

**REPORT ON
NORTHWESTERN LEHIGH SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

NORTHWESTERN LEHIGH SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2012

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Single Audit Report

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INTRODUCTORY SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board
Northwestern Lehigh School District
6493 Route 309
New Tripoli, PA 18066-9409

We have performed the Single Audit of the Northwestern Lehigh School District for the fiscal year ended June 30, 2012, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of OMB Circular A-133, which entailed:

1. An audit of the basic financial statements, and our opinion thereon;
2. A review of compliance and on 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 OMB Circular A-133, and our report thereon.

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

Respectfully submitted,

Gorman & Associates, P.C.

December 11, 2012



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of School Directors
Dr. Mary Anne Wright, Superintendent
Northwestern Lehigh School District
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We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Northwestern Lehigh School District for the year ended June 30, 2012, and have issued our report thereon dated December 11, 2012.

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

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matter on June 19, 2012.

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

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

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

We have requested certain representations from management that are included in the management representation letter provided to us on December 11, 2012. We advise the governing body to request this letter from management for their review. In conjunction with their representations, we wish to inform you we did not encounter any significant difficulties in dealing with management and had no disagreements with your management. To our knowledge, management did not find a need to converse with any other independent accountant on any related accounting or auditing issue.

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

In accordance with auditing standards, generally accepted in the United States of America, we have acquired a sufficient understanding of the District and its environment, including its internal control, to assess the risk of material misstatements of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures that were necessary to express an opinion on the 2011-12 basic financial statements.

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

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

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

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

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

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

As an adjunct to our audit, we remained alert throughout for opportunities to enhance internal controls and operating efficiency. These matters were discussed with management as the audit progressed and have subsequently been reviewed in detail to formulate practical recommendations. We wish to thank your staff for their courtesies and cooperation, which facilitated the efficient performance of audit procedures. The remainder of this letter will explain any internal control deficiencies discovered during the audit, other auditor recommendations, and other information pertinent to the District

Board of School Directors · Dr. Mary Anne Wright, Superintendent

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

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

RECOMMENDATIONS

Food Service and Tiger Concession Funds

During our review of the abovementioned funds, we discovered balances in the interfund receivable and payable accounts that have accumulated over the years. We would like to suggest management eliminate these interfund accounts by having these funds pay the general fund for the amount they owe and have the general fund pay the respective funds the amount owed to them.

Athletic Game Receipts

During our testing of game receipts, we discovered the Athletic Director made an executive decision to reduce prices for a wrestling match against Schuylkill Haven on February 15, 2012. The Board approved prices for students and adults are \$3 and \$5, respectively. The Director reduced the price by \$1 and \$2, respectively because the opponent only had four wrestlers for the night's contest. While we understand why the Athletic Director made the decision, it does violate the Board approved pricing structure and we could not find any policy to support his decision.

We would like to suggest, the School Board consider revising their policy to give the Athletic Director the right to change the pricing structure under unique circumstances.

Admissions

During our testing of admission receipts for the Spring Musical in March 2012, we discovered the event sheet did not have tickets attached to the sheet. All other shows and plays had supporting tickets attached, except for this event. It was explained to us that purchases can also be made online with the use of credit cards. Since the attendees must provide evidence of purchase at the time of the event, we would like to suggest the tickets given to those attendees be collected, which can then be combined with the other tickets to support the underlying documentation of how many people attended the event.

OTHER INFORMATION

We would be remiss if we didn't keep the management and the Board of School Directors informed of changes in accounting principles that will affect the School District next year and future years. The Government Accounting Standards Board (GASB) has issued Statement Nos. 62, 63, 64, 65, 66, 67, and 68 that will come into effect in years to come. The statements that could affect the School District next year and future years are as follows:

GASB Statement No. 62

This statement incorporates other accounting principles established by the American Institute of Certified Public Accountants, known as APBs and ARBs, along with FASB accounting standards that apply to governments. This statement goes into effect next year; however there should be no current effect for the school district pertaining to this statement, except disclosure note changes.

GASB Statement No. 63

This statement goes into effect next year and institutes new classifications to be shown on the Statement of Net Assets, which has also changed to – Statement of Net Position. The new classifications are called: Deferred Inflow of Resources and Deferred Outflow of Resources.

