,384	\$34,871,886	\$38,237,887
Investments	3,667,000	0	0	0	0
Taxes Receivable	2,803,669	2,425,580	2,511,296	2,108,435	1,604,025
Interfund Receivable	101,180	63,173	43,029	124,026	26,824
Intergovernmental Receivable	163,614	88,307	131,921	334,123	201,064
Inventories	3,294,932	3,322,040	3,528,801	3,214,455	3,470,348
Prepaid Expenses/Expenditures	89,859	861,010	1,303,525	415,276	326,438
Other Receivables	109,332	138,592	109,690	114,846	111,874
TOTAL ASSETS	<u>\$33,757,390</u>	<u>\$34,664,512</u>	<u>\$38,525,508</u>	<u>\$42,043,670</u>	<u>\$45,173,462</u>
LIABILITIES					
Due to other funds	\$38,345	\$95,578	\$354,758	\$304,497	\$66,122
Due to other governments	191,653	269,856	460,659	358,713	314,491
Accounts Payable	1,772,117	593,377	1,830,419	1,328,911	1,527,592
Accrued Salaries and Benefits	5,761,692	6,093,961	6,145,683	6,657,321	6,897,492
Payroll Deducts and Withholdings	3,485,559	3,664,495	3,965,722	3,514,985	3,808,818
Deferred Revenues	0	0	0	0	0
Current Portion of Long Term Debt	311,633	313,084	288,060	308,515	287,430
Other Current Liabilities	14,220	1,707,716	1,538,587	13,716	17,389
TOTAL LIABILITIES	<u>\$11,575,219</u>	<u>\$12,738,067</u>	<u>\$4,583,888</u>	<u>\$12,488,578</u>	<u>\$12,919,334</u>
Deferred Inflows of Resources	\$1,935,852	\$0	\$0	\$1,442,513	\$1,043,362
FUND EQUITIES					
Nonspendable Fund Balance	\$761,204	\$428,176	\$428,176	\$786,267	\$1,239,573
Restricted Fund Balance	61,546	345,493	345,493	329,597	328,995
Committed Fund Balance	13,552,195	14,443,223	14,443,223	19,140,702	22,055,067
Assigned Fund Balance	299,999	1,308,968	1,308,968	1,705,877	1,200,000
Unassigned Fund Balance	5,571,375	5,400,585	7,415,760	6,152,056	6,387,131
TOTAL FUND EQUITIES	<u>\$20,246,319</u>	<u>\$21,926,445</u>	<u>\$23,941,620</u>	<u>\$28,114,499</u>	<u>\$31,210,766</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITIES	<u>\$33,757,390</u>	<u>\$34,664,512</u>	<u>\$38,525,508</u>	<u>\$42,043,670</u>	<u>\$45,173,462</u>

Source: School District Annual Financial Reports.

TABLE 4

NAZARETH AREA SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN FUND BALANCE*

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Estimated 2024⁽¹⁾</u>	<u>Budgeted 2025⁽²⁾</u>
Beginning Fund Balance	\$20,553,160	\$21,926,445	\$23,941,620	\$28,114,495	\$31,210,763	\$31,142,198
Revenues over (under) Expenditure						
Other (Prior Period Adjustment)	<u>1,373,286</u>	<u>2,015,176</u>	<u>4,172,875</u>	<u>3,096,268</u>	<u>2,658,180</u>	<u>0</u>
Ending Fund Balance	<u>\$21,926,446</u>	<u>\$23,941,621</u>	<u>\$28,114,495</u>	<u>\$31,210,763</u>	<u>\$33,868,943</u>	<u>\$31,142,198</u>

*Totals may not add due to rounding.

⁽¹⁾ Estimated, subject to change with final audit.

⁽²⁾ Budget as adopted June 11, 2024.

Source: School District Annual Financial Reports and Budget.

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Revenue

The School District received an estimated \$109,702,446 in revenue in 2023-24 and has budgeted for \$107,044,266 in 2023-24. Local sources decreased as a share of revenue in the past five years, from 73.6% in 2019-20 to an estimated 72.5% in 2023-24. State sources increased as a share of the total revenue from 25.1% to an estimated 25.8% over this period. Federal and other sources increased as a share of the total revenue from 1.3% to an estimated 1.7% during this period.

TABLE 5
NAZARETH AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(Years Ending June 30)

REVENUE:	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Estimated 2024⁽¹⁾</u>	<u>Budgeted 2025⁽²⁾</u>
Local Sources:						
Real Estate Taxes	\$57,014,550	\$57,444,771	\$60,398,316	\$60,933,747	\$63,236,472	\$64,431,827
Interim Real Estate Taxes	500,537	1,098,843	579,308	1,285,351	696,625	600,000
Payment in Lieu of Taxes	18,894	18,994	16,241	2,899	65,674	16,500
Total Act 511 Taxes	7,941,082	9,417,087	10,904,598	10,302,875	10,402,097	10,550,000
Public Utility Realty Tax	57,824	63,576	66,738	67,566	2,848	67,000
Delinquency on Taxes Levied	1,428,926	1,546,742	1,536,272	1,255,666	1,055,923	1,300,300
Earnings from Investments	756,458	28,679	51,266	1,758,309	2,619,618	1,905,091
Federal IDEA Pass Through Revenue	465,689	506,035	489,446	531,101	554,809	500,000
Rentals	61,461	45,948	71,181	87,115	70,858	85,000
Contributions from Private Sources	161,737	296,316	207,795	234,948	195,696	125,000
Federal Cares Act Revenue Received as Pass Through	0	99,970	0	0	0	0
Federal ARRA IDEA Revenue Received as Pass Through	0	0	140,644	0	0	0
Tuition from Patrons	23,841	18,329	12,578	13,213	0	22,500
Refunds of Prior Years' Expenditures	9,543	24,955	65,692	73,210	140,339	120,000
Revenue from Community Services	39,596	6,999	33,887	51,515	0	50,000
Revenue from LEA Activities	179,842	54,184	145,693	170,733	11,186	146,000
Receipts from other LEAS in PA-Ed.	19,826	27,381	10,536	9,165	0	0
Other Sources	36,733	232,770	220,988	43,399	463,164	0
Total Local Sources	<u>\$68,716,539</u>	<u>\$70,931,579</u>	<u>\$74,951,179</u>	<u>\$76,820,812</u>	<u>\$79,515,309</u>	<u>\$79,919,218</u>
State Sources:						
Basic Instructional Subsidy	\$9,501,911	\$9,501,899	\$9,994,397	\$11,368,797	\$12,271,965	\$12,629,491
Tuition for Orphans & Children in Private Homes	3,507		9,324	21,521	33,449	17,000
Special Education	2,314,557	2,314,489	2,257,065	2,413,053	2,513,302	2,563,402
Transportation	1,166,239	1,151,406	966,023	1,164,740	1,277,653	1,250,000
Rentals and Sinking Fund Payments	299,105	355,292	226,536	262,749	340,507	225,000
Health Services	90,769	86,152	87,645	91,840	90,213	90,000
State Property Tax Reduction Allocation	1,597,366	1,601,169	1,605,025	2,020,902	2,026,899	2,430,546
Revenue for Social Security	1,375,796	1,370,326	1,466,934	1,525,376	1,614,076	0
Revenue for Retirement	6,539,029	6,649,205	7,093,229	7,418,927	7,455,195	8,014,684
Extra Grants-PA Accountability Grants	505,716	492,342	476,529	566,573	662,956	476,529
Other Sources	1,092	875	0	0	0	1,808,623
Total State Sources	<u>\$23,395,087</u>	<u>\$23,523,155</u>	<u>\$24,182,706</u>	<u>\$26,854,480</u>	<u>\$28,286,215</u>	<u>\$29,505,275</u>
Federal Sources:						
Total Federal Sources	<u>\$1,205,136</u>	<u>\$2,212,917</u>	<u>\$1,900,235</u>	<u>\$1,618,436</u>	<u>\$844,068</u>	<u>\$350,000</u>
Other Sources:						
Total Other Sources	<u>\$4,800</u>	<u>\$725,927</u>	<u>\$272,340</u>	<u>\$295,559</u>	<u>\$1,056,854</u>	<u>\$1,202,500</u>
TOTAL REVENUE	<u><u>\$93,321,562</u></u>	<u><u>\$97,393,578</u></u>	<u><u>\$101,306,460</u></u>	<u><u>\$105,589,287</u></u>	<u><u>\$109,702,446</u></u>	<u><u>\$110,976,993</u></u>
EXPENDITURES:						
Instruction	\$54,742,562	\$58,911,505	\$60,728,394	\$62,003,495	\$64,372,608	\$67,814,568
Pupil Personnel	2,906,685	3,056,372	3,215,436	3,570,689	3,791,681	3,749,753
Instructional Staff	1,834,873	2,072,143	1,913,260	2,176,913	2,386,308	2,730,467
Administration	4,573,025	4,615,936	4,790,222	4,720,452	4,737,912	5,307,617
Pupil Health	1,122,593	1,158,030	1,303,489	1,305,670	1,271,356	1,319,735
Business	1,057,868	1,120,341	1,177,836	1,302,586	1,314,732	1,367,222
Operation and Maintenance	8,717,967	8,996,162	8,799,932	9,339,578	9,738,908	9,833,948
Student Transportation	4,272,359	3,984,565	4,831,192	5,354,746	5,735,291	6,123,415
Central	1,340,151	1,330,997	1,332,231	1,641,265	1,896,202	1,950,313
Other Support Services	42,739	44,229	44,386	45,885	47,677	50,000
Operation of Noninstructional Services	1,896,694	1,693,904	1,939,012	1,959,382	2,074,161	2,218,897
Debt Service	6,473,698	7,973,121	5,514,406	8,054,808	8,656,711	7,561,058
Fund Transfers	2,967,063	421,097	1,543,790	1,017,550	1,020,719	350,000
Budgetary Reserve	0	0	0	0	0	600,000
TOTAL EXPENDITURES	<u>\$91,948,276</u>	<u>\$95,378,403</u>	<u>\$97,133,585</u>	<u>\$102,493,017</u>	<u>\$107,044,266</u>	<u>\$110,976,993</u>
SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u><u>\$1,373,285</u></u>	<u><u>\$2,015,175</u></u>	<u><u>\$4,172,875</u></u>	<u><u>\$3,096,269</u></u>	<u><u>\$2,658,180</u></u>	<u><u>\$0</u></u>

*Totals may not add due to rounding.

⁽¹⁾ Estimated, subject to change with final audit.

⁽²⁾ Budget as adopted June 11, 2024.

Source: Annual Financial Reports and Budget.

TAXING POWERS OF THE SCHOOL DISTRICT

In General

Subject to certain limitations imposed by the Taxpayer Relief Act (more specifically described below), the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. *An unlimited ad valorem tax on the property taxable for school purposes to provide funds:*
 - a. *for minimum salaries and increments of the teaching and supervisory staff;*
 - b. *to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;*
 - c. *to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and*
 - d. *to pay for the amortization of a Bond or Note issue which provided a school building prior to the first Monday of July, 1959.*
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended by Act 32 of 2008, enacted July 2, 2008 (53 P.S. §6924.101) the ("Local Tax Enabling Act"). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – "STEB") multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

The Taxpayer Relief Act (Act 1)

Under the Taxpayer Relief Act (Act 1), a school district may not levy any tax for the support of the public schools which was not levied in the previous fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act, or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by PDE:

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004 ("Act 72"), or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 (as in the case of the School District); to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees' Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the

preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Indexes applicable to the School District in the next, current and previous fiscal years (not including exemptions) are as follows:

Fiscal Year (ending June 30)	Applicable Index
2025-26	4.7%
2024-25	6.3
2023-24	4.8
2022-23	4.0
2021-22	3.6
2020-21	3.1

Source: Pennsylvania Department of Education website.

In accordance with Act 1, the School District put a referendum question on the ballot for the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) its earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in 2009 and at any future municipal election seeking approval to levy or increase the rate of an EIT or impose PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The information set forth above is a summary of Act 1. This summary is not intended to be an exhaustive discussion of the provisions of Act 1 nor a legal interpretation of any provision of Act 1, and a prospective purchaser of the Bonds should review the full text of Act 1 as a part of any decision to purchase the Bonds.

Status of the Bonds Under Act 1

The Bonds described in this Official Statement do not represent debt that was approved (“incurred”) by the board of school directors prior to the effective date of Act 1, therefore the board of school directors may not apply to the Pennsylvania Department of Education (PDE) to use the Act 1 referendum exception for previously incurred debt if a tax increase greater than the Index is needed to provide for payment of principal or interest on the Bonds.

Optional Occupation Tax Elimination Act (Act 24 of 2001)

Act 24 of 2001 of the Commonwealth (the Optional Occupation Tax Elimination Act) authorizes a board of school directors to schedule a public hearing and to conduct a ballot referendum to approve replacement of the school district’s occupation tax with an increase in the local earned income tax. Currently, school districts in Pennsylvania share a 1.0% local earned income tax (.5% Municipal and .5% School District) on the annual amount of resident’s wages and other earned income (which excludes unearned or investment income). The occupation tax is a flat amount for all employed individuals, or assessed by various trade, occupation, and professional titles, regardless of income. Upon approval of a referendum, the occupation tax is authorized to be discontinued and the local earned income tax is permitted to be increased by the percentage necessary to generate revenue equal to the amount collected during the preceding year on the occupation tax. The restructured tax is designed to be revenue neutral to the school district.

The School District received voter approval in the November 2005 election to eliminate the occupation tax and increase the earned income tax rate. The School District’s occupation tax was eliminated and the School District’s earned income tax rate increased from .5% to .7% effective beginning in the School District’s 2006-07 fiscal year.

Act 48 of 2003 – Limitation on School District Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes unless the school district has adopted a budget for such school year that includes an estimated ending unreserved and undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 48. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 48 NOR A LEGAL INTERPRETATION OF ANY PROVISIONS OF ACT 48. A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 48 AS A PART OF ANY DECISION TO PURCHASE THE BONDS.

Tax Levy Trends

Table 6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, three boroughs, four townships, and Northampton County.

**TABLE 6
NAZARETH AREA SCHOOL DISTRICT TAX RATES**

<u>Year</u>	<u>Real Estate (mills)</u>	<u>Wage and Income (%)</u>	<u>Real Estate Transfer (%)</u>
2020-21	55.7400	0.70	0.50
2021-22	56.8000	0.70	0.50
2022-23	56.8000	0.70	0.50
2023-24	57.5100	0.70	0.50
2024-25	58.2300	0.70	0.50

Source: Department of Community and Economic Development- Municipal Statistics

**TABLE 7
NAZARETH AREA SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)**

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
<i>School District</i>	55.74	56.80	56.80	57.51	58.23
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Bushkill Township.....	7.50	7.50	7.50	7.50	7.50
Lower Nazareth Township	4.15	4.15	4.50	4.50	4.50
Nazareth Borough.....	16.00	16.00	16.00	16.00	17.00
Palmer Township (P).....	8.25	8.25	8.25	8.25	8.50
Stockertown Borough.....	14.00	14.00	16.50	18.00	18.00
Tatamy Borough.....	13.00	13.00	13.00	13.50	13.50
Upper Nazareth Township.....	7.59	8.19	8.19	8.19	8.19
<i>Northampton County</i>	11.80	11.80	10.80	10.80	10.80

^(P)Portion located within School District.

Source: Department of Community and Economic Development- Municipal Statistics

Real Property Tax

The real property tax (excluding delinquent collections) produced estimated \$63,236,472 in 2023-24, approximately 57.6% of revenues. The tax is levied on July 1 of each year. Taxpayers who remit within 60 days receive 2% discount, and those who remit subsequent to 120 days after July 1 are assessed a 10 percent penalty.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last countywide assessment in Northampton County was in 1998. School District taxpayers have the option to pay their school taxes under an installment payments plan based upon four (4) quarterly payments of the base tax amount.

**TABLE 8
NAZARETH AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Year	Market Value	Assessed Value	Ratio
2019-20	\$3,225,697,714	\$1,074,596,100	33.31%
2020-21	\$3,506,889,812	\$1,092,855,100	31.16%
2021-22	\$3,590,560,346	\$1,112,341,900	30.98%
2022-23	\$3,991,696,340	\$1,134,714,600	28.43%
2023-24	\$4,066,084,654	\$1,159,679,000	28.52%
Compound Average Annual Percentage Change	4.74%	1.54%	

Source: Pennsylvania State Tax Equalization Board.

**TABLE 9
NAZARETH AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	2022 Market Value	2022 Assessed Value	2023 Market Value	2023 Assessed Value
Nazareth Area School District	\$3,991,696,340	\$1,134,714,600	\$4,066,084,654	\$1,159,679,000
Bushkill Township	962,168,887	295,517,000	992,608,013	305,418,300
Lower Nazareth Township	1,791,123,090	466,212,000	1,799,057,646	473,046,900
Nazareth Borough	415,545,128	125,591,700	415,667,945	125,610,800
Palmer Township(P)	5,869,805	1,975,200	5,876,023	1,976,900
Stockertown Borough	87,703,309	26,394,300	87,953,758	26,450,400
Tatamy Borough	\$115,617,754	\$34,255,800	151,184,632	42,382,500
Upper Nazareth Township	613,668,367	184,768,600	613,736,636	184,793,200
Northampton County	31,664,209,504	10,564,780,650	32,498,585,735	10,734,888,350

(P)Portion located within School District.

Source: Pennsylvania State Tax Equalization Board.

**TABLE 10
NAZARETH AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	2019	2020	2021	2022	2023
Residential.....	\$753,026,600	\$763,139,200	\$774,578,300	\$788,883,500	\$799,215,900
Lots.....	8,392,800	7,598,000	8,335,800	7,028,800	5,931,800
Industrial.....	52,205,800	51,666,600	51,773,700	51,850,100	82,511,700
Commercial.....	234,646,100	243,640,500	251,054,600	260,297,700	245,411,100
Agricultural.....	22,471,300	23,032,600	22,981,600	22,839,200	22,856,100
Land/Other.....	3,853,500	3,778,000	3,617,700	3,815,300	3,752,400
Totals.....	<u>\$1,074,596,100</u>	<u>\$1,092,854,900</u>	<u>\$1,112,341,700</u>	<u>\$1,134,714,600</u>	<u>\$1,159,679,000</u>

Source: Pennsylvania State Tax Equalization Board.

TABLE 11

NAZARETH AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA

<u>School Year</u>	<u>Assessed Valuation</u>	<u>Mills</u>	<u>Gross Adjusted Levv</u>	<u>Current Collections Amount</u>	<u>Current Year Collections As a Percent</u>	<u>Total Collections Amount⁽¹⁾</u>	<u>Total Collections As a Percent</u>
2019-20	\$1,085,906,700	55.74	\$60,528,439	\$57,014,550	94.19%	\$58,442,089	96.55%
2020-21	\$1,095,483,500	55.74	\$61,062,250	\$57,444,771	94.08%	\$58,990,550	96.61%
2021-22	\$1,115,738,500	56.80	\$63,373,947	\$60,398,316	95.30%	\$61,934,275	97.73%
2022-23	\$1,151,461,100	57.51	\$66,220,528	\$60,933,747	92.02%	\$62,189,178	93.91%
2023-24 (est)	\$1,184,124,900	58.23	\$67,296,306	\$63,236,472	93.97%	\$64,292,395	95.54%

⁽¹⁾Flat billing plus penalties, less discounts and exonerations.

Source: School District officials.

The ten largest real property taxpayers, together with 2023-24 assessed values are shown on Table 12 which follows. The aggregate assessed value of these ten taxpayers totals approximately 10.2 percent of total assessed value.

TABLE 12

NAZARETH AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS, 2023-24

<u>Owner</u>	<u>Property</u>	<u>2023-24 Assessed Value</u>
Prologis Na3 PA LP	Warehousing	\$51,861,400
Gemstone Resources L P & Essroc Materials Inc.	Shopping Center	19,099,100
Moravian Hall Square of Nazareth PA Inc.	Hydraulic Cement	12,943,400
Lower Nazareth Commons LP	Retirement Community	6,795,900
Wegmans Food Markets Inc.	Condo (Commercial)	5,593,500
Target Corporation	Shopping Center	4,851,100
Phillips & Phillips	Shopping Center	4,509,200
Individual	Feed & Pet Supply	4,361,800
Riverbend Bethlehem Holdings LLC	Healthcare Facilities	4,077,000
	Warehousing	3,684,300
Total		\$117,776,700

Source: School District officials.

Other Taxes

Under Act 511, the School District collected estimated \$10,402,097 in other taxes in 2023-24. Among the taxes authorized by Act 511, the Wage and Income Tax and the Real Estate Transfer Tax are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property was \$48,793,015.

Wage & Income Tax. The School District's levies 0.7 percent on the earned income of residents. In 2023-24 the collected portion of this tax yielded an estimated \$9,394,412 or 8.6 percent of total revenue.

Real Estate Transfer. The School District's levies 0.5 percent of the value of real estate transfers which yielded an estimated \$1,007,685 in 2023-24, or less than one percent of total revenue.

COMMONWEALTH AID TO SCHOOL DISTRICTS

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

Basic education funding is allocated to all school districts in an amount equal to: (1) a fixed sum equal to the school district's Fiscal Year 2014-15 basic educational funding; plus (2) an additional increment determined annually pursuant to statutory formula which adjusts a school district's average daily membership by a number of factors specific to the composition of the student population as well as the school district's median household income, local tax effort and capacity to generate local revenue. The additional increment as calculated above for any individual school district may be zero.