Deferred Outflow of Resources is a consumption of net assets by the government that is applicable to a future reporting period. An example would be Prepaid Expenses that was previously classified as an asset. Deferred Inflow of Resources is an acquisition of net assets by the government that is applicable to a future reporting period. An example would be deferred revenue, whose title will no longer be used.

As a result of these new elements to the statement of financial position, the net position of the entire government at year end will equal total assets, plus total deferred outflows of resources, minus total liabilities and total deferred inflows of resources.

GASB Statement No. 65

This is a companion standard associated with Statement 63. It provides information on what items previously shown as assets, will be reclassified as deferred outflow of resources. And it reflects certain items previously classified as liabilities to deferred inflow of resources.

GASB Statement No. 68

This statement and its component statement no. 67 will have a massive impact on all governments' entity-wide financial statements. It will affect every government in the Commonwealth of PA and every other government located in all 50 states, including state governments.

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

Those governments, like this School District, that don't report any pension obligation because they and you belong to a pension trust (PSERS), will soon have to report your proportionate share of the pension trust's unfunded actuarial pension liability. Your proportionate share of this significant liability will be based upon the percentage of your contributions into the plan compared to the total contributions submitted by all participating governments in the pension trust.

This standard will have a devastating effect for larger governments, whom are already in dire straits as a result of the poor economy. This standard becomes effective for your 2014-2015 fiscal year.

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

Respectively submitted,



December 11, 2012

EPORT DISTRIBUTION LIST

The Northwestern Lehigh School District has distributed copies of the Single Audit Act Package to the following:

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

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

ONE COPY TO : CARBON-LEHIGH INTERMEDIATE UNIT #21
4210 INDEPENDENCE DRIVE
SCHNECKSVILLE, PA 18078

FINANCIAL SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
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Florida Institute of Certified Public Accountants

Board of School Directors
Northwestern Lehigh School District
6493 Route 309
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INDEPENDENT AUDITOR'S REPORT

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 Northwestern Lehigh School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards, generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Northwestern Lehigh School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles, generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2012, on our consideration of the Northwestern Lehigh School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, on pages 9 to 16, and the Schedule of Funding Progress on page 65, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Northwestern Lehigh School District

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northwestern Lehigh School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the combining and individual fund financial statements and schedules, listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements of the Northwestern Lehigh School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

Norman Associates, P.C.

December 11, 2012

NORTHWESTERN LEHIGH SCHOOL DISTRICT
New Tripoli, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Year Ended June 30, 2012

The Northwestern Lehigh School District's (the "District") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position (its ability to address the next and subsequent year's challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. Readers should also review the financial statements and notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- As of June 30, 2012, the District's net assets equal \$32,611,588, for an increase of \$ 4,099,649 (or 14.38%).
- The governmental net assets equal \$32,400,588, for an increase of \$4,110,565 (or 14.53%).
- The business-type net assets equal \$211,000, for a decrease of \$10,916 (or - 4.92%).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Northwestern Lehigh School District as a financial whole, an entire operating entity, and the major individual funds. 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 Assets and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

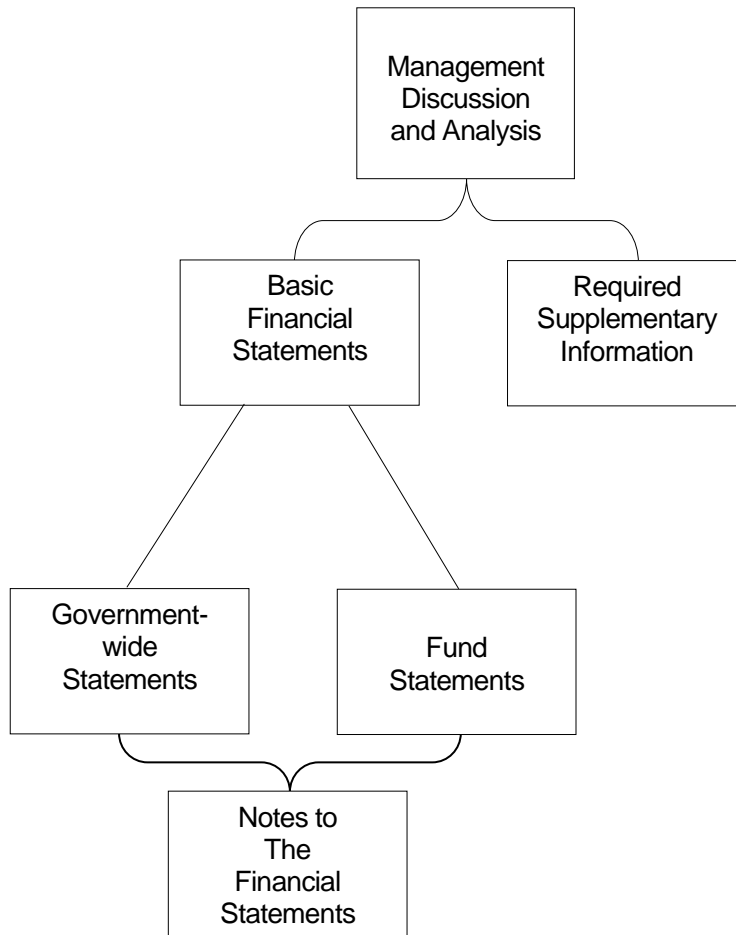
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short-term as well as what remains for future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