Information concerning the calculation of the School District's basic education funding can be found on the Pennsylvania Department of Education's website at <https://www.education.pa.gov>

School districts may also receive state aid for special education, pupil transportation, vocational education, and health services, among other things.

Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by the PDE. Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the PDE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") (29.92%) or the wealth based Market Value Aid Ratio ("MVAR") currently (36.18%), whichever is higher. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon".

The School District estimates the Bonds will not be subject to reimbursement by the Commonwealth.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and most recently became indefinite with the adoption of Act No. 33 of 2023 on December 13, 2023.

To date, the CFA has issued \$1,903,065,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018, its Revenues Bonds (Federally Taxable), Series A of 2019 in the total amount of \$388,975,000 issued on May 9, 2019, as well as its Revenue Bonds (Federally Taxable), Series A of 2021 in the total amount of \$343,385,000 issued on June 23, 2021. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District's anticipated receipt of PlanCon reimbursements.

Act 70 of 2019 was adopted by the State legislature that has modified the PlanCon process. The Act states that on July 1, 2020, a new PlanCon system will go online. However, the legislation does not include any funding nor does it state when the State would start to allow applicants to enter into the new program.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of any current or future projects of the School District. A failure by the School District to receive such reimbursement could force the School District to apply other available funds, if any, toward the completion costs of the Project and may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

Legislation has been introduced from time to time in the Pennsylvania legislature containing language that would revise or even abolish the debt service reimbursement program for Pennsylvania school districts. As of the date hereof, and except as described above, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as it is structured currently, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

DEBT AND DEBT LIMITS

Debt Statement

Table 13 which follows shows the debt of the Nazareth Area School District as of October 15, 2024 including the issuance of the Bonds.

TABLE 13

**NAZARETH AREA SCHOOL DISTRICT
DEBT STATEMENT
(As of October 15, 2024)**

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series of 2024 (last maturity 2054)	\$10,000,000
General Obligation Bonds, Series A of 2022 (last maturity 2037)	16,080,000
General Obligation Bonds, Series of 2022 (Taxable) (last maturity 2039)	15,680,000
General Obligation Note, Series of 2020 (last maturity 2041)	2,180,000
General Obligation Bonds, Series of 2020 (last maturity 2034)	6,280,000
General Obligation Bonds, Series A of 2019 (last maturity 2040)	3,775,000
General Obligation Bonds, Series of 2019 (last maturity 2030)	8,485,000
General Obligation Notes, Series of 2018 (last maturity 2040)	7,705,000
General Obligation Bonds, Series C of 2017 (last maturity 2029)	6,720,000
General Obligation Bonds, Series B of 2017 (last maturity 2024)	1,175,000
General Obligation Bonds, Series A of 2017 (last maturity 2032)	7,500,000
General Obligation Bonds, Series of 2017 (last maturity 2034)	10,375,000
TOTAL NONELECTORAL DEBT	<u>\$95,955,000</u>
LEASE RENTAL DEBT	
TOTAL LEASE RENTAL DEBT	<u>\$0</u>
TOTAL PRINCIPAL OF DIRECT DEBT	<u><u>\$99,955,000</u></u>

*Includes the estimated Bonds offered through this Preliminary Official Statement.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$95,955,000*. After adjustment for available funds and estimated State aid, the local effort of direct debt will total \$93,107,887*.

TABLE 14
NAZARETH AREA SCHOOL DISTRICT
INDEBTEDNESS AND DEBT RATIOS
(As of October 15, 2024*)

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated State Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt.....	\$95,955,000	\$93,107,887
Lease Rental Debt.....	0	0
TOTAL DIRECT DEBT	\$95,955,000	\$93,107,887
OVERLAPPING DEBT (estimated)		
Northampton County General Obligation ⁽²⁾	\$10,929,292	\$10,929,292
Municipal Debt.....	\$26,965,120	\$26,965,120
TOTAL OVERLAPPING DEBT	\$37,894,412	\$37,894,412
TOTAL DIRECT AND OVERLAPPING DEBT	\$133,849,412	\$131,002,298
DEBT RATIOS		
Per Capita	\$4,223.84	\$4,134.00
Percent 2023-24 Assessed Value.....	11.54%	11.30%
Percent 2023-24 Market Value.....	3.29%	3.22%

*Includes the estimated Bonds offered through this Preliminary Official Statement.

⁽¹⁾Gives effect to current appropriations for payment of debt service, and expected future State reimbursement of School District sinking fund payments based on current Aid Ratio. "See "State Aid to School Districts". The School District may, at any time, claim a credit against the gross principal of debt outstanding equal to the amount estimated to be reimbursed by state sources.

⁽²⁾Pro rata 10.8% share of \$101,170,000 outstanding.

Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is calculated as the annual arithmetic average of "Total Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2021-22.....	\$ 99,515,614
Total Revenues for 2022-23.....	\$ 104,020,490
Total Revenues for 2023-24 (estimated).....	\$ <u>104,900,305</u>
Total	\$ <u>308,436,410</u>
 Annual Arithmetic Average (Borrowing Base)	 \$ <u>102,812,137</u>

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt Limit:			
225% of Borrowing Base	\$231,327,307	\$95,955,000	\$135,372,307

*Includes the estimated Bonds described herein. Does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by State Aid.

Debt Service Requirements

Table 15 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds.

Table 16 presents data on the extent to which State Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

**TABLE 15
NAZARETH AREA SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS***

<u>Year</u>	<u>Other General Obligation Debt</u>	<u>Series of 2024</u>			<u>Total Requirements</u>
		<u>Principal</u>	<u>Interest</u>	<u>Subtotal</u>	
2024-25	\$6,318,987				
2025-26	6,360,391				
2026-27	6,402,639				
2027-28	6,709,401				
2028-29	6,850,409				
2029-30	6,855,219				
2030-31	6,890,098				
2031-32	6,938,799				
2032-33	6,820,961				
2033-34	6,727,071				
2034-35	6,740,189				
2035-36	7,051,051				
2036-37	7,054,082				
2037-38	6,768,102				
2038-39	6,697,318				
2039-40	6,747,684				
2040-41	5,297,375				
2041-42	0				
2042-43	0				
2043-44	0				
Total	113,229,777				

*Totals may not add due to rounding.

TABLE 16
NAZARETH AREA SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE AND LEASE RENTAL
REQUIREMENTS BY STATE AID*

2023-24 (Estimated) State Aid Received.....	\$11,271,940
2023-24 (Estimated) Debt Service Requirements.....	\$1,479,132
Maximum Future Debt Service Requirements after Issuance of Bonds	
Coverage of 2023-24 (Estimated) Debt Service Requirements	7.62 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	times

*Assumes current State Aid Ratio. See “COMMONWEALTH AID TO SCHOOL DISTRICTS.”

Future Financing

The School District anticipates issuing an additional \$40 million in the next 3 years to complete the new elementary school project.

LABOR RELATIONS

School District Employees

There are presently 652.23 employees of the School District including 421 teachers and administrators, 185 full-time support personnel including secretaries, maintenance staff, teacher aides, and 46.23 part-time support personnel and substitutes.

The teachers of the School District are represented in collective bargaining by the Nazareth Education Association. The School District’s present contract with this Association is effective September 1, 2023 to August 31, 2028. The custodial, maintenance, inventory manager and grounds keeping staff are represented by the AFL-CIO Teamsters Local 773. The School District’s present contract with this Association is effective September 1, 2022 to August 31, 2025. The Nazareth Area Educational Support Personnel Association/PSEA/NEA includes all fulltime and regular part time white-collar nonprofessional employees including, but not limited to, secretaries, hall monitors, bookkeepers, tax clerks, clerical employees, aides, assistants and assistant teachers and food service, and are under a contract, which is effective July 1, 2022 to June 30, 2027. It excludes management level employees, supervisors, 1st level supervisors, confidential employees, and guards.

Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administrated by the Commonwealth. The program is formally known as the Public School Employees’ Retirement System (“PSERS”), and a percentage of each eligible employee’s salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees’ Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 33.9% for the fiscal year 2024-25.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 (“Act 5”) PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members’ classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.

Annual School District contributions have been as follows:

2019-20	\$13,262,388
2020-21	\$13,572,576
2021-22	\$14,188,478
2022-23	\$14,904,278
2023-24	\$15,079,885
2024-25 (budgeted)	\$16,054,518

Source: School District officials.

At June 30, 2023, the School District reported a liability of \$121,538,700 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2021 to June 30, 2022. The School 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, 2023, the District’s proportion was 0.2793 percent, which was an increase of 0.0029 percent from its proportion measured as of June 30, 2022.

At June 30, 2023, the PSERS plan was 63.6% funded, with an unfunded actuarial accrued liability of approximately \$42.3 billion. PSERS’ rate of return for fiscal year ended June 30, 2023 was 3.54%. The Fund had plan net assets of \$72.8 billion at June 30, 2023. For more information, visit the PSERS website at www.pfers.pa.gov, which is not incorporated by specific reference into this Official Statement.

Source: School District Administrative Officials and PSERS.

Other Post-Employment Benefits (OPEB)

The School District is obligated under collective bargaining agreements to provide in the future health insurance coverage for certain current and future retired employees for defined periods of time, and to provide retirement severance pay for existing employees. The School District became subject to the requirements of GASB Statements No. 43 and 45 commencing with the School District’s annual financial statements for the fiscal year ending June 30, 2009. For a full description of the plan, please refer to Appendix “C” - Annual Financial Report - Fiscal year Ended June 30, 2023

LITIGATION

At the time of settlement, the School Board and the Solicitor will deliver a certificate stating that there is no litigation pending with respect to the Bonds, the Resolution or the right of the School District to issue said Bonds.

DEFAULTS AND REMEDIES

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the county in which the School District is located. The Act provides any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

TAX EXEMPTION AND OTHER TAX MATTERS

Opinion of Bond Counsel

The information which follows is a summary of Bond Counsel’s opinion. This summary does not purport and should not be construed to be a complete recitation of Bond Counsel’s opinion. The full text draft of Bond Counsel’s opinion is appended hereto in Appendix “B” and reference is made hereto. On the Date of Delivery of the Bonds, King, Spry, Herman, Freund & Faul, LLC, as Bond Counsel, will issue an opinion to the effect that under existing statutes, regulations and judicial decisions, interest on the Bonds is included as gross income for purposes of Federal income taxation and is an item of tax preference for purposes of the Federal alternative minimum tax imposed, however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on Corporations under Internal Revenue Code of 1986. In the opinion of Bond Counsel, under the law of the Commonwealth of Pennsylvania, interest on the Bonds shall at all times be free from taxation for state and local purposes within the Commonwealth of Pennsylvania but such exemption does not extend to gift, succession, or inheritance taxes, taxes on gain on the same or

transfer thereof, or other taxes not levied or assessed directly on the Bonds or the transfer thereof. Specifically the interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. All other discussions concerning the Code or tax consequences discussed within the Official Statement are not statements or comments of Bond Counsel and are not matters to which Bond Counsel will opine.

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Federal Income Tax Matters

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than the stated redemption price of such Bonds at maturity (that is, at less than par or the stated principal amount), the difference being "original issue discount". Generally, original issue discount accruing on a tax-exempt obligation is treated as interest excludable from gross income for federal income tax purposes. In addition, original issue discount that has accrued on a tax-exempt obligation is treated as an adjustment to the issue price of the obligation for the purpose of determining taxable gain upon sale or other disposition of such obligation prior to maturity. The Internal Revenue Code of 1986, as amended, provides specific rules for the accrual of original issue discount on tax-exempt obligations for federal income tax purposes. Prospective purchasers of Bonds being sold with original issue discount should consult their tax advisors for further information.

No representation is made or can be made by the School District or any other party associated with the issuance of the Bonds as to whether or not any legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the Bonds to inclusion in gross income for Federal income tax purposes or so as to otherwise affect the marketability or market value of the Bonds. Enactment of any legislation that subjects the interest on the Bonds to inclusion in gross income for federal income tax purposes or otherwise imposes taxation on the Bonds or the interest paid thereon may have an adverse effect on the market value or marketability of the Bonds.

Federal Income Tax Interest Expense Deductions for Financial Institutions

Under the Code, financial institutions are disallowed 100 percent of their interest expense deductions that are allocable, by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception, which reduces the amount of the disallowance, is provided for certain tax-exempt obligations that are designated or "deemed designated" by the issuer as "qualified tax-exempt obligations" under Section 265 of the Code.

The Bonds are deemed designated.

Financial institutions intending to purchase Bonds should consult with their professional tax advisors to determine the effect of the interest expense disallowance on their federal income tax liability.

Other Federal Income Tax Consequences

Ownership of the Bonds may result in other collateral Federal income tax consequences to certain taxpayers, including, but not limited to, financial institutions, property and casualty insurance companies, certain subchapter S corporations with substantial passive income and subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. No opinion or representation concerning these matters is being given or made by the School District, Bond Counsel or any other party associated with the issuance, offering or sale of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors concerning these matters.

Pennsylvania Tax Matters

The Pennsylvania Department of Revenue has issued final regulations which provide that unstated or imputed interest, such as original issue discount on the Bonds, will be computed in the same manner as such unstated interest is required to be computed for federal income tax purposes. The final regulations further provide that the basis of a Pennsylvania state or local obligation in the hands of the holder will be adjusted upward by the amount of unstated or imputed interest that would have been includible in income but for its statutory exemption and shall be adjusted downward, but not below zero, by the amount of payments under the obligation, other than payment of stated interest. Prospective purchasers of the Bonds should consult with their tax advisors regarding the treatment of original issue discount with respect of the Bonds and the reporting of profits, gains or other income related to the sale, exchange or other disposition of the Bonds for Pennsylvania tax purposes.

Prospective purchasers of the Bonds issued with original issue discount should consult their tax advisors for further information and advice concerning the reporting of profits, gains or other income related to a sale, exchange or other disposition of such Bonds for Pennsylvania tax purposes, including information with respect to any revision of the referenced Statement of Policy and Proposed Regulations or the adoption of final regulations by the Department of Revenue subsequent to the preparation of this Preliminary Official Statement.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirement of Rule 15-c2-12 (the “Rule”) of the United States Securities and Exchange Commission (the “SEC”), the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will agree to provide certain financial information and operating data to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB, either directly, or indirectly through a designated agent, as set forth in its Continuing Disclosure Certificate substantially in the form attached hereto as Appendix D.

With respect to the filing of annual financial information and operating data, the School District reserves the right to modify from time to time the specific types of information and data provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The School District is required to give notice of certain events as set forth in the Continuing Disclosure Certificate (not all of which will be relevant to the School District). The School District may from time to time choose to file notice of other events in addition to those specified in the Continuing Disclosure Certificate.

The School District acknowledges that its undertaking pursuant to the Rule described herein and in the Continuing Disclosure Certificate is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holder and beneficial owner of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District’s continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District’s obligations with respect to continuing disclosure described herein shall terminate upon the prior defeasance, redemption or payment in full of all of the Bonds or if and when the School District is no longer an “obligated person” with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other defined “obligated persons”) with respect to municipal securities issues) are made available through the MSRB’s Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District’s filing history of its annual financial and operating information during the past five (5) years is outlined in the following table.

Fiscal Year Ending	Filing Due Date	Filing Dates:		
		Audit	Operating Data	Budget
6/30/2023	03/26/2024	12/21/2023	12/21/2023	10/19/2023
6/30/2022	03/27/2023	12/20/2022	12/20/2022	6/22/2022
6/30/2021	12/27/2021	12/21/2021	12/21/2021	6/10/2021
6/30/2020	12/27/2020	12/09/2020	12/10/2020	9/03/2020
6/30/2019	12/27/2019	12/18/2019	12/03/2019	5/01/2019

The School District has reasonable procedures in place designed to ensure ongoing timely filings of its material continuing disclosure requirements.

CYBER SECURITY RISKS

The School District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the School District’s systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. The School District has never had a material cyber breach or a cyber breach that resulted in a financial loss. No assurance can be given that the School District’s current efforts to manage cyber threats and security will, in all cases, be successful. The School District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances. In addition to the various processes in place to safeguard against cyber security attacks, the School District also maintains a comprehensive insurance policy which includes privacy liability, cyber incident response, data breach, network security, internet media and network extortion coverages.

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys, the trustee, and banks, as well as vendors with respect to outsourced critical digital network operations and functions. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the School District and the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

RATING

S&P Global Ratings has assigned its underlying rating of “AA” (Stable Outlook) to this issue of Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address S&P Global Ratings, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the School District at an aggregate price of \$ _____, which includes an underwriting discount of \$ _____ and a net original issue premium of \$ _____. The Underwriter's obligations are subject to certain conditions precedent; however, the Underwriter will be obligated to purchase all such Bonds if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter. The Underwriter has provided the following information for inclusion in this Preliminary Official Statement: The Underwriter and their respective affiliates are full service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage and asset management. In the ordinary course of business, the Underwriter and their respective affiliates may actively trade debt and if applicable equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for its own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer and/or Borrower. The Underwriter and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer and/or Borrower. The Underwriter does not make a market in credit default swaps with respect to municipal securities at this time but may do so in the future.

LEGAL OPINION

The Bonds are offered with the approving legal opinion of King, Spry, Herman, Freund & Faul, LLC, Bond Counsel of Bethlehem, Pennsylvania. Certain other legal matters will be passed upon for the School District by Fox Rothschild LLP, of Blue Bell, Pennsylvania, School District Solicitor and McNees Wallace & Nurick LLC, Lancaster, Pennsylvania as Limited Scope Underwriter’s Counsel, will pass upon certain legal matters for the Underwriter.

FINANCIAL ADVISOR

The School District has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania as financial advisor (the “Financial Advisor”) in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS

This Preliminary Official Statement has been prepared under the direction of the School District by PFM Financial Advisors LLC, Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Preliminary Official Statement had been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

The School District has authorized the distribution of this Preliminary Official Statement.

NAZARETH AREA SCHOOL DISTRICT
NORTHAMPTON COUNTY, PENNSYLVANIA

By: _____

President, Board of School Directors

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APPENDIX A
Demographic and Economic Information
Relating to the Nazareth Area School District

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Population

Table A-1 which follows shows recent population trends for the School District, Northampton County and the State of Pennsylvania. The School District's population increased by more than 3,700 between 2010 and 2020. Table A-2 shows 2015 (est.) age composition and average number of persons per household in Northampton County, the School District, and for the State.

TABLE A-1
RECENT POPULATION TRENDS

	<u>2010</u>	<u>2020</u>	Compound Average Annual Percentage Changes
School District	27,963	31,689	1.26%
Northampton County.....	297,735	312,951	0.50%
Pennsylvania	12,702,379	13,002,700	0.23%

Source: U.S. Census Bureau, 2010 Census and 2020 Census

TABLE A-2
AGE COMPOSITION

	<u>0-19 Years</u>	<u>20-64 Years</u>	<u>65+ Years</u>	<u>Persons Per Household</u>
School District	24.2%	58.8%	17.0%	2.70
Northampton County.....	24.2%	58.9%	16.9%	2.56
Pennsylvania	24.2%	59.4%	16.4%	2.46

Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates

Employment

Overall Nonfarm Jobs, Industry Employment data for the Allentown-Bethlehem-Easton Labor Metropolitan Statistical Area (“MSA”) an area which includes the School District.

TABLE A-3
DISTRIBUTION OF EMPLOYMENT BY INDUSTRY
Allentown-Bethlehem-Easton Metropolitan Statistical Area
NONFARM JOBS
(July 2024)

<i>ESTABLISHMENT DATA</i>	Industry Employment				Net Change From:	
	Jul 2024	Jun 2024	May 2024	Jul 2023	Jun 2024	Jun 2023
Total Nonfarm	400,600	403,400	401,700	388,900	-2,800	11,700
Total Private	364,900	364,600	362,300	353,800	300	11,100
Goods Producing	56,400	56,000	55,300	56,100	400	300
Mining, Logging, & Construction	14,400	14,100	13,800	14,300	300	100
Manufacturing	42,000	41,900	41,500	41,800	100	200
Durable Goods	24,500	24,300	24,100	24,200	200	300
Non Durable Goods	17,500	17,600	17,400	17,600	-100	-100
SERVICE-PROVIDING	344,200	347,400	346,400	332,800	-3,200	11,400
PRIVATE SERVICE-PROVIDING	308,500	308,600	307,000	297,700	-100	10,800
Trade, Transportation, and Utilities	92,200	92,300	92,300	92,300	-100	-100
Wholesale trade	15,400	15,300	15,300	15,300	100	100
Retail trade	39,000	39,000	39,000	39,200	0	-200
Food and beverage stores	10,500	10,500	10,500	10,600	0	-100
General merchandise stores	7,200	7,200	7,200	7,000	0	200
Department stores	3,600	3,600	3,600	3,500	0	100
Transportation, Warehousing and Utilities	37,800	38,000	38,200	37,800	-200	0
Transportation and Warehousing	36,700	36,900	37,100	36,700	-200	0
Information	6,300	6,100	6,200	6,100	200	200
Financial Activities	13,100	13,100	13,000	13,000	0	100
Finance and Insurance	9,700	9,700	9,600	9,500	0	200
Insurance carriers and related activities	4,700	4,700	4,600	4,500	0	200
Professional and Business Services	51,500	51,600	51,300	49,500	-100	2,000
Professional and technical services	17,600	17,600	17,600	16,900	0	700
Management of companies and enterprises	10,100	10,000	10,000	9,800	100	300
Administrative and waste services	23,800	24,000	23,700	22,800	-200	1,000
Employment services	8,500	8,600	8,600	8,200	-100	300
Educational and Health Services	89,100	89,100	90,000	83,000	0	6,100
Educational services	10,700	11,000	12,900	10,600	-300	100
Health care and social assistance	78,400	78,100	77,100	72,400	300	6,000
Hospitals	24,900	24,800	24,500	23,500	100	1,400
Leisure and Hospitality	41,300	41,600	39,500	39,300	-300	2,000
Accommodation and food service	30,600	31,200	30,500	29,400	-600	1,200
Food services and drinking places	26,400	26,900	26,500	25,200	-500	1,200
Other Services	15,000	14,800	14,700	14,500	200	500
Government	35,700	38,800	39,400	35,100	-3,100	600
Federal Government	2,500	2,500	2,500	2,500	0	0
State Government	2,500	2,500	2,500	2,500	0	0
Local Government	30,700	33,800	34,400	30,100	-3,100	600
Local government educational services	17,700	21,100	22,500	17,200	-3,400	500
Other Local Government	13,000	12,700	11,900	12,900	300	100

Data benchmarked to March 2023

Data changes of 100 may be due to rounding

Source: Pennsylvania Department of Labor & Industry website: News Releases.

The largest employers within the County include:

Name

- Wal-Mart Associates Inc
- Lehigh University
- Bethlehem Area School District
- United Parcel Service Inc
- Northampton County
- Wind Creek
- FedEx Ground Package System Inc
- Victaulic Company
- Saint Luke’s Hospital
- Giant Food Stores LLC

Source: Center for Workforce Information & Analysis- 3rd Quarter 2024

Table A-4 shows recent trends in labor force, employment and unemployment for Northampton County and the Commonwealth of Pennsylvania.

**TABLE A-4
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT*
(Northampton County)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024(1)</u>	Compound Average Annual % Rate
<u>Northampton County</u>							
Civilian Labor Force (000).....	161.9	158.9	162.1	165.1	166.4	167.9	0.93%
Employment (000)	154.6	144.7	152.5	158.5	161.4	163.1	1.22%
Unemployment (000)	7.2	14.2	9.6	6.6	5.0	4.8	-6.51%
Unemployment Rate.....	4.5%	9.0%	5.9%	4.4%	3.0%	2.9%	
<u>Pennsylvania</u>							
Civilian Labor Force (000).....	6,492.0	6,388.0	6,406.0	6,479.0	6,485.0	6,587.0	0.19%
Employment (000)	6,208.0	5,808.0	5,999.0	6,196.0	6,296.0	6,339.0	0.47%
Unemployment (000)	284.0	580.0	407.0	283.0	189.0	189.0	-7.29%
Unemployment Rate.....	4.4%	9.10%	6.30%	4.40%	2.90%	2.90%	

⁽¹⁾As of April 2024.

Source: Pennsylvania State Employment Service.

Income

The data on Table A-5 shows trends in per capita income for the School District, the County and Pennsylvania over the 2010-2015 (est.) period. Per capita income in the County is somewhat higher than per capita income in the School District and the State.

**TABLE A-5
TRENDS IN PER CAPITA INCOME***

	2010	2015 (est.)	Compound Average Annual Percentage Change 2010-2015(est.)
<i>School District</i>	\$31,662	\$34,336	1.63%
Northampton County.....	28,362	30,176	1.25%
Pennsylvania	27,049	29,291	1.61%

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: U.S. Census Bureau, 2010 Census and U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates

Commercial Activity

Table A-6 shows recent trends for retail sales in Northampton County, the Metropolitan Statistical Area (“MSA”) and the State.

**TABLE A-6
TOTAL RETAIL SALES
(000)**

	2019	2020	2021	2022	2023
Northampton County	4,926,852	5,007,574	5,053,581	5,333,764	5,833,618
MSA	15,397,360	15,840,523	17,378,463	18,613,724	20,359,980
Pennsylvania	244,709,540	251,185,116	274,685,600	297,770,327	310,912,244

Source: The Nelson Company.

Educational Institutions

The Lehigh Valley (Lehigh and Northampton Counties) is home to 11 colleges and universities enrolling 45,000 students, as shown on the following table.

Cedar Crest College	Allentown
DeSales University	Center Valley
East Stroudsburg University (Monroe County)	East Stroudsburg
Kutztown University (Berks County)	Kutztown
Lafayette College	Easton
Lehigh Carbon Community College	Schnecksville
Lehigh University	Bethlehem
Moravian College	Bethlehem
Muhlenberg College	Allentown
Northampton Community College	Bethlehem
Penn State Lehigh Valley Campus	Center Valley

Source: Lehigh Valley www.lehighvalley.org

Medical Facilities

The following medical facilities are located in the Lehigh Valley and the surrounding area.

Easton Hospital	Easton
Gnaden Huetten Memorial Hospital	Lehighton
Good Shepherd Rehabilitation Hospital	Allentown
Lehigh Valley Hospital & Health Network	Allentown
Palmerton Hospital	Palmerton
Sacred Heart Hospital	Allentown
St. Luke's Hospital & Health Network	Bethlehem

Source: Lehigh Valley Association of Realtors - www.lehighvalleyarea.com

Transportation

Northampton County has approximately 1,550 miles of roadway, of which 550 miles are state or federal highways and the remainder is secondary and municipal roads. The major highways in the County are U.S. Routes 22, 33, and 611. The County also has the following railroads: Norfolk Southern, Northampton and Bethlehem, Lehigh and Hudson River, Philadelphia and Bethlehem and New England.

The School District is also provided with air service by the Lehigh Valley International Airport. Passenger services provided by this airport are: Allegiant Air, Air Canada, Continental Express, Delta, Direct Air, North West Air, United and US Airways. Freight services provided by this airport are: Federal Express and the United Parcel Service (UPS). LANTA is the local public bus company servicing residents of the School District. The major bus companies are Carl R. Bieber Tourways and Trans Bridge Tours.

Utilities

The PPL Utilities and Metropolitan Edison serve electrical needs of homes and industries in the School District. Blue Mountain and Bethlehem Water Companies provide water services in the more populated areas and there are individually owned wells and septic tanks in the more rural areas. Verizon and Commonwealth Telephone provide telephone communications for the area. UGI provides natural gas service to area residents.

Communications

Northampton County is served by two daily and three weekly newspapers, a commercial television station, and eight radio stations.

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APPENDIX B
Opinion of Bond Counsel

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DRAFT

December __, 2024

The Nazareth Area School District, Northampton County, Pennsylvania (the "School District"), is a Local Government Unit, as defined in the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa.C.S. Chs. 80-82 (the "Act").

The School District determined to undertake a program to fund financing projects of the School District ("Project") through the issuance of its General Obligation Bonds, Series of 2024 ("2024 Bonds").

The School District, pursuant to a resolution duly adopted on November 26, 2024 (the "Resolution"), and a bond purchase proposal dated November __, 2024 and an addendum thereto dated _____, 2024 ("Bond Purchase Agreement") has determined to implement the foregoing decision by the authorization, issuance and sale, of a series of obligations, its General Obligation Bonds, Series of 2024, in the aggregate principal amount of \$_____, the proceeds of which, after payment of costs of issuance, together with any other monies available or to be available for the purpose, to provide necessary monies for the funding of the Project.

The principal and interest due on the Bonds are payable from the School District's general revenues and constitute general obligation bonds under the Act.

The Bonds maturing on and after _____, 20__ are subject to redemption at par in whole or in part at the option of the School District at any time on or after _____, 20__.

Proceedings for authorization, issuance and sale of the Bonds have been conducted in accordance with provisions of the Act. The Department of Community and Economic Development of the Commonwealth has approved the proceedings relating to issuance and delivery of the Bonds, as authorized by the Resolution, as required by the Act.

In our capacity as bond counsel to the School District, we have examined the Constitution of the Commonwealth of Pennsylvania; the Act and such other statutes, regulations, decisions, proceedings, and documents as we have

deemed necessary as the basis of this opinion; the Resolution; a representative Bond; and certain statements, certifications, reports, affidavits and documents and agreements pertaining to the issuance and sale of the Bonds.

On the basis of the foregoing, we are of the opinion that:

1. The School District is authorized, under the Act, to issue the Bonds with the proceeds, together with any other money made available for the purpose, to be used for the purpose of providing the monies required to fund the Project, as defined in the Resolution.

2. The amount of the nonelectoral debt of the School District issued and outstanding or authorized by vote of the Board of School Directors of the School District (the "School Board"), after giving effect to the issuance and delivery of the Bonds, computed in accordance with the Act, is not in excess of legal limitations; and the nonelectoral debt of the School District, which is evidenced by the Bonds, is permitted by the Act and the Constitution of the Commonwealth to be made by vote of the School Board without assent of the electors.

3. The Bonds and interest thereon are payable from the School District's general revenues. The School District has covenanted, in the Resolution, to and with holders or registered owners of such Bonds which shall be outstanding, from time to time, pursuant to the Resolution, that the School District shall include the amount of the debt service thereof, for each fiscal year of the School District in which such sums are payable, in its budget for that fiscal year; shall appropriate such amounts to the place and in the manner stated in the Bonds according to the true intent and meaning thereof; and, for such budgeting, appropriation, and payment, the School District has pledged, irrevocably, its full faith, credit and available taxing power. The Act provides that the foregoing covenant of the School District shall be enforceable specifically. The Bonds are additionally secured by the "State Aid" Intercept Provisions of Section 633 of the Public School Code of 1949, as amended by Act 150 of 1975.

We call to your attention, however, that pursuant to Act 1 of Special Session 2006 ("Act 1"), the School District may not, in any fiscal year, without voter approval by referendum (a so-called "back-end referendum"), or without approval by the Pennsylvania Department of Education, increase the rate of any tax for school purposes by more than the index ("Index"), increase the rate of any earned income tax levied under the Local Tax Enabling Act or levy any tax not previously imposed.

There are exceptions to the back-end referendum and school districts such as the School District may increase the rate of a tax levied for the support of the public schools by more than the applicable Index without voter approval on debt issued to refinance debt incurred prior to the effective date of Act 1 so long as such increase has been approved by the Pennsylvania Department of Education.

The Undersigned is of the opinion that the aforementioned exception to the referendum requirement is not available to the School District with respect to the 2024 Bonds.

4. The School District, in the Resolution, has established sinking funds for the Bonds, with the paying agent named in the Resolution as the sinking fund depository, into which funds for the payment of the principal of and interest on the Bonds shall be deposited no later than the date fixed for disbursement thereof. The School District has covenanted, in the Resolution, to make payments therefrom in such amounts as shall be sufficient for prompt and full payment of all obligations of the Bonds.

5. The annual amounts appropriated to the sinking funds under the Resolution are sufficient to pay the principal of and interest on the Bonds.

6. The Bonds constitute valid, binding and enforceable general obligations of the School District in accordance with their terms and the terms of the Resolution, entitled to the benefit and security of the Resolution and the Act, for the payment of which all taxable real property within the School District is presently subject to ad valorem taxes without limitation as to rate or amount.

7. The Resolution has been properly adopted, and the provisions thereof represent valid and binding obligations of the School District in accordance with the terms thereof.

8. The interest on the Bonds are payable without deduction of any taxes now or hereafter levied or assessed thereon under any present or future law of the Commonwealth, which tax or taxes the School District assumes and agrees to pay; provided, however, that the foregoing shall not be applicable to gift, estate, succession or inheritance taxes, taxes on gains on the sale of the Bonds, or to other taxes not levied or assessed directly on the Bonds or the interest paid thereon.

9. Under existing statutes, regulations and decisions, interest on the Bonds, including any original issue discount properly allocable to the holder thereof, is

excluded from gross income for purposes of Federal income taxation and is not an item of tax preference for the purpose of Federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations under the Code for tax years beginning after December 31, 2022. Furthermore, the Bonds are not arbitrage bonds.

The School District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Code of 1986 (the “Code”).

The opinion set forth above in Paragraph 9 is subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for Federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The School District has covenanted to comply with all such requirements and has the legal power to do so. We express no opinion regarding other Federal tax consequences arising with respect to the Bonds.

It is to be understood that the rights of holders or registered owners of Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

The Cusip Number printed on each of the Bonds pursuant to recommendations promulgated by the Committee on Uniform Security Identification Procedures is for convenience of identification only and does not in any way affect or modify the legality, negotiability, transferability or procedure for redemption of the Bonds.

This opinion is expressly limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated herein. This opinion is given as of the date hereof and we assume no obligation to update this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. This opinion is expressly limited to the present internal laws of the Commonwealth and present federal law.

KING, SPRY, HERMAN, FREUND & FAUL, LLC

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APPENDIX C
Report on
Nazareth Area School District
Single Audit Report
Fiscal Year Ended June 30, 2023

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

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NAZARETH AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2023

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NAZARETH AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2023

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NAZARETH AREA SCHOOL DISTRICT

Single Audit Report

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INTRODUCTORY SECTION

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GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board
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, 2023, and have enclosed the Single Audit reporting package.

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

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

Respectfully submitted,

Gorman & Associates, P.C.

December 21, 2023

REPORT DISTRIBUTION LIST

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

ONE COPY TO: FEDERAL AUDIT CLEARINGHOUSE
(Electronically Submitted) GENERAL SERVICES ADMINISTRATION

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

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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, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 2022-23, the District adopted new accounting guidance, GASB Statement No. 96, SBITA's. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 6-16, the schedules associated with the District's Defined Benefit Pension Plan, and the Schedules of the District's OPEB Plans, on pages 84-91, 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.

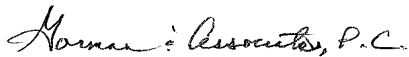
Supplementary Information

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 November 22, 2023, 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
November 22, 2023

**NAZARETH AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)
Required Supplementary Information (RSI)
For the Year Ended June 30, 2023**

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 \$10,147,978 due in large part to deferred inflow of resources and 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 \$9,560,036 and the business-type net position increased by \$598,539.

Program revenues accounted for \$18,527,873 of total revenues, and general revenues accounted for \$89.4 million.

As of October 1, 2023, we have 4,954 pupils enrolled. The District decreased the principal amount of outstanding General Obligation Debt by \$4,305,000 during the 2022-23 fiscal year. This decrease was due in part to normal yearly payments and a one-time debt defeasance of \$2 million during the 2022-23 fiscal year.

NAZARETH AREA SCHOOL DISTRICT
Management's Discussion and Analysis

In governmental funds, total fund balance increased \$1,046,045. The general fund balance increased by \$3,096,267. 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 \$2,042,645 resulting from ongoing capital projects. The general fund reported a positive fund balance of \$31.2 million, or 29 percent of the 2023-24, \$106.6 million operating budget. The 2023-24 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 #54, \$1,239,573 of fund balance is nonspendable for inventory and prepaid expenses, \$328,995 is restricted to scholarships and donation from private sources, \$22.05 million is committed for compensated absences and other post-employment payments under GASB 75. Finally, \$1.2 million is allocated to balance the 23-24 budget and \$6.39 million or 6.0% of the 2023-24 \$106.6 million operating budget is unassigned.

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.

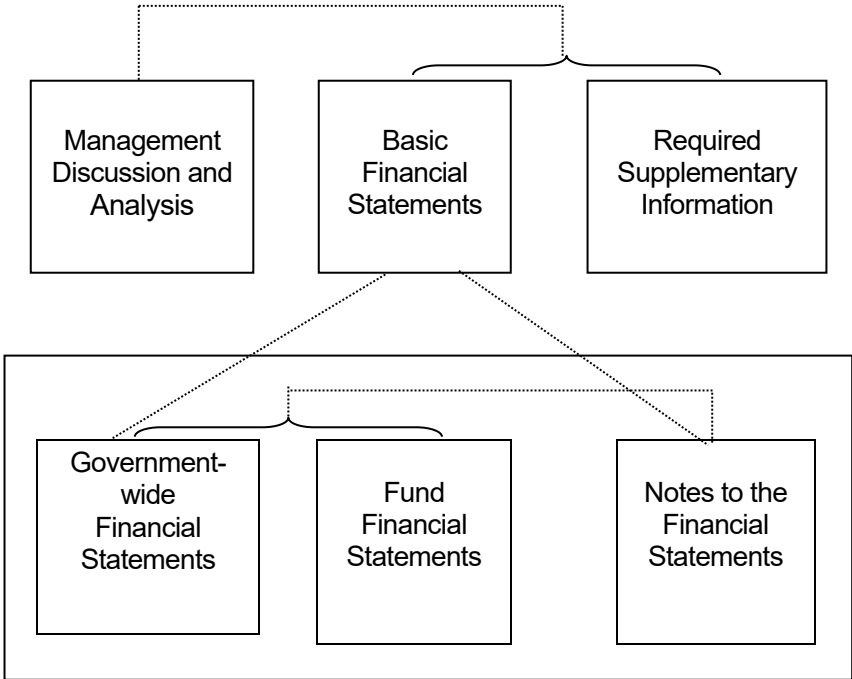
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well 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 2022-23 to 2021-22 with internal balances included follows:

Table A-1
Fiscal Year ended June 30, 2023
Net Position

	2022-23			2021-22		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 55,731,661	\$ 2,290,917	\$ 58,022,578	\$ 54,479,961	\$ 1,975,825	\$ 56,455,786
Non current assets	131,618,004	187,660	131,805,664	131,297,598	170,138	131,467,736
Deferred Outflow of Resources	22,886,184	389,091	23,275,275	25,896,204	417,628	26,313,832
Total Assets & Deferred Outflow of Resources	\$ 210,235,849	\$ 2,867,668	\$ 213,103,517	\$ 211,673,763	\$ 2,563,591	\$ 214,237,354
Current and other liabilities	17,027,975	139,347	17,167,322	15,455,093	320,040	15,775,133
Long-term liabilities	231,204,003	3,101,854	234,305,857	233,534,680	2,940,658	236,475,338
Deferred Inflow of Resources	9,158,485	93,159	9,251,644	19,388,043	368,124	19,756,167
Total Liabilities & Deferred Inflow of Resources	257,390,463	3,334,360	260,724,823	268,377,816	3,628,822	272,006,638
Net Position						
Net Investment in Capital Assets	34,224,403	187,660	34,412,063	33,214,447	170,138	33,384,585
Restricted	10,376,933	-	10,376,933	9,935,187	-	9,935,187
Unrestricted	(91,755,950)	(654,352)	(92,410,302)	(99,853,687)	(1,235,369)	(101,089,056)
Total Net Position	\$ (47,154,614)	\$ (466,692)	\$ (47,621,306)	\$ (56,704,053)	\$ (1,065,231)	\$ (57,769,284)

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, 2023, the District governmental funds reported a combined fund balance of \$41,582,119.

General Fund Budgetary Highlights

The General Fund balance increased by \$3,096,267 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 \$3.8 million minus \$740,113 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 \$3.088 million or 4.2% over budget. State funding was \$761,287 or 2.9% over budget. Federal funding was \$618,436 or 61.8% over budget. 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, \$1.017 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 2022-23 year. This table also shows a comparative analysis of fiscal year 2022-23 to 2021-22.

Table A-2
Fiscal Year ended June 30, 2023
Changes in Net Position

	2022-23			2021-22		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Charges for services	\$ 244,627	\$ 1,305,059	\$ 1,549,686	\$ 202,694	\$ 435,715	\$ 638,409
Operating grants and contributions	15,339,502	1,363,872	16,703,374	14,753,809	2,886,719	17,640,528
Capital grants and contributions	274,813	-	274,813	359,802	-	359,802
<i>General revenues</i>						
Property taxes	63,075,377	-	63,075,377	62,417,509	-	62,417,509
Other taxes	10,373,576	-	10,373,576	10,987,892	-	10,987,892
Grants, subsidies and contributions, unrestricted	13,389,699	-	13,389,699	11,599,422	-	11,599,422
Other	2,586,904	124,890	2,711,794	626,063	42,577	668,640
Total Revenues	\$ 105,284,498	\$ 2,793,821	\$ 108,078,319	\$ 100,947,191	\$ 3,365,011	\$ 104,312,202
Expenses						
Instruction	\$ 58,207,276	\$ -	\$ 58,207,276	\$ 57,509,597	\$ -	\$ 57,509,597
Instructional student support	6,560,042	-	6,560,042	6,015,639	-	6,015,639
Administrative and financial support	7,306,720	-	7,306,720	7,308,493	-	7,308,493
Operation and maintenance of plant	9,004,254	-	9,004,254	8,482,679	-	8,482,679
Pupil transportation	5,340,306	-	5,340,306	4,818,334	-	4,818,334
Student activities	1,651,946	-	1,651,946	1,653,277	-	1,653,277
Community services	196,282	-	196,282	200,851	-	200,851
Scholarships and Awards	72,724	-	72,724	63,616	-	63,616
Interest on long term debt	3,451,684	-	3,451,684	2,963,624	-	2,963,624
Unallocated depreciation expense	3,943,825	-	3,943,825	3,476,878	-	3,476,878
Food Service	-	2,195,282	2,195,282	-	2,161,642	2,161,642
Total Expenses	\$ 95,735,059	\$ 2,195,282	\$ 97,930,341	\$ 92,492,988	\$ 2,161,642	\$ 94,654,630
Increase (decrease) in net position	\$ 9,549,439	\$ 598,539	\$ 10,147,978	\$ 8,454,203	\$ 1,203,369	\$ 9,657,572

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 2022-23 to 2021-22.