The financial statements also include notes that explain some of the information in the financial statements.

**NORTHWESTERN LEHIGH 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
Northwestern Lehigh School District's
Financial Report**



**NORTHWESTERN LEHIGH 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's financial operations they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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

FUND STATEMENTS				
	Government-wide 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 and Tiger Concessions	Instances in which the District is the trustee or agent to someone else's resources- Scholarship Funds and Agency Funds
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement of Net Assets Statement of Revenues, Expenses and Changes in Net Assets Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital 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

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The focus of the Statement of Net Assets (the "unrestricted net assets") is designed to be similar to a bottom line for the District and its governmental and business-type activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The Statement of Activities is focused on both the gross and net cost of various activities, which are provided by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidies to various business-type activities.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively.

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, state and federal subsidies, and grants finance most of these activities.
- Business-type activities - The District conducts food service and stadium concession (Tiger Concession) operations and charges fees to staff, students, and visitors to cover the costs.

Fund Statements

The District's fund 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 less 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements. Governmental funds include the General Fund, Capital Reserve Fund, Capital Projects Funds and the Debt Service Funds.

Proprietary Funds - These funds are used to account for the District's activities that are similar to business operations in the private sector, or where the reporting is on determining net income, financial position, or changes in financial position. These funds have a significant portion of funding through user charges. When the District charges customers for services, these services are generally reported in proprietary funds. The Food Service and Tiger Concession Funds are the District's proprietary funds and are the same as the business-type activities reported in the government-wide statements, but provide additional detail and information, such as cash flows.

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

Fiduciary Funds - The District is the trustee, or fiduciary, for some scholarship funds. Agency funds are used to account for assets held by the District as an agent for individuals, private organizations, other governmental entities and/or other funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the District's other fund statements because the District cannot use these assets to finance its operations.

OVERALL FINANCIAL HIGHLIGHTS

Governmental Activities

General Fund – The District received \$678,506 more in General Fund revenue and other financing sources than originally budgeted. This positive variance is primarily attributed to the state revenues. In total, there were net positive budget variances in total expenditures and other financing uses amounting to \$2,670,008. The District budgeted for a planned transfer to Fund Balance for the Annual Required Contribution for Other Post-Employment Benefits (OPEB), and increased the employer contribution for retirement in an effort to smooth future rate increases for budgeting purposes. Additionally; the district experienced favorable market prices for fuel oil, diesel costs, and electric rates which all contributed to the total positive expenditure variance. As of June 30, 2012, the District has committed and assigned \$9,639,446 and \$2,958,474, respectively for Other Post-Employment Benefits (OPEB), proposed future PSERS contributions, energy stabilization, variable rate debt increases, future textbook purchases, and increases in medical insurance. As of June 30, 2012, the district has an unassigned fund balance of \$2,303,702.

Business-Type Activities

Food Service Fund – The Food Service operations experienced net loss of 18,071 during the 2011-2012 fiscal year, with depreciation expense of \$29,201.

**NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis**

Government-wide Statements

Statement of Net Assets

The following table reflects the Condensed Statement of Net Assets

	<u>2012</u>			<u>2011</u>		
	Govern- mental Activities	Business- Type Activities	Total (1)	Govern- mental Activities	Business- Type Activities	Total (1)
Current & Other Assets	\$ 22,062,678	\$ 429,884	\$ 21,860,283	\$ 19,183,800	\$ 66,254	\$ 19,205,653
Non-Current Assets	66,185,782	216,106	66,401,888	66,238,157	233,471	66,471,628
Total Assets	\$ 88,248,460	\$ 645,990	\$ 82,262,171	\$ 85,421,957	\$ 299,725	\$ 85,677,281
Current Liabilities	5,216,626	431,993	5,016,340	4,660,257	71,731	4,687,587
Non-Current Liabilities	50,631,246	2,997	50,634,243	52,471,677	6,078	52,477,755
Total Liabilities	55,847,872	434,990	55,650,583	57,131,934	77,809	57,165,342
Net Assets:						
Invested in Capital Assets, net of related debt	15,938,164	216,106	16,154,270	14,663,780	233,471	14,897,251
Restricted	1,508,310	-	1,508,310	-	-	-
Unrestricted	14,954,114	(5,106)	14,949,008	13,626,243	(11,555)	13,614,688
Total Net Assets	32,400,588	211,000	32,611,588	28,290,023	221,916	28,511,939
Total Liabilities and Net Assets	\$ 88,248,460	\$ 645,990	\$ 88,262,171	\$ 85,421,957	\$ 299,725	\$ 85,677,281

(1) Internal balances are eliminated in the total column as they do not represent assets or liabilities of the total District.

Most of the District's net assets are invested in capital assets (buildings, land and equipment). The District's restricted net assets are for capital projects, retirement of long-term debt and other restrictions. The remaining unrestricted net assets are a combination of reserved, designated and undesignated amounts. The categories of fund balances are amounts set-aside to fund the next year's appropriations, future PSERS and GASB #45 obligations, future medical rate increases, capital projects, and buses as planned by the District.

**NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis**

Statement of Activities

The following table reflects the revenues and expenses for the current period.

	<u>2012</u>			<u>2011</u>		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
REVENUES						
<i>Program revenues:</i>						
Charges for services	\$ 116,127	\$ 553,673	\$ 669,800	\$ 99,347	\$ 568,892	\$ 668,239
Operating grants & contributions	4,287,260	260,661	4,547,921	5,855,207	265,618	6,120,825
Capital grants & contributions	373,431	-	373,431	600,527	-	600,527
<i>General revenues:</i>						
Property taxes	22,178,787	-	22,178,787	22,107,825	-	22,107,825
Other taxes	2,600,640	-	2,600,640	2,401,562	-	2,401,562
Grants, subsidies & contributions, not restricted	5,983,708	-	5,983,708	5,290,976	-	5,290,976
Investment earnings	232,657	293	232,950	249,311	578	249,889
Other	377,075	-	377,075	62,875	-	62,875
Gain (Loss) on sale of capital assets	-	-	-	978	-	978
Extraordinary items	-	-	-	-	-	-
TOTAL REVENUES	36,149,685	814,627	36,964,312	36,668,608	835,088	37,503,696
EXPENSES						
Instruction	18,320,472	-	18,320,472	18,537,467	-	18,537,467
Instructional student support	2,200,737	-	2,200,737	2,183,391	-	2,183,391
Admin. & Fin'l support services	3,146,069	-	3,146,069	2,689,302	-	2,689,302
Oper. & Maint. of plant svcs.	3,182,746	-	3,182,746	3,643,669	-	3,643,669
Pupil Transportation	1,911,601	-	1,911,601	1,943,911	-	1,943,911
Student activities	626,925	-	626,925	634,975	-	634,975
Community services	5,000	-	5,000	5,000	-	5,000
Debt Service	1,651,688	-	1,651,688	1,881,209	-	1,881,209
Unallocated depreciation expense	993,882	-	993,882	583,424	-	583,424
Proprietary Funds	-	825,563	825,563	-	867,373	867,373
TOTAL EXPENSES	32,039,120	825,563	32,864,683	32,102,348	867,373	32,969,721
Income (Loss) Before Contributions	4,110,565	(10,916)	4,099,649	4,566,260	(32,285)	4,533,975
Transfers In (Out)	-	-	-	(10,000)	10,000	-
Change in Net Assets	4,110,565	(10,916)	4,099,649	4,556,260	(22,285)	4,533,975
Total Net Assets - Beginning	28,290,023	221,916	28,511,939	23,733,763	244,201	23,977,964
Total Net Assets - Ending	\$ 32,400,588	\$ 211,000	\$ 32,611,588	\$ 28,290,023	\$ 221,916	\$ 28,511,939