Table A-3
Fiscal Year ended June 30, 2023
Governmental Activities

Functions/Programs	2022-23		2021-22	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 58,207,276	\$ 47,029,600	\$ 57,509,597	\$ 46,250,416
Instructional student support	6,560,042	5,418,159	6,015,639	5,057,960
Administrative	7,306,720	6,487,953	7,308,493	6,528,804
Operation and maintenance	9,004,254	8,135,199	8,482,679	7,733,121
Pupil transportation	5,340,306	4,152,567	4,818,334	3,829,991
Student activities	1,651,946	1,302,638	1,653,277	1,332,095
Community services	196,282	144,517	200,851	166,714
Scholarships and Awards	72,724	72,724	63,616	63,616
Interest on long-term debt	3,451,684	3,188,935	2,963,624	2,737,088
Unallocated depreciation expense	3,943,825	3,943,825	3,476,878	3,476,878
Total governmental activities	\$ 95,735,059	\$ 79,876,117	\$ 92,492,988	\$ 77,176,683
Less:				
Unrestricted grants, subsidies		13,389,699		11,599,422
Total needs from local Taxes and other revenues		\$ 66,486,418		\$ 65,577,261

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 2022-23 to 2021-22.

Table A-4
Fiscal Year ended June 30, 2023
Business-type Activities

Functions/Programs	2022-23		2021-22	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	\$ 2,195,282	\$ (473,649)	\$ 2,161,642	\$ (1,160,792)
Less:				
Investment earnings and other		124,890		42,577
Total business-type activities		\$ (598,539)		\$ (1,203,369)

**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 ASSETS

At June 30, 2023, the District had \$123,941,618 invested in a broad range of capital assets, including land, buildings, furniture, equipment, and vehicles. This amount represents a net decrease (including additions, deletions and depreciation) of \$692,801 or .56% from last year.

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

	2022-23	2021-22
Land & Land Improvements	\$ 6,486,057	\$ 6,716,106
Buildings	112,385,248	98,033,395
Furniture, Equipment, & Vehicles	2,528,104	2,697,089
Intangible Right-To-Use - Equipment	213,023	204,255
Construction In Progress	2,329,186	16,983,574

DEBT ADMINISTRATION

As of July 1, 2022, the District had total outstanding bond principal of \$95,400,000. The District completed ongoing debt repayments and a \$2 million dollar debt defeasance during 2022-23. These transactions have resulted in an ending outstanding debt as of June 30, 2023 of \$91,095,000.

**Table A-6
Outstanding Debt**

	2022-23	2021-22
General Obligation Bonds:		
-Series of 2017	11,135,000	11,135,000
-Series A of 2017	8,240,000	8,245,000
-Series B of 2017	1,285,000	2,070,000
-Series C of 2017	6,720,000	6,720,000
-Series of 2018	7,860,000	9,910,000
-Series of 2019	9,745,000	9,760,000
-Series A of 2019	5,070,000	5,175,000
-Series 2020 G.O. Note	2,185,000	2,190,000
-Series of 2020	7,090,000	8,370,000
-Series of 2022	15,680,000	15,680,000
-Series of 2022A	<u>16,085,000</u>	<u>16,145,000</u>
TOTAL	<u>\$ 91,095,000</u>	<u>\$ 95,400,000</u>

**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. 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**

	2022-23	2021-22
Local	73.0%	74.2%
State	25.5%	23.9%
Federal/Other	1.5%	1.9%

Budgeted Expenditures

	2022-23	2021-22
Instruction	60.9%	62.5%
Support Services	28.8%	28.2%
Non-Instruction/Community	1.9%	2.0%
Fund Transfers/Debt	8.4%	7.3%

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, Ph.D., Business Administrator/Board Secretary at Nazareth Area School District, One Education Plaza, Nazareth, PA 18064, 610-759-1170.

BASIC FINANCIAL STATEMENTS

**Nazareth Area School District
Statement of Net Position
As of June 30, 2023**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 48,796,087	\$ 1,995,847	\$ 50,791,934
Investments	-	-	-
Receivables, net	1,604,025	-	1,604,025
Internal Balances	16,892	65,748	-
Due From Other Governments	3,997,850	112,563	4,110,413
Other Receivables	77,234	3,064	80,298
Inventories	111,874	113,695	225,569
Prepaid Expenses	1,127,699	-	1,127,699
Total Current Assets	55,731,661	2,290,917	57,939,938
Non-Current Assets:			
Restricted Cash and Cash Equivalents	1,997	-	1,997
Long-term Receivables	7,674,389	-	7,674,389
Land	953,670	-	953,670
Site Improvements (net of depreciation)	5,532,387	-	5,532,387
Building and Bldg. Improvements (net of depreciation)	112,385,248	-	112,385,248
Furniture and Equipment (net of depreciation)	2,528,104	187,660	2,715,764
Intangible Right-To-Use - Equipment (net of amortization)	213,023	-	213,023
Construction in Progress	2,329,186	-	2,329,186
Total Non-Current Assets	131,618,004	187,660	131,805,664
TOTAL ASSETS	\$ 187,349,665	\$ 2,478,577	\$ 189,745,602
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Bond Refundings, net	1,418,532	-	1,418,532
Deferred Outflow of Resources - Related to Pensions	20,643,526	375,471	21,018,997
Deferred Costs on Refunding - Related to OPEB	824,126	13,620	837,746
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 210,235,849	\$ 2,867,668	\$ 213,020,877
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 65,748	\$ 16,892	\$ -
Due to Other Governments	314,491	-	314,491
Accounts Payable	1,716,809	1,563	1,718,372
Current Portion of Long-Term Obligations	3,695,494	-	3,695,494
Accrued Salaries and Benefits	6,897,492	52,830	6,950,322
Prepayments	17,389	68,062	85,451
Other Current Liabilities	4,320,552	-	4,320,552
Total Current Liabilities	17,027,975	139,347	17,084,682
Non-Current Liabilities:			
Bonds and Notes Payable	89,446,274	-	89,446,274
Finance Purchase Obligations	285,438	-	285,438
Lease Obligations	80,183	-	80,183
Long-Term Portion of Compensated Absences	6,242,649	89,246	6,331,895
Net Pension Liability	118,725,216	2,813,484	121,538,700
Net OPEB Liability - Single Employer Plan	11,406,347	83,422	11,489,769
Net OPEB Liability - Multiple Employer Plan	5,017,896	115,702	5,133,598
TOTAL LIABILITIES	248,231,978	3,241,201	251,390,539
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Related to Pensions	3,400,354	37,524	3,437,878
Deferred Inflows of Resources - Related to OPEB	5,758,131	55,635	5,813,766
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	257,390,463	3,334,360	260,642,183
NET POSITION			
Net Investment in Capital Assets	34,224,403	187,660	34,412,063
Restricted For:			
Retirement of Long-Term Debt	7,577	-	7,577
Capital Projects	10,369,356	-	10,369,356
Unrestricted (deficit)	(91,755,950)	(654,352)	(92,410,302)
TOTAL NET POSITION	(47,154,614)	(466,692)	(47,621,306)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 210,235,849	\$ 2,867,668	\$ 213,020,877

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, 2023**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 58,207,276	\$ 22,378	\$ 11,143,234	\$ 12,064	\$ (47,029,600)	\$ -	\$ (47,029,600)
Instructional Student Support	6,560,042	-	1,141,883	-	(5,418,159)	-	(5,418,159)
Admin. & Fin'l Support Services	7,306,720	-	818,767	-	(6,487,953)	-	(6,487,953)
Oper. & Maint. of Plant Svcs.	9,004,254	-	869,055	-	(8,135,199)	-	(8,135,199)
Pupil Transportation	5,340,306	-	1,187,739	-	(4,152,567)	-	(4,152,567)
Student Activities	1,651,946	170,734	178,574	-	(1,302,638)	-	(1,302,638)
Community Services	196,282	51,515	250	-	(144,517)	-	(144,517)
Scholarships and Awards	72,724	-	-	-	(72,724)	-	(72,724)
Interest on Long-Term Debt	3,451,684	-	-	262,749	(3,188,935)	-	(3,188,935)
Unallocated Depreciation Expense	3,943,825	-	-	-	(3,943,825)	-	(3,943,825)
TOTAL GOVERNMENTAL ACTIVITIES	95,735,059	244,627	15,339,502	274,813	(79,876,117)	-	(79,876,117)
BUSINESS-TYPE ACTIVITIES:							
Food Services	2,195,282	1,305,059	1,363,872	-	-	473,649	473,649
TOTAL PRIMARY GOVERNMENT	\$ 97,930,341	\$ 1,549,686	\$ 16,703,374	\$ 274,813	\$ (79,876,117)	\$ 473,649	\$ (79,402,468)
GENERAL REVENUES:							
Property taxes Levied for General Purposes, net					\$ 63,075,377	\$ -	\$ 63,075,377
Taxes levied for specific purposes					10,373,576	-	10,373,576
Grants, Subsidies, & Contributions not Restricted					13,389,699	-	13,389,699
Investment Earnings					2,162,757	59,180	2,221,937
Miscellaneous Income					438,672	39,207	477,879
Special item - Gain or (Loss) on Sale of Capital Assets					(5,423)	(721)	(6,144)
Special Item - Insurance Recoveries					18,122	-	18,122
Capital Contributions					-	-	-
Extraordinary Items					-	-	-
Transfers					(27,224)	27,224	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					89,425,556	124,890	89,550,446
CHANGES IN NET POSITION					9,549,439	598,539	10,147,978
NET POSITION - BEGINNING					(56,704,053)	(1,065,231)	(57,769,284)
NET POSITION - ENDING					\$ (47,154,614)	\$ (466,692)	\$ (47,621,306)

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

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

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 38,237,887	\$ 10,558,200	\$ -	\$ 48,796,087
Restricted Cash	-	1,997	-	1,997
Investments	-	-	-	-
Taxes Receivable, net	1,604,025	-	-	1,604,025
Due from Other Funds	26,824	-	-	26,824
Due from Other Governments	3,997,850	-	-	3,997,850
Other Receivables	67,303	-	-	67,303
Inventories	111,874	-	-	111,874
Prepaid Expenditures	1,127,699	-	-	1,127,699
TOTAL ASSETS	\$ 45,173,462	\$ 10,560,197	\$ -	\$ 55,733,659
DEFERRED OUTFLOWS OF RESOURCES				
	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 45,173,462	\$ 10,560,197	\$ -	\$ 55,733,659
LIABILITIES				
Due to Other Funds	\$ 66,122	\$ -	\$ -	\$ 66,122
Due to Other Governments	314,491	-	-	314,491
Accounts Payable	1,527,592	188,844	-	1,716,436
Current Portion of Long-Term Debt	287,430	-	-	287,430
Accrued Salaries and Benefits	6,897,492	-	-	6,897,492
Payroll Deductions and Withholdings	3,808,818	-	-	3,808,818
Prepayments	17,389	-	-	17,389
Other Current Liabilities	-	-	-	-
TOTAL LIABILITIES	12,919,334	188,844	-	13,108,178
DEFERRED INFLOWS OF RESOURCES				
Unearned/Unavailable Property Taxes	1,043,362	-	-	1,043,362
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	13,962,696	188,844	-	14,151,540
FUND BALANCES:				
Nonspendable Fund Balance	1,239,573	-	-	1,239,573
Restricted Fund Balance	328,995	10,371,353	-	10,700,348
Committed Fund Balance	22,055,067	-	-	22,055,067
Assigned Fund Balance	1,200,000	-	-	1,200,000
Unassigned Fund Balance	6,387,131	-	-	6,387,131
TOTAL FUND BALANCES	31,210,766	10,371,353	-	41,582,119
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 45,173,462	\$ 10,560,197	\$ -	\$ 55,733,659

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, 2023**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 41,582,119

**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 \$192,220,209 and the accumulated depreciation is \$68,278,591. 123,941,618

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. 1,043,362

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. 7,674,389

This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues. 1,418,532

This represents deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension/OPEB Liability. 12,309,166

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. (235,123,800)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (47,154,614)**

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, 2023

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 76,820,815	\$ 404,447	\$ -	\$ 77,225,262
State Sources	26,854,477	-	-	26,854,477
Federal Sources	1,618,436	-	-	1,618,436
TOTAL REVENUES	<u>105,293,728</u>	<u>404,447</u>	<u>-</u>	<u>105,698,175</u>
	-----	-----	-----	-----
EXPENDITURES				
Instruction	62,003,494	1,000	-	62,004,494
Support Services	29,457,786	49,815	-	29,507,601
Operation of Non-Instructional Services	1,959,382	-	-	1,959,382
Capital Outlay	-	3,413,827	-	3,413,827
Debt Service	8,054,808	-	7,577	8,062,385
TOTAL EXPENDITURES	<u>101,475,470</u>	<u>3,464,642</u>	<u>7,577</u>	<u>104,947,689</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,818,258</u>	<u>(3,060,195)</u>	<u>(7,577)</u>	<u>750,486</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Leases	30,733	-	-	30,733
Interfund Transfers In	-	1,017,550	-	1,017,550
Operating Transfers Out	(1,017,550)	-	-	(1,017,550)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(740,113)</u>	<u>1,017,550</u>	<u>-</u>	<u>277,437</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items - Insurance Recoveries	18,122	-	-	18,122
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	3,096,267	(2,042,645)	(7,577)	1,046,045
FUND BALANCES - BEGINNING	<u>28,114,499</u>	<u>12,413,998</u>	<u>7,577</u>	<u>40,536,074</u>
FUND BALANCES - ENDING	<u>\$ 31,210,766</u>	<u>\$ 10,371,353</u>	<u>\$ -</u>	<u>\$ 41,582,119</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, 2023**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,046,045

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	\$ 4,513,481	
Less - Capital Outlays	<u>3,826,103</u>	(687,378)

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. (5,423)

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. (399,152)

Repayment of bonds, notes, finance purchases, and lease principal are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 4,602,056

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. (202,123)

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. 1,013,206

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. 8,645

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 become uses 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. (277,437)

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. 4,451,000

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 9,549,439**

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, 2023**

	FOOD SERVICE
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and Cash Equivalents	\$ 1,995,847
Due from Other Funds	65,748
Due From Other Governments	112,563
Other Receivables	3,064
Inventories	113,695
TOTAL CURRENT ASSETS	2,290,917
 NON-CURRENT ASSETS:	
Machinery & Equipment (net)	187,660
TOTAL NON-CURRENT ASSETS	187,660
 TOTAL ASSETS	 \$ 2,478,577
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources - Related to Pension	375,471
Deferred Outflows of Resources - Related to OPEB	13,620
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 2,867,668
 <u>LIABILITIES</u>	
CURRENT LIABILITIES:	
Due to Other Funds	\$ 16,892
Accounts Payable	1,563
Accrued Salaries and Benefits	52,830
Prepayments	68,062
TOTAL CURRENT LIABILITIES	139,347
 NON-CURRENT LIABILITIES:	
Long-Term Portion of Compensated Absences	89,246
Net Pension Liability	2,813,484
Net OPEB Liability - Single Employer Plan	83,422
Net OPEB Liability - Multiple Employer Plan	115,702
TOTAL NON-CURRENT LIABILITIES	3,101,854
TOTAL LIABILITIES	3,241,201
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows of Resources - Related to Pension	37,524
Deferred Inflows of Resources - Related to OPEB	55,635
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	3,334,360
 <u>FUND NET POSITION</u>	
Net Investment in Capital Assets	187,659
Unrestricted	(654,351)
TOTAL FUND NET POSITION	(466,692)
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	 \$ 2,867,668

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, 2023

	FOOD SERVICE
OPERATING REVENUES:	
Food Service Revenue	\$ 1,325,059
Other Operating Revenues	19,207
TOTAL OPERATING REVENUES	1,344,266
OPERATING EXPENSES:	
Salaries	750,233
Employee Benefits	410,077
Purchased Professional and Technical Services	5,365
Purchased Property Service	35,001
Other Purchased Services	401
Supplies	983,853
Depreciation	8,981
Dues and Fees	1,371
TOTAL OPERATING EXPENSES	2,195,282
OPERATING INCOME (LOSS)	(851,016)
NON-OPERATING REVENUES (EXPENSES)	
Earnings on Investments	59,180
Gain/Loss on Sale of Fixed Assets	(721)
State Sources	205,055
Federal Sources	1,150,849
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,414,363
INCOME (LOSS) BEFORE CONTRIBUTIONS	563,347
Capital Contributions	7,968
Transfers In (Out)	27,224
CHANGES IN FUND NET POSITION	598,539
FUND NET POSITION - BEGINNING	(1,065,231)
FUND NET POSITION - ENDING	\$ (466,692)

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, 2023**

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 1,292,694
Cash Received from Other Operating Revenue	39,307
Cash Payments to Employees for Services	(1,426,018)
Cash Payments to Suppliers for Goods and Services	(825,808)
Cash Payments to Other Operating Expenses	(1,371)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(921,196)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	191,110
Federal Sources	860,843
Operating Transfers In (Out)	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	1,051,953
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Contributions	7,968
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	7,968
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	59,180
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	59,180
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	197,905
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,797,942
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,995,847
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	
OPERATING INCOME (LOSS)	\$ (851,016)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Depreciation and Net Amortization	8,981
Donated Commodities Used	221,380
CHANGE IN ASSETS AND LIABILITIES:	
(Increase) Decrease in Accounts Receivable	(98,453)
(Increase) Decrease in Advances to Other Funds	(12,425)
(Increase) Decrease in Inventories	(22,351)
(Increase) Decrease in Prepaid Expenses	100
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion of NPL	(9,915)
(Increase) Decrease in Deferred Outflows of Resources - Current Year Contributions	(8,055)
(Increase) Decrease in Deferred Outflows of Resources - Change in Assumptions	79,357
Increase (Decrease) in Accounts Payable	(18,934)
Increase (Decrease) in Accrued Salaries and Benefits	7,615
Increase (Decrease) in Net OPEB Liability - Single Employer Plan	1,454
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	(24,412)
Increase (Decrease) in Net Pension Liability	177,091
Increase (Decrease) in Advances from Other Funds	(82,515)
Increase (Decrease) in Prepayments	18,717
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	(274,233)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	1,377
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	(34,959)
TOTAL ADJUSTMENTS	(70,180)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (921,196)

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, 2023**

	PRIVATE- PURPOSE TRUST	CUSTODIAL FUNDS
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 2	\$ 209,141
Due from Other Funds	-	374
Prepaid Expenses	-	1,529
TOTAL ASSETS	<u>\$ 2</u>	<u>\$ 211,044</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2</u>	<u>\$ 211,044</u>
	-----	-----
LIABILITIES		
Accounts Payable	\$ -	\$ 2,274
Intergovernmental Payables	-	2,392
Due to Other Funds	-	7,540
TOTAL LIABILITIES	<u>-</u>	<u> 12,206</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u> 12,206</u>
NET POSITION		
Restricted for Individuals, Organizations, and Other Governments	<u> 2</u>	<u> 198,838</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	<u>\$ 2</u>	<u>\$ 211,044</u>

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, 2023

	PRIVATE- PURPOSE TRUST FUND	CUSTODIAL FUNDS
ADDITIONS		
Contributions - Members	\$ -	\$ 264,507
Contributions - Other	-	20,297
Special Events	-	3,268
Other Income	-	58,074
INVESTMENT EARNINGS:		
Interest and Dividends	-	593
Net Increase (Decrease) in Fair Value of Investments	-	-
Less: Investment Expense	-	-
TOTAL ADDITIONS	-	346,739
 DEDUCTIONS		
Administrative Expense	-	20,958
Benefits Paid to Participants or Beneficiaries	-	-
Payments for Student Club Activities	-	297,627
Payments of Tax Collections to Other Governments	-	-
TOTAL DEDUCTIONS	-	318,585
 NET INCREASE (DECREASE IN FIDUCIARY NET POSITION)	-	28,154
 NET POSITION - BEGINNING OF YEAR	2	170,684
 NET POSITION - END OF YEAR	\$ 2	\$ 198,838

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, 2023

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>GAAP</u>	<u>FINAL BUDGET</u>
			<u>BASIS</u>	<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Local Sources	\$ 73,732,699	\$ 73,732,699	\$ 76,820,815	\$ 3,088,116
State Sources	26,093,190	26,093,190	26,854,477	761,287
Federal Sources	1,000,000	1,000,000	1,618,436	618,436
TOTAL REVENUES	<u>100,825,889</u>	<u>100,825,889</u>	<u>105,293,728</u>	<u>4,467,839</u>
EXPENDITURES				
Regular Instruction	46,060,856	45,480,419	44,883,250	597,169
Special Programs	14,343,091	14,899,264	14,604,123	295,141
Vocational Programs	1,749,850	1,739,774	1,739,773	1
Other Instructional Programs	113,109	85,363	64,984	20,379
Nonpublic School Programs	5,100	5,155	2,410	2,745
Adult Education Programs	709,500	709,500	708,954	546
Pupil Personnel Services	3,554,201	3,572,107	3,570,690	1,417
Instructional Staff Services	2,085,890	2,208,226	2,176,913	31,313
Administrative Services	5,503,487	4,802,375	4,720,452	81,923
Pupil Health	1,299,404	1,313,180	1,305,671	7,509
Business Services	1,178,936	1,302,586	1,302,586	-
Operation & Maintenance of Plant Services	9,422,229	9,376,670	9,339,577	37,093
Student Transportation Services	5,284,604	5,356,648	5,354,745	1,903
Central Support Services	1,522,892	1,690,580	1,641,267	49,313
Other Support Services	46,000	46,000	45,885	115
Student Activities	1,737,183	1,712,323	1,690,376	21,947
Community Services	267,350	240,111	196,282	43,829
Scholarships and Awards	71,200	72,725	72,724	1
Debt Service	6,829,384	6,903,710	8,054,808	(1,151,098)
TOTAL EXPENDITURES	<u>101,784,266</u>	<u>101,516,716</u>	<u>101,475,470</u>	<u>41,246</u>
Excess (Deficiency) of Revenues Over Expenditures	(958,377)	(690,827)	3,818,258	4,509,085
OTHER FINANCING SOURCES (USES)				
Proceeds From Extended Term Financing	-	-	246,704	246,704
Proceeds From Leases	-	-	30,733	30,733
Sale/Compensation for Fixed Assets	2,500	2,500	-	(2,500)
Transfers Out	(400,000)	(1,017,550)	(1,017,550)	-
Budgetary Reserve	(350,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(747,500)</u>	<u>(1,015,050)</u>	<u>(740,113)</u>	<u>274,937</u>
Special Items - Insurance Recoveries	-	-	18,122	18,122
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>(1,705,877)</u>	<u>(1,705,877)</u>	<u>3,096,267</u>	<u>4,802,144</u>
FUND BALANCE - JULY 1, 2022	<u>25,941,620</u>	<u>25,941,620</u>	<u>28,114,499</u>	<u>2,172,879</u>
FUND BALANCE - JUNE 30, 2023	<u>\$ 24,235,743</u>	<u>\$ 24,235,743</u>	<u>\$ 31,210,766</u>	<u>\$ 6,975,023</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, 2023

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, 2023

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For 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 2022-23 was \$1,739,773.