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

THE DISTRICT FUNDS

Governmental Funds

As of June 30, 2012, the governmental funds reported a combined fund balance of \$18,003,530, which increased from the prior year of \$2,062,769 (or 12.94%). The increase in the combined governmental fund balance is the net effect of the increase in the General Fund with a decrease in the Capital Projects Fund (construction and capital reserve funds). The fund balance of the Capital Projects Fund (construction and capital reserve funds) decreased to \$2,747,860, which decreased from prior year by \$550,602 (or 16.7%). The General Fund experienced a \$2,612,916 net increase in fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

As of June 30, 2012, the District had \$65,741,105 invested in a broad range of capital assets including land, buildings, furniture and equipment, which represents a net increase (additions less retirements and depreciation) of \$85,193 or - 0.3% from the end of last year. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 5).

Debt outstanding

As of June 30, 2012, the District had \$51,477,039 in debt (bonds and notes) outstanding compared to \$53,220,562 as of June 30, 2011. This represents a decrease of \$1,743,523 or 3.3%. Other obligations include accrued vacation pay and sick leave for specific employees of the District.

More detailed information regarding our long-term liabilities is included in the notes to the basic financial statements (Note 5).

ECONOMIC CONSIDERATIONS

The District expects minimal growth in real estate assessed value due to the economic conditions of reduced sales of existing properties and delays in new construction. The District expects earned income tax revenues to be consistent with prior year collections.

On June 25, 2012, the association and the School signed a Collective Bargaining Agreement that expires June 30, 2015.

During 2012-2013 the District stayed within the adjusted ECI/SAWW and did not utilize any exceptions.

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 the District receives. If you have questions about this report or wish to request additional financial information, please contact Leslie Frisbie, Business Administrator, at Northwestern Lehigh School District, 6493 Route 309, New Tripoli, PA 18066, (610) 298-8661.

BASIC FINANCIAL STATEMENTS

Northwestern Lehigh School District
Statement of Net Assets
As of June 30, 2012

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 16,854,733	\$ 190,906	\$ 17,045,639
Investments	2,700,000	-	2,700,000
Receivables, net	971,637	-	971,637
Internal Balances	414,530	217,749	- (1)
Due from Component Unit	-	-	-
Due From Other Governments	435,584	5,333	440,917
Other Receivables	80,239	600	80,839
Inventories	268,585	15,296	283,881
Prepaid Expenses	337,370	-	337,370
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	22,062,678	429,884	21,860,283
NON-CURRENT ASSETS			
Restricted Cash and Cash Equivalents	10,129	-	10,129
Land	406,148	-	406,148
Site Improvements (net of depreciation)	401,022	-	401,022
Building and Bldg. Improvements (net of depreciation)	63,197,827	67,173	63,265,000
Furniture and Equipment (net of depreciation)	1,494,571	148,933	1,643,504
Construction in Progress	25,431	-	25,431
Bond Issue Costs (net of amortization)	650,654	-	650,654
TOTAL NON-CURRENT ASSETS	66,185,782	216,106	66,401,888
TOTAL ASSETS	\$ 88,248,460	\$ 645,990	\$ 88,262,171
LIABILITIES			
CURRENT LIABILITIES:			
Internal Balances	\$ 217,749	\$ 414,530	\$ - (1)
Due to other governments	175,420	-	175,420
Due to Primary Government	-	-	-
Accounts Payable	449,482	-	449,482
Warrants Payable	52,485	-	52,485
Current Portion of Long-Term Obligations	2,032,126	-	2,032,126
Accrued Salaries and Benefits	1,916,569	103	1,916,672
Payroll Deductions and Withholdings	-	-	-
Deferred Revenue	26,607	17,360	43,967
Other Current Liabilities	346,188	-	346,188
TOTAL CURRENT LIABILITIES	5,216,626	431,993	5,016,340
NON-CURRENT LIABILITIES:			
Bonds and Notes Payable	49,537,039	-	49,537,039
Extended Term Financing Agreements Payable	-	-	-
Lease Purchase Obligations	-	-	-
Long-Term Portion of Compensated Absences	501,552	1,959	503,511
Other Retirement Benefits	20,767	1,038	21,805
Net OPEB Obligation	571,888	-	571,888
TOTAL LIABILITIES	55,847,872	434,990	55,650,583
NET ASSETS			
Invested in capital assets, net of related debt	15,938,164	216,106	16,154,270
RESTRICTED FOR:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	1,508,310	-	1,508,310
Other Restrictions	-	-	-
Unrestricted (deficit)	14,954,114	(5,106)	14,949,008
TOTAL NET ASSETS	32,400,588	211,000	32,611,588
TOTAL LIABILITIES AND NET ASSETS	\$ 88,248,460	\$ 645,990	\$ 88,262,171

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

(1) Internal Balance 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).