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 2022-23 was \$708,954.

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, 2023**

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, 2023

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:

2017 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, 2023

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):

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 non-operating 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, 2023

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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Like the government-wide statements, all enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities, including required deferred outflows of resources or required deferred inflows of resources, associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in 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, 2023**

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 2022-23 budget transfers.

F. Use of Estimates

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

G. Changes in Accounting Principles

During the 2022-23 fiscal year the School District implemented the following new generally accepted accounting principles:

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

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

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

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

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

H. Pensions

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

I. Other Postemployment Benefits

Multiple Employer Cost Sharing OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS'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.

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

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.

Receivables and Payables

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

Property Tax Levy

Property taxes, which were levied during the fiscal year ended June 30, 2023, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

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

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

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, 2023 reflects \$111,874 in the governmental activities column and \$113,695 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, 2023; therefore, there is \$111,874 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, 2023, consist of:

Purchased Food	\$ 88,910
Donated Commodities	<u>24,785</u>
TOTAL	<u>\$ 113,695</u>

Prepaid Expenses

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

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of two thousand-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.

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

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.

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.

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

- 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.

SBITAs (Subscription Based Information Technology Arrangements)

Occasionally the District enters into Subscription-Based Information Technology Arrangements. These arrangements grant the District the right to access use of software that is hosted by third-party vendors over a specified contract term. Unlike traditional software, the District does not take physical possession of or have the right to control the software; instead, it accesses the uses the software remotely.

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

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

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

Other Long-Term Obligations

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

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

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2023, 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, 2023**

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, 2023**

The details of this \$235,123,800 difference are:

Bonds payable	\$ 91,095,000
Less: Issuance discount (to be amortized as interest expense)	(168,034)
Add: Issuance premium (to be amortized as a contra to interest expense)	1,629,308
Finance Purchase Obligations	505,168
Lease Obligations	158,516
Net Pension Liability	118,725,216
Accrued interest payable	511,734
Compensated absences	6,242,649
Net OPEB Liability - Single Employer Plan	11,406,347
Net OPEB Liability - Multiple Employer Plan	<u>5,017,896</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	<u>\$ 235,123,800</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, 2023

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	\$ 63,474,529	\$ (399,152)	\$ -	\$ -	\$ 63,075,377
Taxes Levied for Specific Purposes	10,373,576	-	-	-	10,373,576
Interest and Investment Earnings	2,162,757	-	-	-	2,162,757
Miscellaneous	203,724	-	-	-	203,724
Contributions and Donations	234,948	-	-	-	234,948
Charges for Services	244,627	-	-	-	244,627
Grants, Subsidies & Contributions not Restricted	13,389,699	-	-	-	13,389,699
Proceeds from Leases	30,733	-	-	(30,733)	-
Proceeds from Extended Term Financing	246,704	-	-	(246,704)	-
STATE SOURCES:					
Operating and Capital Grants and Contributions	13,464,778	-	-	-	13,464,778
FEDERAL SOURCES:					
Operating and Capital Grants and Contributions	2,149,537	-	-	-	2,149,537
SPECIAL AND EXTRAORDINARY ITEMS:					
Insurance Recoveries	18,122	-	-	-	18,122
Gain or (Loss) on Disposal of Assets	-	-	(5,423)	-	(5,423)
TOTAL REVENUES	<u>105,993,734</u>	<u>(399,152)</u>	<u>(5,423)</u>	<u>(277,437)</u>	<u>105,311,722</u>
EXPENDITURES/EXPENSES					
Instruction	62,003,494	(3,787,718)	(8,500)	-	58,207,276
Instructional Student Support	7,053,274	(493,232)	-	-	6,560,042
Admin. & Fin'l Support Services	7,710,190	(395,501)	(7,969)	-	7,306,720
Oper. & Maint. Of Plant Svcs.	9,390,393	(503,916)	117,777	-	9,004,254
Pupil Transportation	5,354,745	(14,439)	-	-	5,340,306
Student Activities	1,690,376	(94,503)	56,073	-	1,651,946
Community Services	196,282	-	-	-	196,282
Scholarships and Awards	72,724	-	-	-	72,724
Capital Outlay	3,413,826	-	(3,413,826)	-	-
Debt Service	8,062,385	-	-	(4,610,701)	3,451,684
Transfers Out	-	27,224	-	-	27,224
Depreciation - Unallocated	-	-	3,943,825	-	3,943,825
TOTAL EXPENDITURES/EXPENSES	<u>104,947,689</u>	<u>(5,262,085)</u>	<u>687,380</u>	<u>(4,610,701)</u>	<u>95,762,283</u>
NET CHANGE FOR THE YEAR	<u>\$ 1,046,045</u>	<u>\$ 4,862,933</u>	<u>\$ (692,803)</u>	<u>\$ 4,333,264</u>	<u>\$ 9,549,439</u>

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, 2023, except the governmental activities and business-type activities (Food Service Fund) have \$47,154,614 and \$466,692 deficits, respectively.

C. Excess of Expenditures over Appropriations in Individual Funds

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

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

D. Budgetary Compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2023. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

Note 5 - Detailed Notes on All Funds and Account Groups

Assets

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2023, \$6,627,149, of the District's bank balance of \$7,129,145 was exposed to custodial credit risk, as follows:

Uninsured and uncollateralized	\$	10,029
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		6,617,120
TOTAL	\$	<u>6,627,149</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$	6,627,149
Plus: Insured Amount		501,996
Less: Outstanding Checks		(1,172,805)
Carrying Amount - Bank balances		5,956,340
Plus: Petty Cash		1,572
Deposits in Investment Pools Considered Cash Equivalents		45,045,162
Deposits in Money Market Mutual Funds Considered Cash Equivalents		-
Less: Certificates of Deposit considered Investment by School Code		-
Total Cash Per Financial Statements	\$	<u>51,003,074</u>

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

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, 2023**

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

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

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

<i>Investment</i>	Maturities	Fair Value
PA Local Government Investment Trust	N/A	\$ 40,552,732
PA School District Liquid Asset Fund	N/A	4,492,430
Fulton	N/A	422,279
TOTAL		\$ 45,467,441

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, 2023, the District's investment in the Pa. School Liquid Asset Fund was rated AAAM by Standard & Poor's. The District's investment in Pa. Local Government Investment Trust was rated AAAM 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, 2023, 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, 2023**

Reconciliation to Financial Statements

Total Investments Above	\$ 45,467,441
Less: Deposits in Investment Pool Considered Cash Equivalents	(45,045,162)
Deposits in Money Market Funds Considered Cash Equivalents	<u>(422,279)</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, 2023. The District did have Cash Equivalents in 2a7-like external investment pools, which GASB Statement No. 72 allows to be recorded at amortized cost as provided in paragraph 16 of GASB Statement No. 31.

Property Taxes

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$1,141,660,600. In accordance with Act 1 of 2006, the District received \$2,020,502 in property tax reduction funds for the 2022-23 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, 2023**

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:

Schedule on Receivables for major, nonmajor, and fiduciary funds

	GENERAL FUND	CAPITAL PROJECTS FUND	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	1,604,025	-	-	-	-	1,604,025
Accounts	67,303	-	3,064	-	-	70,367
Intergovernmental	3,997,850	-	112,563	-	-	4,110,413
GROSS RECEIVABLES	5,669,178	-	115,627	-	-	5,784,805
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	<u>\$ 5,669,178</u>	<u>\$ -</u>	<u>\$ 115,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,784,805</u>

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

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Delinquent Property Taxes - General Fund	\$ 1,043,362	\$ -
Grant drawdowns prior to meeting eligibility requirements	-	-
TOTAL	<u>\$ 1,043,362</u>	<u>\$ -</u>

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

Capital Assets

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

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being Depreciated/Amortized:				
Land	\$ 953,670	\$ -	\$ -	\$ 953,670
Construction in Progress	16,983,574	3,211,273	(17,865,661)	2,329,186
Total Capital Assets not being Depreciated/Amortized	<u>17,937,244</u>	<u>3,211,273</u>	<u>(17,865,661)</u>	<u>3,282,856</u>
Capital Assets being Depreciated/Amortized:				
Site Improvements	10,529,365	173,801	-	10,703,166
Buildings and Bldg. Improvements	151,466,565	17,897,571	-	169,364,136
Furniture and Equipment	8,242,820	307,926	(54,228)	8,496,518
Intangible Right-To-Use Equipment	272,340	101,193	-	373,533
TOTAL CAPITAL ASSETS BEING DEPRECIATED/AMORTIZED	<u>170,511,090</u>	<u>18,480,491</u>	<u>(54,228)</u>	<u>188,937,353</u>
Less Accumulated Depreciation/Amortization for:				
Site Improvements	(4,766,929)	(403,850)	-	(5,170,779)
Buildings and Bldg. Improvements	(53,433,170)	(3,545,718)	-	(56,978,888)
Furniture and Equipment	(5,545,731)	(471,488)	48,805	(5,968,414)
Intangible Right-To-Use Equipment	(68,085)	(92,425)	-	(160,510)
TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION	<u>(63,813,915)</u>	<u>(4,513,481)</u>	<u>48,805</u>	<u>(68,278,591)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED/AMORTIZED NET OF ACCUMULATED DEPRECIATION/AMORTIZATION	<u>106,697,175</u>	<u>13,967,010</u>	<u>(5,423)</u>	<u>120,658,762</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION/AMORTIZATION	<u>\$ 124,634,419</u>	<u>\$ 17,178,283</u>	<u>\$ (17,871,084)</u>	<u>\$ 123,941,618</u>
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 1,183,433	\$ 27,224	\$ (7,208)	\$ 1,203,449
Less: Accumulated Depreciation	(1,013,295)	(8,981)	6,487	(1,015,789)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 170,138</u>	<u>\$ 18,243</u>	<u>\$ (721)</u>	<u>\$ 187,660</u>

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

Instruction	\$ 353,235
Admin. & Fin'l Support Services	29,644
Oper. & Maint. of Plant Svcs.	130,704
Student Activities	56,073
Depreciation - Unallocated	3,943,825
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 4,513,481</u>

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

Commitments

Encumbrances

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

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

Long-term Construction Commitments

The District has the following construction commitments in the Capital Projects Fund:

	<u>CONTRACT AMOUNT</u>	<u>EXPENDED TO 6/30/23</u>	<u>OUTSTANDING COMMITMENTS</u>
HS North Campus HVAC Replacement			
Engineer - D'Huy Engineering	167,860	161,363	6,497
Contractors - Myco Mechanical	2,398,000	2,150,040	247,960
Project Total:	<u>2,565,860</u>	<u>2,311,403</u>	<u>254,457</u>
NAMS Penthouse coating			
Engineer - D'Huy Engineering	8,190	6,918	1,272
Hudak Waterproofing	59,865	-	59,865
Project Total:	<u>68,055</u>	<u>6,918</u>	<u>61,137</u>
SES Sealant Replacement			
Engineer - D'Huy Engineering	10,870	7,649	3,221
Spotts Brothers	114,100	-	114,100
Project Total:	<u>124,970</u>	<u>7,649</u>	<u>117,321</u>
Total Construction Commitments	<u>\$ 2,758,885</u>	<u>\$ 2,325,970</u>	<u>\$ 432,915</u>

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

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, 2023:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 26,824	66,122
Enterprise (Food Service) Fund	65,748	16,892
Custodial (Activity) Funds	373	9,931
TOTAL	\$ 92,945	\$ 92,945

Interfund Transfers

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

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 1,017,550
Capital Projects (Capital Reserve) Fund	1,017,550	-
TOTAL	\$ 1,017,550	\$ 1,017,550

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

Long-Term Liabilities

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

CHANGES IN LONG-TERM LIABILITIES

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<u>GOVERNMENTAL ACTIVITIES:</u>					
<i>General Obligation Debt:</i>					
<i>Bonds and Notes Payable:</i>					
Bonds	\$ 94,928,477	\$ 11,625	\$ 4,556,622	\$ 90,383,480	\$ 3,105,000
Notes	<u>2,176,970</u>	<u>825</u>	<u>5,000</u>	<u>2,172,795</u>	<u>5,000</u>
Total general obligation debt	97,105,447	12,450	4,561,622	92,556,275	3,110,000
<i>Other Liabilities:</i>					
Finance Purchase Obligations	478,291	246,704	219,828	505,167	219,731
Lease Obligations	205,010	30,734	77,228	158,516	78,334
<i>Vested Employee Benefits:</i>					
Vacation Pay	607,837	44,043	-	651,880	107,664
Sick Pay/Years of Service	5,741,205	136,995	-	5,878,200	179,765
Net OPEB Liability - Single Employer Plan	17,217,116	-	5,810,769	11,406,347	-
Net OPEB Liability - Multiple Employer Plan	6,412,938	-	1,395,042	5,017,896	-
Net Pension Liability	<u>108,569,856</u>	<u>10,155,360</u>	<u>-</u>	<u>118,725,216</u>	<u>-</u>
Total other liabilities	<u>139,232,253</u>	<u>10,613,836</u>	<u>7,502,867</u>	<u>142,343,222</u>	<u>585,494</u>
TOTAL GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 236,337,700</u>	<u>\$ 10,626,286</u>	<u>\$ 12,064,489</u>	<u>\$ 234,899,497</u>	<u>\$ 3,695,494</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>					
<i>Other Liabilities:</i>					
<i>Vested Employee Benefits</i>					
Vacation Pay	\$ 25,998	\$ 2,649	\$ -	\$ 28,647	\$ -
Sick Pay/Years of Service	56,185	4,414	-	60,599	-
Net Pension Liability	2,636,393	177,091	-	2,813,484	-
Net OPEB Liability - Multiple Employer Plan	140,114	-	24,412	115,702	-
Net OPEB Liability - Single Employer Plan	<u>81,968</u>	<u>1,454</u>	<u>-</u>	<u>83,422</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 2,940,658</u>	<u>\$ 185,608</u>	<u>\$ 24,412</u>	<u>\$ 3,101,854</u>	<u>\$ -</u>

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	\$ 3,159,444	\$ 3,168,089
Finance Purchase Debt	8,050	8,050
Lease Debt	1,554	1,554
Refund of Prior Year Revenues/Receipts	<u>282,636</u>	<u>282,636</u>
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	<u>\$ 3,451,684</u>	<u>\$ 3,460,329</u>

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

Finance Purchase – Chromebooks American Capital

On June 14, 2021, the District entered into a finance purchase arrangement with First American Capital to lease 1,600 Chromebooks. The present value of the lease rental payments was \$643,120 with an interest rate of 1.683%.

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 159,416	\$ 5,411
2024-25	162,099	2,728
2025-26	-	-
2026-27	-	-
2027-28	-	-
TOTAL	\$ 321,515	\$ 8,139

Finance Purchase – Apple Financial Services

On April 26, 2022, the District entered a finance purchase arrangement with Apple Financial Services to purchase 192 MacBooks and 210 iPads. The present value of the financed payments was \$246,704 with an interest rate of 1.49%.

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 60,315	\$ 2,736
2024-25	61,213	1,838
2025-26	62,125	926
2026-27	-	-
2027-28	-	-
TOTAL	\$ 183,653	\$ 5,500

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

Lease – Lenovo 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, 2023, the value of the lease liability was \$137,283. 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, 2023 was \$273,340 with accumulated amortization of \$136,170.

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 68,335	\$ 947
2024-25	68,948	334
2025-26	-	-
2026-27	-	-
2027-28	-	-
TOTAL	\$ 137,283	\$ 1,281

SBITA – Debtbook – Debtbook Platform

On June 1, 2023, the District entered a 3-year subscription for the use of the Debtbook platform. An initial subscription liability was recorded in the amount of \$30,733. As of June 30, 2023, the value of the subscription liability was \$21,233. The District is required to make yearly fixed payments of \$10,500 and \$11,500 in the 23-24 and 24-25 fiscal years, respectively. The lease has an interest rate of 2.363%. The value of the right to use asset as of June 30, 2023 was \$29,879 with accumulated amortization of \$854.

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 9,998	\$ 502
2024-25	11,234	266
2025-26	-	-
2026-27	-	-
2027-28	-	-
TOTAL	\$ 21,233	\$ 767

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 to (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, 2023**

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ -	\$ 445,400
2024-25	-	445,400
2025-26	-	445,400
2026-27	-	445,400
2027-28	-	445,400
2028-33	2,245,000	2,182,100
2033-35	8,890,000	358,600
SUB-TOTAL	\$ 11,135,000	\$ 4,767,700
Unamortized Premium	325,518	
TOTAL OUTSTANDING	\$ 11,460,518	

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 to (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, 2023, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 740,000	\$ 297,800
2024-25	80,000	287,350
2025-26	105,000	284,575
2026-27	115,000	281,275
2027-28	125,000	277,675
2028-33	7,075,000	1,014,250
SUB-TOTAL	\$ 8,240,000	\$ 2,442,925
Unamortized Premium	195,626	
TOTAL OUTSTANDING	\$ 8,435,626	

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, 2023**

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 110,000	\$ 36,370
2024-25	635,000	25,678
2025-26	540,000	8,235
SUB-TOTAL	\$ 1,285,000	\$ 70,283
Unamortized Premium	-	
TOTAL OUTSTANDING	\$ 1,285,000	

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, 2023, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ -	\$ 265,300
2024-25	-	265,300
2025-26	485,000	258,025
2026-27	1,450,000	221,750
2027-28	1,490,000	162,950
2028-31	3,295,000	144,675
SUB-TOTAL	\$ 6,720,000	\$ 1,318,000
Unamortized Premium	372,218	
TOTAL OUTSTANDING	\$ 7,092,218	

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.

On December 20, 2022, The Districted executed a defeasance transaction pertaining to a portion of the GOB Series 2018. Specifically, they disbursed \$1,975,000 to redeem bonds within the series that were scheduled to mature on September 15, 2040. As a result of the defeasement, the remaining outstanding balance within the series amounted to \$7,860,000.

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

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 75,000	\$ 246,019
2024-25	80,000	244,069
2025-26	80,000	241,669
2026-27	80,000	239,269
2027-28	80,000	236,869
2028-33	225,000	1,154,120
2033-38	445,000	1,121,954
2038-41	6,795,000	452,187
SUB-TOTAL	\$ 7,860,000	\$ 3,936,156
Unamortized Discount	(155,829)	
TOTAL OUTSTANDING	\$ 7,704,171	

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 (3) 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, 2023, are:

FISCAL YEAR	PRINCIPAL	INTEREST
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
2027-28	1,575,000	123,381
2028-30	3,245,000	137,143
SUB-TOTAL	\$ 9,745,000	\$ 1,134,100
Unamortized Premium	110,449	
TOTAL OUTSTANDING	\$ 9,855,449	

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, 2023**

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 105,000	\$ 175,050
2024-25	180,000	173,475
2025-26	205,000	169,875
2026-27	205,000	165,775
2027-28	270,000	161,675
2028-33	860,000	706,475
2033-38	1,445,000	570,200
2038-41	1,800,000	134,800
SUB-TOTAL	\$ 5,070,000	\$ 2,257,325
Unamortized Premium	282,015	
TOTAL OUTSTANDING	\$ 5,352,015	

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, 2023 are:

FISCAL YEAR	PRINCIPAL	INTEREST
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
2027-28	500,000	98,800
2028-33	2,465,000	336,425
2033-35	1,135,000	34,275
SUB-TOTAL	\$ 7,090,000	\$ 1,020,301
Unamortized Premium	343,484	
TOTAL OUTSTANDING	\$ 7,433,484	

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, 2023**

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, 2023 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 5,000	\$ 44,790
2024-25	5,000	44,740
2025-26	5,000	44,690
2026-27	5,000	44,590
2027-28	5,000	44,490
2028-33	185,000	219,350
2033-38	940,000	167,450
2038-41	1,035,000	52,650
SUB-TOTAL	\$ 2,185,000	\$ 662,750
Unamortized Discount	(12,205)	
TOTAL OUTSTANDING	\$ 2,172,795	

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, 2023 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ -	\$ 469,962
2024-25	140,000	469,143
2025-26	140,000	467,302
2026-27	145,000	465,084
2027-28	145,000	462,351
2028-33	780,000	2,261,347
2033-38	5,250,000	2,084,163
2038-41	9,080,000	250,740
SUB-TOTAL	\$ 15,680,000	\$ 6,930,092
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 15,680,000	

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

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, 2023 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 5,000	\$ 703,770
2024-25	5,000	703,551
2025-26	55,000	628,627
2026-27	135,000	551,478
2027-28	135,000	546,811
2028-33	3,965,000	2,376,601
2033-38	11,785,000	1,246,255
SUB-TOTAL	\$ 16,085,000	\$ 6,757,094
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 16,085,000	

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

Combined General Obligation Debt

The combined general debt obligations for subsequent years are:

Bonds

Fiscal Year Ended June 30	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
2024	\$ 445,400	\$ -	\$ 297,800	\$ 740,000	\$ 36,370	\$ 110,000	\$ 265,300	\$ -	\$ 246,019	\$ 75,000
2025	445,400	-	287,350	80,000	25,678	635,000	265,300	-	244,069	80,000
2026	445,400	-	284,575	105,000	8,235	540,000	258,025	485,000	241,669	80,000
2027	445,400	-	281,275	115,000	-	-	221,750	1,450,000	239,269	80,000
2028	445,400	-	277,675	125,000	-	-	162,950	1,490,000	236,869	80,000
2029-2033	2,182,100	2,245,000	1,014,250	7,075,000	-	-	144,675	3,295,000	1,154,120	225,000
2034-2038	358,600	8,890,000	-	-	-	-	-	-	1,121,954	445,000
2039-2041	-	-	-	-	-	-	-	-	452,187	6,795,000
TOTAL	\$ 4,767,700	\$ 11,135,000	\$ 2,442,925	\$ 8,240,000	\$ 70,283	\$ 1,285,000	\$ 1,318,000	\$ 6,720,000	\$ 3,936,156	\$ 7,860,000

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
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
2028	123,381	1,575,000	161,675	270,000	98,800	500,000	462,351	145,000	546,811	135,000
2029-2033	137,143	3,245,000	706,475	860,000	336,425	2,465,000	2,261,347	780,000	2,376,601	3,965,000
2034-2038	-	-	570,200	1,445,000	34,275	1,135,000	2,084,163	5,250,000	1,246,255	11,785,000
2039-2041	-	-	134,800	1,800,000	-	-	250,740	9,080,000	-	-
TOTAL	\$ 1,134,100	\$ 9,745,000	\$ 2,257,325	\$ 5,070,000	\$ 1,020,301	\$ 7,090,000	\$ 6,930,091	\$ 15,680,000	\$ 6,757,094	\$ 16,085,000

Bonds - Continued

Direct Borrowing

Bonds and Direct Borrowing

Fiscal Year Ended June 30	Totals		GO Notes 2020		Totals	
	Interest	Principal	Interest	Principal	Interest	Principal
2024	\$ 3,095,753	\$ 3,105,000	\$ 44,790	\$ 5,000	\$ 3,140,543	\$ 3,110,000
2025	2,985,248	3,360,000	44,740	5,000	3,029,988	3,365,000
2026	2,826,702	3,560,000	44,690	5,000	2,871,392	3,565,000
2027	2,644,050	3,785,000	44,590	5,000	2,688,640	3,790,000
2028	2,515,911	4,320,000	44,490	5,000	2,560,401	4,325,000
2029-2033	10,313,136	24,155,000	219,350	185,000	10,532,486	24,340,000
2034-2038	5,415,447	28,950,000	167,450	940,000	5,582,897	29,890,000
2039-2041	837,727	17,675,000	52,650	1,035,000	890,377	18,710,000
TOTAL	\$ 30,633,974	\$ 88,910,000	\$ 662,750	\$ 2,185,000	\$ 31,296,724	\$ 91,095,000

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

Compensated Absences

Sick-Pay

Under the District's various bargaining agreements and plans, 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 | - \$35 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, \$179,765 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 \$5,698,435, 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 \$60,599, 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, 2023, that will use currently available financial resources is \$107,664, 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 \$28,647, 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, 2023, of \$544,216, 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

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

Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

Benefits are generally between to 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

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

Contributions

Member Contributions:

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	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

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

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

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023 was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$14,880,623 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$121,538,700 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the District's proportion was 0.2793 percent, which was an increase of 0.0029 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$9,420,009. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions 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	\$ 35,374	\$ -
Changes in Assumptions	3,708,000	-
Net difference between projected and actual contributions made	-	312,878
Net difference between projected and actual earnings on pension plan investments	-	2,107,000
Difference between expected and actual experience	-	1,018,000
Changes in proportion of the Net Pension Liability	2,395,000	-
District contributions subsequent to the measurement date	<u>14,880,623</u>	<u>-</u>
Total	<u>\$ 21,018,997</u>	<u>\$ 3,437,878</u>

\$14,880,623 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	<u>Amount</u>
2023	\$ 1,669,000
2024	1,166,093
2025	(2,984,157)
2026	2,886,406
Thereafter	<u>(36,846)</u>
Total	<u>\$ 2,700,496</u>

Changes in Actuarial Assumptions

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

- Valuation Date - June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.75%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	28.0%	5.3%
Private Equity	12.0%	8.0%
Fixed Income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Absolute return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	-11.0%	0.5%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 160,610,000	\$ 124,173,000	\$ 93,453,000

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

Pension Plan Fiduciary Net Position

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

State Funding

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2023, the School District recognized revenue of \$7,546,491 as reimbursement from the State for its current year pension payments

Payables to the Pension Plan

As of June 30, 2023, the School District had \$5,279,792 included in accrued wages liability, of which \$3,621,901 is for the contractually required contribution for the second quarter of 2023 and \$1,657,891 is related to the accrued payroll liability for wages incurred as of June 30, 2023.

Other Postemployment Benefits

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

Summary of Significant Accounting Policies

Other Postemployment Benefits

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022 there were no assumed future benefit increases to participating eligible retirees.

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

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

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

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

Pension Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

Contributions

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023, was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$325,283 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$5,133,598 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll.

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

At June 30, 2023, the District's proportion was 0.2795 percent, which was an increase of 0.0029 percent from its proportion measured as of June 30, 2022. For the year ended June 30, 2023, the District recognized OPEB expense of \$198,181. At June 30, 2023, 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	\$ 1,613	\$ -
Changes in Assumptions	-	644,000
Net difference between projected and actual contributions made	-	6,369
Net difference between projected and actual investment earnings	14,000	-
Difference between expected and actual experience	19,000	-
Changes in proportion of the Net OPEB Liability	176,000	-
District contributions subsequent to the measurement date	<u>325,283</u>	<u>-</u>
Total	<u>\$ 535,896</u>	<u>\$ 650,369</u>

\$325,283 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2023	\$ (82,000)
2024	(36,816)
2025	(88,898)
2026	(99,014)
2027	(131,849)
Thereafter	<u>(1,179)</u>
Total	<u>\$ (439,756)</u>

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

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

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020, determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.0%	0.5%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

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

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2022, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if the health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System net OPEB liability	\$ 5,144,000	\$ 5,145,000	\$ 5,145,000

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

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

	<u>1% Decrease 3.09%</u>	<u>Current Discount Rate 4.09%</u>	<u>1% Increase 5.09%</u>
District's proportionate share of the net OPEB liability	\$ 5,818,000	\$ 5,145,000	\$ 4,581,000

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

OPEB Plan Fiduciary Net Position

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

Payables to the Multiple Employer OPEB Plan

As of June 30, 2023, the School District had \$123,721 included in accrued wages liability, of which \$84,872 is for the contractually required contribution for the second quarter of 2023 and \$38,849 is related to the accrued payroll liability for wages incurred as of June 30, 2023.

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>			
<i>Group</i>	<i>Eligibility</i>	<i>Coverage And Premium Sharing</i>	<i>Duration</i>
<u>I. ADMINISTRATORS</u>			
A) Former Business Administrator	N/A – Already retired.	<ul style="list-style-type: none"> ● Coverage: Medical, Prescription Drug, Dental, and Vision ● Premium Sharing: The District will pay the full 2 party premium for medical, prescription drug, dental, and vision coverage. ● Dependents: Spouses included. 	Coverage continues until the member reaches Medicare eligibility. If the spouse reaches Medicare eligibility prior to the member, spousal coverage will cease.
B) Current Business Administrator	Act 110/43 or 12 years of District service	<ul style="list-style-type: none"> ● Coverage: Medical, Prescription Drug, Dental, and Vision ● Premium Sharing: If the member reached 12 years of District service, the District will pay the full 2-party premium less the active copay for medical, prescription drug, dental, and vision coverage. 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. 	Coverage continues until Medicare eligibility for both member and spouse.

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

<u>Summary of Plan Provisions</u>			
Group	Eligibility	Coverage And Premium Sharing	Duration
		<ul style="list-style-type: none"> ● Dependents: Family included 	
C) All other Administrators	Act 110/43 or 15 years of District service	<ul style="list-style-type: none"> ● Coverage: Medical, Prescription Drug, Dental, and Vision ● Premium Sharing: If the member reaches 15 years of District service, the District will pay the full single premium for medical coverage for the member for up to five years. The member must pay 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 if 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 IA
<u>II. ALL OTHER EMPLOYEES</u>	Act 110/43 or 25 years of PSERS service and 15 years of District service	<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 District service, the District will pay the full single premium for medical coverage for the member for up to three years. The member must pay 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 IA

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

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.

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

Employees Covered by Benefit Terms

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

Active Participants	586
Vested Former Participants	0
Retired Participants	<u>28</u>
Total	614

Total OPEB Liability

The School's total OPEB liability under this single employer plan of \$11,489,769, was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2022.

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	7/1/2022
Actuarial Cost Method	Entry Age Normal
Interest Rate	4.06%
Projected salary increases	4.00% to 6.75%
Healthcare inflation rate	6.5% in 2022, 6.0% in 2023, 5.5% in 2024-2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Asset Valuation Method	pay as you go basis

The discount rate is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2022.

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

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

Changes in the Total OPEB Liability

	<u>2022-23</u>
Total OPEB Liability	
Service Cost	\$ 1,287,779
Interest	418,283
Changes in Benefit Terms	39,358
Difference between expected and actual experience	(3,677,187)
Changes in assumptions	(3,432,436)
Benefit payments	<u>(445,112)</u>
Net change in total OPEB Liability	(5,809,315)
Total OPEB Liability - beginning	<u>17,299,084</u>
Total OPEB Liability - ending	<u>\$ 11,489,769</u>
Covered employee payroll	<u>\$ 38,928,611</u>

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

For the year ended June 30, 2023, the School recognized OPEB expense of \$1,346,271. At June 30, 2023, the School reported deferred outflows of resource and deferred inflows of resources related to this single employer OPEB plan from the following sources:

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ -	\$ 2,232,519
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	-	2,930,878
Changes in proportion of the Net OPEB Liability	-	-
District contributions subsequent to the measurement date	<u>301,850</u>	<u>-</u>
Total	<u>\$ 301,850</u>	<u>\$ 5,163,397</u>

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

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

Year ended June 30:	<u>Amount</u>
2024	\$ (399,149)
2025	(399,149)
2026	(399,149)
2027	(399,149)
2028	(399,149)
Thereafter	<u>(3,167,652)</u>
Total	<u>\$ (5,163,397)</u>

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

The following presents the total OPEB liability of the School's single employer OPEB plan, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.06%) or 1-percentage point higher (5.06%) than the current discount rate:

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
District's proportionate share of the net OPEB liability	\$ 12,388,701	\$ 11,489,769	\$ 10,635,742

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:

	1% Decrease	Current Trend Rate	1% Increase
System net OPEB liability	\$ 10,182,487	\$ 11,489,769	\$ 13,025,630

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

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>Single Employer</i>		<i>Multiple Employer</i>		<i>Pension & OPEB</i>
	<i>Pension - GASB 68</i>	<i>OPEB - GASB 75</i>	<i>OPEB - GASB 75</i>	<i>Total</i>	
	DR OR (CR)	DR OR (CR)	DR OR (CR)	DR OR (CR)	
RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS	CURRENT YR BALANCE	CURRENT YR BALANCE	CURRENT YR BALANCE	CURRENT YR BALANCE	
Change in Proportion	\$ 2,338,934	\$ -	\$ 172,878	\$ 2,511,812	
Current Year Contributions	14,630,207	297,498	319,809	15,247,514	
Change in Assumption	3,639,011	(2,210,889)	(632,075)	796,047	
Diff in Projected Vs Actual Contributions	(307,454)	-	(6,258)	(313,712)	
Difference in Investment Earnings	(2,101,063)	-	13,729	(2,087,334)	
Diff. between Expected vs Actual Experience	(991,837)	(2,908,909)	18,599	(3,882,147)	
Diff. between Prop. Share vs Actual POS	35,374	-	1,613	36,987	
Net Pension Liability	\$ 118,725,216	\$ -	\$ -	\$ 118,725,216	
Net OPEB Liability	\$ -	\$ 11,406,347	\$ 5,017,896	\$ 16,424,243	

BUSINESS-TYPE ACTIVITIES					
	<i>Single Employer</i>		<i>Multiple Employer</i>		<i>Pension & OPEB</i>
	<i>Pension - GASB 68</i>	<i>OPEB - GASB 75</i>	<i>OPEB - GASB 75</i>	<i>Total</i>	
	DR OR (CR)	DR OR (CR)	DR OR (CR)	DR OR (CR)	
RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS	CURRENT YR BALANCE	CURRENT YR BALANCE	CURRENT YR BALANCE	CURRENT YR BALANCE	
Change in Proportion	\$ 56,066	\$ -	\$ 3,122	\$ 59,188	
Current Year Contributions	250,416	4,352	5,474	260,242	
Change in Assumption	68,989	(21,630)	(11,925)	35,434	
Diff in Projected Vs Actual Contributions	(5,424)	-	(111)	(5,535)	
Difference in Investment Earnings	(5,937)	-	271	(5,666)	
Diff. between Expected vs Actual Experience	(26,163)	(21,969)	401	(47,731)	
Diff. between Prop. Share vs Actual POS	-	-	-	-	
Net Pension Liability	\$ 2,813,484	\$ -	\$ -	\$ 2,813,484	
Net OPEB Liability	\$ -	\$ 83,422	\$ 115,702	\$ 199,124	

STATEMENT OF NET POSITION	
<i>Governmental & Business-Type Activities</i>	<i>Total</i>
RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS	DR OR (CR) CURRENT YR BALANCE
Change in Proportion	\$ 2,571,000
Current Year Contributions	15,507,756
Change in Assumption	831,481
Diff in Projected Vs Actual Contributions	(319,247)
Difference in Investment Earnings	(2,093,000)
Diff. between Expected vs Actual Experience	(3,929,878)
Diff. between Prop. Share vs Actual POS	36,987
Net Pension Liability	\$ 121,538,700
Net OPEB Liability	\$ 16,623,367

RECONCILIATION TO FINANCIAL STATEMENTS		
	Governmental Activities	Business-Type Activities
<i>Pension Plan</i>		
Net Pension Liability	\$ 118,725,216	\$ 2,813,484
Deferred Outflow Related to Pension	(20,643,526)	(375,471)
Deferred Inflows Related to Pension	3,400,354	37,524
Total liab. Net deferred inflows/outflows	\$ 101,482,044	\$ 2,475,537
<i>OPEB - Single & Multiple Employer Plans</i>		
Net OPEB Liability	\$ 16,424,243	\$ 199,124
Deferred Outflows Related to OPEB	(824,126)	(13,620)
Deferred Inflows Related to OPEB	5,758,131	55,635
Total liab. Net deferred inflows/outflows	\$ 21,358,248	\$ 241,139

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

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 2023, remains with the Board of Trustees. The Trust owes \$7,674,389 to the District as of June 30, 2023, 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, 2023, 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, 2023, 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 \$1,239,573 in nonspendable fund balance at June 30, 2023, comprised of \$111,874 of inventories on hand at year-end and \$1,127,699 of prepaid expenditures.

Restricted Fund Balance

The General Fund has \$328,995 restricted for contributions received, but not spent at year end.

The Capital Project Funds have \$10,371,353 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, 2023

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, \$6,242,649, Other Post-Employment Benefits, \$6,500,000, Athletic Field replacement of \$1,000,000, Tax Stabilization of \$5,312,418, Future Debt Defeasance of \$2,000,000, and \$1,000,000 for other Capital Improvements.

Assigned Fund Balance

The General Fund has assigned \$200,000 for Facilities Capital Projects and \$1,000,000 for General Operational purposes.

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 \$123,941,617, unspent proceeds of \$1,997, with related debt of \$89,719,211, which includes unamortized bonds discounts, and premiums. The governmental activities also has \$10,369,356 restricted for capital projects. The business-type activities column reflects \$187,660 invested in capital assets with no related debt.

Note 9 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2023.

Litigation

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

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

Note 10 - New Accounting Pronouncements

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

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

Note 11 - Subsequent Event

GOB Series of 2017 and GOB Series A of 2019 Debt Defeasance

On November 17, 2023, the District deposited \$1,980,229 of available funds to be held by Manufacturers and Traders Trust Company (the Escrow Agent). The purpose of the deposit is to defease portions of the outstanding principal of the 2017 Bonds and 2019A Bonds. \$768,318 of the available funds will be utilized to defease \$760,000 of outstanding principal of the 2017 Bonds. \$1,211,911 of the available funds will be used to defease \$1,190,000 of outstanding principal of the 2019A Bonds.

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, 2023

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
District's proportion of the net pension liability (asset)	0.2793%	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)	\$ 124,173,000	\$ 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	43,371,096	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	286.30%	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	61.34%	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, 2023

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
Contractually required contribution	\$ 14,880,623	\$ 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
Contributions in relation to the contractually required contribution	<u>14,880,623</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 43,371,096	\$ 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
Contributions as a percentage of covered employee payroll	34.31%	34.14%	33.69%	33.45%	32.60%	31.74%	29.20%	25.00%	20.50%	16.00%

**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, 2023**

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
District's proportion of the net OPEB liability	0.2795%	0.2766%	0.2728%	0.2689%	0.2728%	0.2631%	0.2639%
District's proportionate share of the net OPEB liability (asset)	\$ 5,145,000	\$ 6,557,000	\$ 5,894,000	\$ 5,719,000	\$ 5,688,000	\$ 5,360,000	\$ 5,684,000
District's covered-employee payroll	41,091,560	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	12.52%	16.72%	15.00%	14.86%	15.25%	14.60%	16.21%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

**NAZARETH AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
Contractually required contribution	\$ 325,283	\$ 331,208	\$ 322,105	\$ 323,277	\$ 309,478	\$ 304,645	\$ 290,957	\$ 288,868	\$ 304,508	\$ 293,818
Contributions in relation to the contractually required contribution	<u>325,283</u>	<u>331,208</u>	<u>322,105</u>	<u>323,277</u>	<u>309,478</u>	<u>304,645</u>	<u>290,957</u>	<u>288,868</u>	<u>304,508</u>	<u>293,818</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 43,371,096	\$ 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
Contributions as a percentage of covered employee payroll	0.75%	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%	0.84%	0.90%	0.93%

**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, 2023**

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total OPEB Liability						
Service Cost	\$ 1,287,779	\$ 1,304,814	\$ 870,279	\$ 883,019	\$ 859,422	\$ 834,062
Interest	418,283	328,133	464,861	395,716	386,380	276,466
Changes in Benefit Terms	39,358	-	-	-	-	-
Difference between expected and actual experience	(3,677,187)	-	607,708	-	(6,889)	-
Changes in assumptions	(3,432,436)	(511,304)	1,788,947	(367,596)	3,669	437,056
Benefit payments	<u>(445,112)</u>	<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	(5,809,315)	774,091	3,357,210	606,946	878,767	1,254,129
Total OPEB Liability - beginning	<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>	<u>10,427,941</u>
Total OPEB Liability - ending	<u>\$ 11,489,769</u>	<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>\$ 38,928,611</u>	<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	29.51%	45.74%	43.70%	38.30%	36.53%	35.60%

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

Public School Employees' Retirement System

Changes of Benefit Terms

None.

Changes in Assumptions

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

- Valuation Date -- June 30, 2021
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.00% includes inflation at 2.75%.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

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

- Investment return – 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary increases – Effective average of 4.5%, 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, 2020, determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect 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 2.28% to 4.06%. 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, 2023

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

- Actuarial Cost Method – Entry Age Normal
- Salary Increases – 4.00% to 6.25%
- Healthcare cost trend rate – 6.5% in 2022. 6.0% in 2023 and 5.5% in 2024-2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model
- Asset Valuation Method – Pay as you go basis
- Discount Rate – The rate of 4.06% is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2022.

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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, 2023**

	CAPITAL RESERVE FUND	2017 CAPITAL PROJECTS FUND	2019 CAPITAL PROJECTS FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 10,558,200	\$ -	\$ -	\$ 10,558,200
Restricted Cash	-	1,997	-	1,997
Due from Other Funds	-	-	-	-
TOTAL ASSETS	\$ 10,558,200	\$ 1,997	\$ -	\$ 10,560,197
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 10,558,200	\$ 1,997	\$ -	\$ 10,560,197
<u>LIABILITIES</u>				
Accounts Payable	\$ 188,844	\$ -	\$ -	\$ 188,844
Due to Other Funds	-	-	-	-
TOTAL LIABILITIES	188,844	-	-	188,844
<u>DEFERRED INFLOWS OF RESOURCES</u>				
	-	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	188,844	-	-	188,844
<u>FUND BALANCES</u>				
Restricted Fund Balance	10,369,356	1,997	-	10,371,353
Assigned Fund Balance	-	-	-	-
TOTAL FUND BALANCES	10,369,356	1,997	-	10,371,353
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES	\$ 10,558,200	\$ 1,997	\$ -	\$ 10,560,197

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

	CAPITAL RESERVE FUND	2017 CAPITAL PROJECTS FUND	2019 CAPITAL PROJECTS FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES				
Local Sources	\$ 378,073	\$ 1	\$ 26,373	\$ 404,447
TOTAL REVENUES	<u>378,073</u>	<u>1</u>	<u>26,373</u>	<u>404,447</u>
EXPENDITURES				
Instruction	-	-	1,000	1,000
Support Services	49,815	-	-	49,815
Capital Outlay	904,062	-	2,509,765	3,413,827
TOTAL EXPENDITURES	<u>953,877</u>	<u>-</u>	<u>2,510,765</u>	<u>3,464,642</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(575,804)</u>	<u>1</u>	<u>(2,484,392)</u>	<u>(3,060,195)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,017,550	-	-	1,017,550
TOTAL OTHER FINANCING SOURCES AND USES	<u>1,017,550</u>	<u>-</u>	<u>-</u>	<u>1,017,550</u>
NET CHANGE IN FUND BALANCES	441,746	1	(2,484,392)	(2,042,645)
FUND BALANCES - BEGINNING	<u>9,927,610</u>	<u>1,996</u>	<u>2,484,392</u>	<u>12,413,998</u>
FUND BALANCES - ENDING	<u>\$ 10,369,356</u>	<u>\$ 1,997</u>	<u>\$ -</u>	<u>\$ 10,371,353</u>

Nazareth Area School District
Combining Statement of Fiduciary Net Position
All Custodial Funds
As of June 30, 2023

	Middle School Activity Fund	Intermediate School Activity Fund	High School Activity Fund	E-Sports Activity Fund	Total
ASSETS					
Cash and Cash Equivalents	\$ 34,272	\$ 15,657	\$ 149,091	\$ 10,121	\$ 209,141
Due from Other Funds	50	18	190	116	374
Prepaid Expenses	-	-	1,529	-	1,529
TOTAL ASSETS	<u>34,322</u>	<u>15,675</u>	<u>150,810</u>	<u>10,237</u>	<u>211,044</u>
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 34,322</u>	<u>\$ 15,675</u>	<u>\$ 150,810</u>	<u>\$ 10,237</u>	<u>\$ 211,044</u>

LIABILITIES					
Accounts Payable	\$ -	\$ 32	\$ 2,242	\$ -	\$ 2,274
Intergovernmental Payable	198	-	2,194	-	2,392
Due to Other Funds	-	-	-	7,540	7,540
TOTAL LIABILITIES	<u>198</u>	<u>32</u>	<u>4,436</u>	<u>7,540</u>	<u>12,206</u>
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>198</u>	<u>32</u>	<u>4,436</u>	<u>7,540</u>	<u>12,206</u>
NET POSITION					
Restricted for					
Individuals, Organizations, and Other Governments	<u>34,124</u>	<u>15,643</u>	<u>146,374</u>	<u>2,697</u>	<u>198,838</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 34,322</u>	<u>\$ 15,675</u>	<u>\$ 150,810</u>	<u>\$ 10,237</u>	<u>\$ 211,044</u>

Nazareth Area School District
Combining Statement of Changes in Fiduciary Net Position
All Custodial Funds
For the Year Ended June 30, 2023

	Middle School Activity Fund	Intermediate School Activity Fund	High School Activity Fund	E-Sports Activity Fund	Total
ADDITIONS					
Contributions - Students	\$ 33,071	\$ 4,001	\$ 227,325	\$ 110	\$ 264,507
Contributions - Other	841	3,603	9,888	5,965	20,297
Special Events	2,332	378	268	290	3,268
Other Income	12,464	784	44,711	115	58,074
INVESTMENT EARNINGS:	-	-	-	-	-
Interest and Dividends	102	47	436	8	593
Net Increase (Decrease) in Fair Value of Investments	-	-	-	-	-
Less Investment Expense	-	-	-	-	-
Transfers In (Out)	-	-	-	-	-
TOTAL ADDITIONS	<u>48,810</u>	<u>8,813</u>	<u>282,628</u>	<u>6,488</u>	<u>346,739</u>
DEDUCTIONS					
Administrative Expense	1,943	-	19,015	-	20,958
Payments for Student Club Activities	42,960	10,213	236,130	8,324	297,627
TOTAL DEDUCTIONS	<u>44,903</u>	<u>10,213</u>	<u>255,145</u>	<u>8,324</u>	<u>318,585</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	3,907	(1,400)	27,483	(1,836)	28,154
NET POSITION - BEGINNING OF YEAR	30,217	17,043	118,891	4,533	170,684
NET POSITION - END OF YEAR	<u>\$ 34,124</u>	<u>\$ 15,643</u>	<u>\$ 146,374</u>	<u>\$ 2,697</u>	<u>\$ 198,838</u>

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

	BUSHKILL TOWNSHIP	LOWER NAZARETH TOWNSHIP	NAZARETH BOROUGH	UPPER NAZARETH TOWNSHIP	TATAMY BOROUGH	STOCKERTOWN BOROUGH	TOTAL
CURRENT REAL ESTATE TAXES							
Assessed Value	\$ 297,870,500	\$ 471,322,200	\$ 125,652,700	\$ 184,720,700	\$ 35,644,100	\$ 26,450,400	\$ 1,141,660,600
Millage Rate	0.056800	0.056800	0.056800	0.056800	0.056800	0.056800	0.056800
TOTAL ASSESSED TAX	16,919,043	26,771,104	7,137,073	10,492,136	2,024,585	1,502,383	64,846,324
Less: Act 1 Deduction	644,746	523,064	264,447	448,135	85,170	54,940	2,020,502
TOTAL TAXABLE DUPLICATE	16,274,297	26,248,040	6,872,626	10,044,001	1,939,415	1,447,444	62,825,822
PLUS: - Additions	1,721	-	1,208	9,451	-	-	12,380
- Penalties	34,538	47,445	14,635	14,964	2,382	1,312	115,276
- Current Year A/R	-	-	-	-	-	-	-
- Duplicate Payments	-	-	-	-	-	-	-
CURRENT REAL ESTATE TAXES TO BE COLLECTED	16,310,556	26,295,485	6,888,469	10,068,416	1,941,797	1,448,756	62,953,478
LESS: - Discounts	260,776	459,705	99,761	167,817	31,792	24,159	1,044,010
- Reductions	-	-	94	8,530	-	-	8,624
- Refunds	1,060	2,049	5,515	13,493	-	-	22,117
- Returned to County	233,034	177,213	225,870	140,265	104,671	51,250	932,303
- Unpaid/Adjustments	-	-	-	-	-	-	-
- Exonerations/Deletions	5,578	6,009	1,090	-	-	-	12,677
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 15,810,108</u>	<u>\$ 25,650,509</u>	<u>\$ 6,556,139</u>	<u>\$ 9,738,311</u>	<u>\$ 1,805,334</u>	<u>\$ 1,373,347</u>	<u>\$ 60,933,747</u>
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 434,474</u>	<u>\$ 290,735</u>	<u>\$ 17,342</u>	<u>\$ 12,890</u>	<u>\$ 529,910</u>	<u>\$ -</u>	<u>\$ 1,285,351</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, 2023

6000 - Revenue from Local Sources		Budget	Actual	Variance
6111	Current Real Estate Taxes	\$ 60,589,070	\$ 60,933,747	\$ 344,677
6112	Interim Real Estate Taxes	950,000	1,285,351	335,351
6113	Public Utility	63,000	67,566	4,566
6114	Payment in Lieu of Taxes	18,000	2,899	(15,101)
6151	Earned Income Tax	8,050,000	9,051,245	1,001,245
6153	Real Estate Transfer Tax	1,500,000	1,251,630	(248,370)
6411	Delinquent Real Estate Taxes	1,500,000	1,255,431	(244,569)
6420	Delinquent Per Capita Taxes - 511	75	14	(61)
6441	Delinquent Per Capita Taxes - 679	75	14	(61)
6452	Delinquent Occupation Taxes	750	208	(542)
6510	Interest	39,729	1,758,310	1,718,581
6710	Admissions	60,000	62,139	2,139
6740	Fees	95,000	83,094	(11,906)
6790	Other Student Activity Income	-	25,501	25,501
6832	Federal IDEA Revenue Received as Pass Through	485,000	531,101	46,101
6910	Rentals	61,000	87,115	26,115
6920	Contributions	125,000	234,948	109,948
6941	Regular Day School Tuition	15,000	10,063	(4,937)
6942	Summer School	16,000	3,150	(12,850)
6944	Receipts from Other LEA's - Education	25,000	9,165	(15,835)
6980	Revenue from Community Service Activities	40,000	51,515	11,515
6991	Refunds of Prior Yr. Expenditures	50,000	73,210	23,210
6999	Other Revenues Not Specified Above	50,000	43,399	(6,601)
TOTAL REVENUE FROM LOCAL SOURCES		\$ 73,732,699	\$ 76,820,815	\$ 3,088,116
7000 - Revenue from State Sources				
7111	Basic Ed Funding - Formula	10,494,395	11,368,797	874,402
7112	Basic Ed Funding - Social Security	1,668,334	1,525,376	(142,958)
7160	Orphan Tuition	5,000	21,520	16,520
7271	Special Education	2,233,560	2,413,053	179,493
7311	Transportation (Regular and Additional)	1,200,000	1,063,870	(136,130)
7312	Transportation (Nonpublic and Charter School)	-	100,870	100,870
7320	Rentals	220,000	262,749	42,749
7330	Health Services	86,000	91,840	5,840
7340	State Property Tax Reduction Allocation	2,020,902	2,020,902	-
7362	School Mental Health & Safety and Security Grants	-	90,044	90,044
7505	Ready to Learn Grant	476,529	476,529	-
7820	Retirement Revenue	7,688,470	7,418,927	(269,543)
TOTAL REVENUE FROM STATE SOURCES		26,093,190	26,854,477	761,287
8000 - Revenue from Federal Sources				
8514	Title I	-	295,100	295,100
8515	Title II	-	78,211	78,211
8517	Title IV	-	26,089	26,089
8690	Other Restricted Federal Grants-In-Aid	-	2,852	2,852
8744	ESSER III	500,000	880,467	380,467
8751	ARP ESSER Learning Loss	-	95,505	95,505
8752	ARP ESSER Summer Programs	-	2,075	2,075
8753	ARP ESSER Afterschool Programs	-	32,440	32,440
8810	Medical Assistance Reimbursements (Access)	500,000	200,000	(300,000)
8820	Medical Assistance Reimbursement for Health-Related	-	5,697	5,697
TOTAL REVENUE FROM FEDERAL SOURCES		1,000,000	1,618,436	618,436
9000 - Other Financing Sources				
9120	Proceeds from Extended Term Financing	-	246,704	246,704
9220	Proceeds from Leases	-	30,733	30,733
9400	Sale of Fixed Assets	2,500	-	(2,500)
TOTAL OTHER FINANCING SOURCES		2,500	277,437	274,937
TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 100,828,389	\$ 105,571,165	\$ 4,742,776

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

1000 - Instruction		Budget	Actual	Variance
1110	Regular Programs - Elem./Secondary	\$ 44,938,989	\$ 44,486,356	\$ 452,633
1190	Federally Funded Regular Programs	541,430	396,894	144,536
1221	Deaf or Hearing Impaired Support	600	600	-
1225	Speech & Language Impaired	520,506	520,504	2
1230	Emotional Support	929,315	929,314	1
1241	Learning Support - Public	7,562,935	7,562,935	-
1243	Gifted Support	987,579	985,725	1,854
1270	Multi-Handicapped Support	290,969	290,967	2
1280	Early Intervention Support	5,000	-	5,000
1290	Other Support	4,602,360	4,314,078	288,282
1390	Other Vocational Education Programs	1,739,774	1,739,773	1
1420	Summer School	17,949	6,224	11,725
1430	Homebound Instruction	7,164	5,455	1,709
1441	Adjudicated / Court Placed Programs	1,945	-	1,945
1442	Alternative Education Program	58,305	53,305	5,000
1500	Nonpublic School Programs	5,155	2,410	2,745
1691	Instructional Services	500	-	500
1693	Community College Sponsorship	709,000	708,954	46
Total Instruction		62,919,475	62,003,494	915,981
2000 - Support Services				
2111	Supervision of Student Services	318,826	318,774	52
2120	Guidance Services	2,154,568	2,154,568	-
2140	Psychological Services	958,348	958,348	-
2160	Social Work Services	88,521	88,520	1
2170	Student Accounting Services	51,844	50,480	1,364
2200	Support Services - Instructional Staff	3,418	3,418	-
2220	Technology Support Services	500	-	500
2250	School Library Services	1,206,874	1,206,873	1
2260	Instructional & Curriculum Dev. Services	757,512	757,021	491
2271	Instructional Staff Development	236,106	205,785	30,321
2272	Instructional Staff Development Services (Non-Certified)	3,816	3,816	-
2300	Support Services - Administration	9,246	9,246	-
2310	Board Services	76,104	68,550	7,554
2320	Board Treasurer Services	800	744	56
2330	Tax Assessment & Collection Services	272,584	272,584	-
2340	Staff Relations	1,000	-	1,000
2350	Legal Services	94,169	73,489	20,680
2360	Office of the Superintendent Services	893,558	861,238	32,320
2370	Community Relations Services	4,000	-	4,000
2380	Office of the Principal Services	3,335,806	3,326,045	9,761
2390	Other Administration Services	115,108	108,556	6,552
2420	Medical Services	17,072	16,871	201
2430	Dental Services	200	100	100
2440	Nursing Services	1,262,849	1,255,641	7,208
2450	Non-Public Health Services	33,059	33,059	-
2511	Supervision of Fiscal Services	310,034	310,034	-
2512	Budgeting Services	137,985	137,985	-
2513	Receiving and Disbursing Funds	205,899	205,899	-
2514	Payroll Services	113,756	113,756	-
Subtotal on Support Services		12,663,562	12,541,400	122,162

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Subtotal on Support Services (carried forward)	\$ 12,663,562	\$ 12,541,400	\$ 122,162
2515 Financial Accounting Services	169,757	169,757	-
2519 Other Fiscal Services	365,155	365,155	-
2611 Supervision of Operation and Maintenance of Plant	313,024	299,115	13,909
2619 Supervision of Operation and Maintenance of Plant - Other	167,340	167,340	-
2620 Operation of Buildings Services	7,872,994	7,860,478	12,516
2630 Care and Upkeep of Grounds Services	162,201	162,201	-
2640 Care and Upkeep of Equipment Services	27,225	27,224	1
2650 Vehicle Operation and Maint. Services	34,012	34,012	-
2660 Security Services	799,874	789,207	10,667
2711 Supervision of Student Transportation Services - Head	204,311	202,410	1,901
2719 Student Transportation Services	394	394	-
2720 Vehicle Operation Services	4,436,995	4,436,994	1
2750 Non-Public Transportation	707,545	707,544	1
2790 Other Student Transportation Services	7,403	7,403	-
2820 Information Services	155,983	142,795	13,188
2821 Supervision of Information Services	211,683	211,683	-
2824 Management Information Services	159,591	159,591	-
2829 Other Support Services	671,151	671,151	-
2831 Supervision of Staff Services	241,649	241,649	-
2832 Recruitment and Placement Services	1,155	807	348
2834 Staff Development Services - Non-Instructional, Certified	33,013	33,013	-
2836 Staff Development	61,588	25,811	35,777
2844 Operation Services	154,767	154,767	-
2910 Other Support Services	46,000	45,885	115
	<u>29,668,372</u>	<u>29,457,786</u>	<u>210,586</u>
3000 - Operation of Non-Instructional Services			
3210 School Sponsored Student Activities	400,334	378,387	21,947
3250 School Sponsored Athletics	1,311,989	1,311,989	-
3300 Community Services	93,341	82,590	10,751
3390 Other Community Services	146,770	113,692	33,078
3400 Scholarships and Awards	72,725	72,724	1
	<u>2,025,159</u>	<u>1,959,382</u>	<u>65,777</u>
5000 - Other Expenditures and Financing Uses			
5110 Debt Service	6,821,884	7,693,390	(871,506)
5130 Refund of Prior Year Revenues/Receipts	81,826	282,636	(200,810)
5140 Lease Payments	-	78,782	(78,782)
5230 Capital Projects Funds Transfers Out	1,017,550	1,017,550	-
	<u>7,921,260</u>	<u>9,072,358</u>	<u>(1,151,098)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 102,534,266</u>	<u>\$ 102,493,020</u>	<u>\$ 41,246</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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 100,828,389	\$ 105,571,165	\$ 4,742,776
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>102,534,266</u>	<u>102,493,020</u>	<u>41,246</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,705,877)	3,078,145	4,784,022
Special Items - Insurance Recoveries	-	18,122	18,122
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	(1,705,877)	3,096,267	4,802,144
FUND BALANCE - JULY 1, 2022	<u>25,941,620</u>	<u>28,114,499</u>	<u>2,172,879</u>
FUND BALANCE - JUNE 30, 2023	<u>\$ 24,235,743</u>	<u>\$ 31,210,766</u>	<u>\$ 6,975,023</u>

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

FUND BALANCE - JULY 1, 2022 \$ 9,927,610

REVENUES

Interest	\$ 378,073	
Transfer from General Fund	1,017,550	1,395,623
TOTAL FUNDS AVAILABLE		11,323,233

EXPENDITURES

SUPPORT SERVICES:

Professional Services	2,604	
Supplies	47,211	

CAPITAL OUTLAY:

Advertising	2,210	
Professional Services	18,786	
Repairs and Maintenance	48,976	
Site Improvements	549,830	
Construction	277,129	
Equipment	7,131	953,877

FUND BALANCE - JUNE 30, 2023 **\$ 10,369,356**

**2017 Capital Projects Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2023**

FUND BALANCE - JULY 1, 2022 \$ 1,996

REVENUES

Interest	\$ 1	
Transfer from General Fund	-	1
TOTAL FUNDS AVAILABLE		1,997

EXPENDITURES

FUND BALANCE - JUNE 30, 2023 **\$ 1,997**

**2019 Capital Projects Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2023**

FUND BALANCE - JULY 1, 2022		\$ 2,484,392
 <u>REVENUES</u>		
Interest	\$ 26,373	<u>26,373</u>
TOTAL FUNDS AVAILABLE		2,510,765
 <u>EXPENDITURES</u>		
INSTRUCTIONAL SERVICES:		
Supplies	1,000	
CAPITAL OUTLAY:		
Professional Services	32,834	
Rental	268	
Construction	2,465,380	
Equipment	<u>11,283</u>	<u>2,510,765</u>
Dues and Fees	-	
 FUND BALANCE - JUNE 30, 2023		 <u><u>\$ -</u></u>

**2022A Debt Service Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2023**

FUND BALANCE - JULY 1, 2022		\$ 7,577
 <u>REVENUES</u>		
Interest	\$ -	
Transfer from General Fund	<u>-</u>	<u>-</u>
TOTAL FUNDS AVAILABLE		7,577
 <u>EXPENDITURES</u>		
OTHER FINANCING USES:		
Debt Service	7,577	
Payment to Refunding Paying Agent	<u>-</u>	<u>7,577</u>
 FUND BALANCE - JUNE 30, 2023		 <u><u>\$ -</u></u>

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

ADDITIONS

Interest Income	\$	102	
Admissions		15,356	
Student Organization Membership Dues and Fees		1,628	
Student Fees		16,087	
Special Events		2,332	
Contributions/Donations/Grants from Private Sources		841	
Other Activity Income		12,464	
TOTAL ADDITIONS			\$ 48,810

DEDUCTIONS

Professional and Technical Services		2,050	
Travel		3,330	
Rentals		5,430	
Other Purchased Services		14,063	
General Supplies		14,431	
Meals/Refreshments		279	
Dues & Fees		1,943	
Donations to Municipal & Community Service Organizations		2,250	
Miscellaneous Expenses		1,127	
TOTAL DEDUCTIONS			<u>44,903</u>

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION **3,907**

FUND NET POSITION - JULY 1, 2022 **30,217**

FUND NET POSITION - JUNE 30, 2023 **\$ 34,124**

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

ADDITIONS

Interest Income	\$	47	
Student Fees		4,001	
Special Events		378	
Contributions/Donations/Grants from Private Sources		3,603	
Other Activity Income		784	
TOTAL ADDITIONS		784	\$ 8,813

DEDUCTIONS

Travel		700	
Other Purchased Services		3,378	
General Supplies		4,549	
Meals/Refreshments		523	
Donations to Municipal & Community Service Organizations		1,031	
Miscellaneous Expenses		32	
TOTAL DEDUCTIONS		10,213	10,213

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION (1,400)

FUND NET POSITION - JULY 1, 2022 17,043

FUND NET POSITION - JUNE 30, 2023 \$ 15,643

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

ADDITIONS

Interest Income	\$	436	
Admissions		134,212	
Student Organization Membership Dues and Fees		6,952	
Student Fees		86,161	
Special Events		268	
Contributions/Donations/Grants from Private Sources		9,888	
Other Activity Income		44,711	
		44,711	
TOTAL ADDITIONS			\$ 282,628

DEDUCTIONS

Professional and Technical Services		8,904	
Rental Payments		52,015	
Travel		47,689	
Advertising		76	
Printing and Binding		275	
General Supplies		46,580	
Meals/Refreshments		9,864	
Dues & Fees		19,015	
Donations to Municipal & Community Service Organizations		8,880	
Scholarships		5,445	
Miscellaneous Expenses		56,402	
		56,402	
TOTAL DEDUCTIONS			<u>255,145</u>

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION **27,483**

FUND NET POSITION - JULY 1, 2022 **118,891**

FUND NET POSITION - JUNE 30, 2023 **\$ 146,374**

**Nazareth Area School District
E-Sports Activity Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2023**

ADDITIONS

Interest Income	\$	8	
Admissions		110	
Special Events		290	
Contributions/Donations/Grants from Private Sources		5,965	
Other Activity Income		115	
TOTAL ADDITIONS		115	\$ 6,488

DEDUCTIONS

Travel		400	
General Supplies		7,918	
Miscellaneous Expenses		6	
TOTAL DEDUCTIONS		6	<u>8,324</u>

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION **(1,836)**

FUND NET POSITION - JULY 1, 2022 **4,533**

FUND NET POSITION - JUNE 30, 2023 **\$ 2,697**

Nazareth Area School District
Schedule on General Obligation Bonds - Series of 2017
Dated as of February 16, 2017
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		<u>\$ 4,767,700</u>	<u>\$ 11,135,000</u>

Schedule on General Obligation Bonds - Series A of 2017
Dated as of February 16, 2017
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		<u>\$ 2,442,925</u>	<u>\$ 8,240,000</u>

Schedule on General Obligation Bonds - Series B of 2017
Dated as of November 15, 2017
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		<u>\$ 70,283</u>	<u>\$ 1,285,000</u>

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, 2023

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		<u>\$ 1,318,000</u>	<u>\$ 6,720,000</u>

Schedule on General Obligation Bonds - Series of 2018
Dated as of February 14, 2018
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2023-24	2.000%	\$ 246,019	\$ 75,000
2024-25	3.000%	244,069	80,000
2025-26	3.000%	241,669	80,000
2026-27	3.000%	239,269	80,000
2027-28	3.000%	236,869	80,000
2028-29	3.000%	234,394	85,000
2029-30	3.000%	231,769	90,000
2030-31	3.000%	229,819	40,000
2031-32	3.000%	229,144	5,000
2032-33	3.000%	228,994	5,000
2033-34	3.000%	228,844	5,000
2034-35	3.000%	228,694	5,000
2035-36	3.000%	226,144	165,000
2036-37	3.000%	221,194	165,000
2037-38	3.125%	217,078	105,000
2038-39	3.125%	213,953	95,000
2039-40	3.125%	172,234	2,575,000
2040-41	3.200%	66,000	4,125,000
TOTAL OUTSTANDING		<u>\$ 3,936,156</u>	<u>\$ 7,860,000</u>

Nazareth Area School District
Schedule on General Obligation Bonds - Series of 2019
Dated as of May 17, 2019
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		\$ 1,134,100	\$ 9,745,000

Schedule on General Obligation Bonds - Series A of 2019
Dated as of September 9, 2019
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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
3039-40	4.000%	44,600	660,000
2040-41	4.000%	18,200	455,000
TOTAL OUTSTANDING		\$ 2,257,325	\$ 5,070,000

Nazareth Area School District
Schedule on General Obligation Bonds - Series of 2020
Dated as of March 27, 2020
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		\$ 1,020,301	\$ 7,090,000

Schedule on General Obligation Notes - Series of 2020
Dated as of November 24, 2020
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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
3039-40	2.100%	17,585	210,000
2040-41	2.125%	13,175	620,000
TOTAL OUTSTANDING		\$ 662,750	\$ 2,185,000

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, 2023

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		\$ 6,930,091	\$ 15,680,000

Schedule on General Obligation Bonds - Series A of 2022
Dated as of June 29, 2022
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		\$ 6,757,093	\$ 16,085,000

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, 2023**

NAZARETH AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL ALN	PASS THROUGH GRANTOR NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) 7/1/22	REVENUE	EXPEND.	ACCRUED OR (DEFERRED) 6/30/23	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-013-22-0276	7/1/21-9/30/22	\$ 332,491	71,248	58,765	12,483	12,483	-	2
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-23-0276	7/1/22-9/30/23	\$ 282,617	201,869	-	282,617	282,617	80,748	
TOTAL TITLE I PROGRAM						273,117	58,765	295,100	295,100	80,748	
<u>PASSED THROUGH THE PDE</u>											
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-22-0276	7/1/21-9/30/22	\$ 73,866	448	448	-	-	-	2
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-23-0276	7/1/22-9/30/23	\$ 78,211	66,800	-	78,211	78,211	11,411	
TOTAL TITLE II PROGRAM						67,248	448	78,211	78,211	11,411	
<u>PASSED THROUGH THE PDE</u>											
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	FA-144-22-0276	7/1/21-9/30/22	\$ 29,416	17	17	-	-	-	2
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	FA-144-23-0276	7/1/22-9/30/23	\$ 26,089	26,089	-	26,089	26,089	-	
TOTAL TITLE IV PROGRAM						26,106	17	26,089	26,089	-	
<u>PASSED THROUGH THE PDE</u>											
COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF (ESSER) FUND - ESSER II	I	84.425D	FA-200-21-0276	3/13/20-9/30/23	\$ 1,444,456	33,563	33,563	-	-	-	2
COVID-19 AMERICAN RESCUE PLAN - ESSER (ARP-ESSER)	I	84.425U	FA-225-21-0276	3/13/20-9/30/24	\$ 2,921,717	1,009,320	318,313	880,467	880,467	189,460	
COVID-19 ARP-ESSER - LEARNING LOSS SET ASIDE	I	84.425U	FA-225-21-0276	3/13/20-9/30/24	\$ 162,202	67,830	4,170	95,505	95,505	31,845	
COVID-19 ARP-ESSER - SUMMER SCHOOL SET ASIDE	I	84.425U	FA-225-21-0276	3/13/20-9/30/24	\$ 32,440	13,566	(5,898)	2,075	2,075	(17,389)	
COVID-19 ARP-ESSER - AFTER SCHOOL SET ASIDE	I	84.425U	FA-225-21-0276	3/13/20-9/30/24	\$ 32,440	13,566	(5,898)	32,440	32,440	12,976	
TOTAL EDUCATION STABILIZATION FUND						1,137,845	344,250	1,010,487	1,010,487	216,892	
<u>PASSED THROUGH THE COLONIAL I.U.</u>											
IDEA, PART B	I	84.027	062-21-0020	7/1/21-9/30/22	\$ 485,791	191,651	191,651	-	-	-	1
IDEA, PART B	I	84.027	062-21-0020	7/1/22-9/30/23	\$ 528,341	383,501	-	528,341	528,341	144,840	1
COVID-19 ARP-IDEA	I	84.027X	062-22-0020	7/1/21-9/30/23	\$ 140,644	140,644	140,644	-	-	-	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/22-9/30/23	\$ 2,760	2,760	-	2,760	2,760	-	1
TOTAL IDEA CLUSTER						718,556	332,295	531,101	531,101	144,840	
TOTAL U. S. DEPARTMENT OF EDUCATION						2,222,872	735,775	1,940,988	1,940,988	453,891	

SOURCE: D -DIRECT; I -INDIRECT

**Nazareth Area School District
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2023**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL ALN	PASS THROUGH GRANTOR NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) 7/1/22	REVENUE	EXPEND.	ACCRUED OR (DEFERRED) 6/30/23	FOOT- NOTES
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>											
<u>PASSED THROUGH THE PA EMERGENCY MANAGEMENT AGENCY</u>											
PUBLIC ASSISTANCE GRANTS	I	97.036	N/A	7/7/20 - 9/14/20	\$ 11,408	2,852	-	2,852	2,852	-	2 5
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY						2,852	-	2,852	2,852	-	
						-----	-----	-----	-----	-----	
<u>U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>											
<u>PASSED THROUGH THE PA. DEPARTMENT OF PUBLIC WELFARE</u>											
TITLE 19 MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/21-9/30/22	N/A	5,697	-	5,697	5,697	-	2
TOTAL U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES						5,697	-	5,697	5,697	-	
						-----	-----	-----	-----	-----	
<u>U. S. DEPARTMENT OF AGRICULTURE</u>											
<u>PASSED THROUGH THE PDE</u>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/21-6/30/22	N/A	28,603	28,603	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/22-6/30/23	N/A	666,674	-	756,283	756,283	89,609	
COVID-19 NATIONAL SCHOOL LUNCH - SUPPLY CHAIN ASSISTANCE	I	10.555	N/A	N/A	N/A	135,187	-	135,187	135,187	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/21-6/30/22	N/A	729	729	-	-	-	6
BREAKFAST PROGRAM	I	10.553	N/A	7/1/22-6/30/23	N/A	26,514	-	34,864	34,864	8,350	
<u>PASSED THROUGH THE PA DEPT. OF AGRICULTURE:</u>											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/1/22-6/30/23	N/A	230,194	(15,971)	221,380	221,380	(24,785)	2 3
TOTAL CHILD NUTRITION CLUSTER						1,087,901	13,361	1,147,714	1,147,714	73,174	
						-----	-----	-----	-----	-----	
<u>PASSED THROUGH THE PDE</u>											
COVID-19 STATE PANDEMIC ELECTRONIC BENEFIT TRANSFER (P-EBT) ADMIN. COSTS	I	10.649	N/A	N/A	N/A	3,135	-	3,135	3,135	-	2
TOTAL U.S. DEPARTMENT OF AGRICULTURE						1,091,036	13,361	1,150,849	1,150,849	73,174	
TOTAL FEDERAL FINANCIAL AWARDS						\$ 3,322,457	\$ 749,136	\$ 3,100,386	\$ 3,100,386	\$ 527,065	

SOURCE: D -DIRECT; I -INDIRECT

**Nazareth Area School District
Notes to the Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2023**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Nazareth Area School District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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 2.0% of its total general fund revenue in federal awards, and 41.2% of its total enterprise fund revenue.

Note 4 - Indirect Costs

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

Note 5 - Program Disclosure - Footnotes

1. The federal awards passed through the Colonial 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>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Emergency Management Agency	\$ 11,408	\$ 2,852
PA Department of Education	5,415,945	2,339,356
Colonial I.U. #20	1,157,536	531,101
PA Department of Public Welfare	N/A	5,697
PA Department of Agriculture	N/A	221,380
Totals	<u>\$ 6,584,889</u>	<u>\$ 3,100,386</u>

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$230,194, in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2022-23 fiscal-year, the District used \$221,380 in commodities and established a year-end inventory of \$24,785 at June 30, 2023.

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

4. The Medical Access grant passed through the PA Department of Education is reflected as federal source revenue on the basic financial statements; however pursuant to instructions from the commonwealth of PA, it is not reported as revenue on the Schedule of Expenditures of Federal Awards.

FINANCIAL STATEMENT RECONCILIATION

General Fund Federal Source Revenues	\$ 1,618,436
Federal Grants in Local Sources	531,101
Food Service Fund Federal Revenue	<u>1,150,849</u>
Total Federal Revenue, per financial statements	3,300,386
Less - Medical Access Reimbursement	<u>(200,000)</u>
Total Federal Revenue Reported on SEFA	<u>\$ 3,100,386</u>

5. During the fiscal year 2022-23, the district received \$2,852 of monetary assistance to help the district respond to and recover from COVID-19 in 2020. The Schedule of Expenditures of Federal Awards reflects \$2,852 of revenue and \$2,852 of expenditures; however, the actual expenditures incurred and paid arose during the 2020-21 fiscal year.
6. The amount of Breakfast Program expenditures reported on Schedule of Expenditures of Federal Awards, for the 2021-22 fiscal year, was overstated by \$14,872. The opening accrual on 07/1/2022 has been reduced by \$14,872 to account for the changes needed on the prior year's Schedule of Expenditures of Federal Awards.



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, 2023, 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 November 22, 2023.

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,



Northampton, Pennsylvania
November 22, 2023



**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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the 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 Associates, P.C.

Northampton, Pennsylvania
November 22, 2023

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

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major program:

AL Number(s)	Name of Federal Program or Cluster
84.425D, 84.425U	"COVID-19-" Education Stabilization Fund
10.553, 10.555	Child Nutrition Cluster

Percentage of programs tested to total awards 69.6%

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, 2023**

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.

APPENDIX D
Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is made as of the ___ day of December, 2024, by Nazareth Area School District (the "School District").

WITNESSETH:

WHEREAS, pursuant to the Bond Purchase Agreement dated November __, 2024 and an addendum thereto dated _____, 2024 by and between the School District and Raymond James & Associates, Inc. (the "Underwriter"), the School District is selling the School District's General Obligation Bonds, Series of 2024 ("Bonds") in the final aggregate principal amount of \$_____ to the Underwriter; and

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), provides that a Participating Underwriter (as defined in the Rule) shall not purchase or sell municipal securities in connection with an Offering (as defined in the Rule) unless the Participating Underwriter has reasonably determined that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide, either directly or indirectly through an indenture trustee or a designated agent, certain specified financial information and if specified, certain operating data and notices of certain material events; and

WHEREAS, the School District currently is the only obligated person with respect to the Bonds for purposes of the Rule; and

WHEREAS, in order to enable the Underwriter to comply with the requirements of the Rule, the School District, as such obligated person, agrees to undertake to provide the information and notices required by the Rule.

NOW, THEREFORE, in consideration of the premises, the School District, intending to be legally bound hereby, agrees as follows:

Section 1. Definitions. In addition to the terms defined in the above recitals, the following terms shall have the meanings specified below:

"EMMA" shall mean the Electronic Municipal Market Access System as provided by the MSRB.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"SID" shall mean the state information depository, if any, established for Pennsylvania for purposes of the Rule. As of the date hereof, there is no SID.

Section 2. Covenants of the School District.

The School District covenants to comply with all requirements of the Rule in furtherance of the foregoing and without limiting the generality thereof:

(a) The School District shall deliver to any insurer then insuring the Bonds, the MSRB through EMMA and to the SID, if any, annually not later than _____ (270 days) following the end of the fiscal year ending the previous June 30th, the following financial information for the School District:

- (1) Audited financial statements for the most recent fiscal year prepared in accordance with generally accepted accounting principles for local government units; and
- (2) a copy of (or a summary of) the budget for the current fiscal year.
- (3) the assessed and market value of all taxable real estate for the current fiscal year (may be contained within the budget or audit for the current fiscal year without need for further cross reference);
- (4) the taxes and millage rates imposed for the current fiscal year (may be contained within the budget or audit for the current fiscal year without need for further cross reference);
- (5) the real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of fiscal year's levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in previous years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount) (may be contained within the budget or audit for the current fiscal year without need for further cross reference); and
- (6) a list of the ten (10) real estate taxpayers and, for each, the total assessed value of real estate for the current fiscal year (may be contained within the budget or audit for the current fiscal year without need for further cross reference).

(b) If not submitted as part of the annual financial information, the School District shall deliver not later than 270 days following the end of each fiscal year, the audited financial statements for the School District;

(c) The School District shall file in a timely manner not in excess of ten (10) business days after the occurrence of the event, to any bond insurer then insuring the Bonds and to EMMA and to the MSRB through EMMA and to the SID, if any, notice of any of the following events (collectively, "Reportable Events") with respect to the Bonds.

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (5) substitution of any credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances; or events affecting the tax-exempt status of the Bonds;
- (10) release, substitution or sale of property securing payment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary

course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

(d) The School District shall file in a timely manner with MSRB through EMMA notice of a failure of any obligated person to provide required annual financial information, on or before the date specified within this Disclosure Certificate.

(e) The School District agrees that the provisions of this Section 2 shall be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by any holders or beneficial owners of the Bonds, or by the Paying Agent on their behalf.

Section 3. Termination of Reporting Obligations. The School District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the School District's obligations with respect to the payment of the Bonds are assumed in full by some other entity, such other entity shall be responsible for compliance with this Disclosure Certificate in the same manner as if it were the School District's, and the School District shall have no further responsibility hereunder. In addition, the School District's obligation to provide information and notices as specified in Section 2 hereof shall terminate (i) at such other times as such information and notices (or any portion thereof) are no longer required to be provided by the Rule as it applies to the Bonds, (ii) in the event of a repeal or rescission of the Rule or (iii) upon a determination that the Rule is invalid or unenforceable.

Section 4. Amendment. The School District may amend this Disclosure Certificate and waive any of the provisions hereof, but no such amendment or waiver shall be executed and effective unless (i) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of the School District or the operations conducted by the School District, (ii) this Disclosure Certificate, as modified by the amendment or waiver complies with the requirements of the Rule, and (iii) the amendment or

waiver does not materially impair the interests of the registered Owners of the Bonds. Prior to executing any requested amendment, the School District shall provide an opinion of counsel knowledgeable in federal securities laws to the effect that the proposed amendment satisfies the requirements described above. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the School District shall describe such amendment in its next annual report delivered pursuant to Section 2(a) hereof, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the financial information or operating data being presented by the School District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i.e., changes other than those prescribed by generally accepted accounting principles), (i) notice of such change shall be given pursuant to the Reportable Event notice requirements as set forth in this Disclosure Certificate; and (ii) the annual report for the year in which the change is made will present a comparison between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. To the extent that the Rule requires or permits an approving vote of beneficial owners of the Bonds in connection with an amendment, the approving vote of beneficial owners of Bonds constituting more than 50% of the aggregate principal amount of the then outstanding Bonds shall constitute such approval. The School District shall provide notice of any amendment to this Disclosure Certificate to the MSRB through EMMA and the SID and to the registered holders of the Bonds.

Section 5. Remedies for Default. In the event of a breach or default by the School District of its covenants to provide annual financial information and notices as provided in Section 2 hereof, the Paying Agent, the Underwriter, or any holder or beneficial owner of Bonds shall have the right to bring an action in a court of competent jurisdiction to compel specific performance by the School District. A breach or default under this Disclosure Certificate shall not constitute an event of default under the Bonds or any other agreement. The Paying Agent shall be under no obligation to enforce this Disclosure Certificate but may do so and may require that it be furnished with indemnity and security for expenses satisfactory to it.

Section 6. Miscellaneous.

(a) Binding Nature of Undertaking. This Disclosure Certificate shall be binding upon and inure to the benefit of the Underwriter, and its respective successors and assigns. In addition, registered owners of the Bonds, which for the purposes of this Section 6 includes the holders of a book-entry credit evidencing an interest in the Bonds, from time to time shall be third party beneficiaries hereof and shall be entitled to enforce the provisions hereof as if they were parties hereto; but no consent of beneficial owners of the Bonds shall be required in connection with any amendment of this Disclosure Certificate, except as required by the Rule. Holders of book-entry credits evidencing an interest in the Bonds may file their names and addresses with the School District for the purposes of receiving notices or giving direction under this Disclosure Certificate.

(b) Notices. All notices and other communications required or permitted under this Disclosure Certificate shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United

States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the Paying Agent:

Manufacturers and Traders Trust Company
285 Delaware Avenue
3rd Floor
Buffalo, NY 14202
Telecopy No.: (716) 842-4474

(ii) If to the School District:

Business Administrator
Nazareth Area School District
1140 Salisbury Road
Allentown, PA 18103
Telecopy No.: (610) 797-2062

(iii) If to the MSRB:

Municipal Services Rulemaking Board
1640 King Street
Suite 300
Alexandria, VA 22314-2719
Attn: CDI
Telecopy No.: (703) 683-1938

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section.

(c) Controlling Law. This Disclosure Certificate and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania and the Rule.

(d) Successor and Assigns. Notwithstanding anything herein to the contrary, any successor under the Paying Agent Agreement dated as of December __, 2024 between the School District and the Paying Agent relating to the Bonds shall automatically succeed to the rights of the Paying Agent under this Disclosure Certificate.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Certificate as of the date first above written.

NAZARETH AREA SCHOOL DISTRICT

BY: _____
(Vice) President

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