**Northwestern Lehigh School District
Statement of Activities
For the Year Ended June 30, 2012**

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 18,320,472	\$ 50,720	\$ 2,864,959	\$ -	\$ (15,404,793)	\$ -	\$ (15,404,793)
Instructional Student Support	2,200,737	-	179,666	-	(2,021,071)	-	(2,021,071)
Admin. & Fin'l Support Services	3,146,069	-	147,959	-	(2,998,110)	-	(2,998,110)
Oper. & Maint. Of Plant Svcs.	3,182,746	-	92,167	-	(3,090,579)	-	(3,090,579)
Pupil Transportation	1,911,601	-	981,203	-	(930,398)	-	(930,398)
Student activities	626,925	65,407	21,306	-	(540,212)	-	(540,212)
Community Services	5,000	-	-	-	(5,000)	-	(5,000)
Interest on Long-Term Debt	1,651,688	-	-	373,431	(1,278,257)	-	(1,278,257)
Unallocated Depreciation Expense	993,882	-	-	-	(993,882)	-	(993,882)
TOTAL GOVERNMENTAL ACTIVITIES	32,039,120	116,127	4,287,260	373,431	(27,262,302)	-	(27,262,302)
BUSINESS-TYPE ACTIVITIES:							
Food Services	810,579	533,738	258,639	-	-	(18,202)	(18,202)
Other Enterprise Funds	14,984	19,935	2,042	-	-	6,993	6,993
TOTAL PRIMARY GOVERNMENT	\$ 32,864,683	\$ 669,800	\$ 4,547,941	\$ 373,431	\$ (27,262,302)	\$ (11,209)	\$ (27,273,511)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 22,178,787	\$ -	\$ 22,178,787
Taxes levied for specific purposes					2,600,640	-	2,600,640
Grants, subsidies, & contributions not restricted					5,983,708	-	5,983,708
Investment Earnings					232,657	293	232,950
Miscellaneous Income					377,075	-	377,075
Special item - Gain (Loss) on sale of capital assets					-	-	-
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					31,372,867	293	31,373,160
CHANGE IN NET ASSETS					4,110,565	(10,916)	4,099,649
NET ASSETS - BEGINNING					28,290,023	221,916	28,511,939
NET ASSETS - ENDING					\$ 32,400,588	\$ 211,000	\$ 32,611,588

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

**Northwestern Lehigh School District
Balance Sheet
Governmental Funds
As of June 30, 2012**

	<u>GENERAL</u>	<u>CAPITAL PROJECT</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 15,850,151	\$ 1,004,128	\$ 455	\$ 16,854,734
Restricted Cash	10,129			10,129
Investments	1,000,000	1,700,000	-	2,700,000
Taxes Receivable, net	816,461	-	-	816,461
Due from other funds	419,398	-	-	419,398
Due from Other Governments	435,584	-	-	435,584
Due from Component Unit	-	-	-	-
Other Receivables	28,609	46,763	-	75,372
Inventories	-	-	-	-
Prepaid Expenditures	337,370	-	-	337,370
Other Current Assets	-	-	-	-
TOTAL ASSETS	<u>\$ 18,897,702</u>	<u>\$ 2,750,891</u>	<u>\$ 455</u>	<u>\$ 21,649,048</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Due to Other Funds	\$ 217,749	\$ -	\$ -	\$ 217,749
Due to Other Governments	175,420	-	-	175,420
Accounts Payable	446,450	3,031	-	449,481
Warrants Payable	52,485	-	-	52,485
Current Portion of Long-Term Debt	92,126	-	-	92,126
Accrued Salaries and Benefits	1,916,569	-	-	1,916,569
Payroll Deductions and Withholdings	4,079	-	-	4,079
Deferred Revenues	718,775	-	-	718,775
Other Current Liabilities	18,834	-	-	18,834
TOTAL LIABILITIES	<u>3,642,487</u>	<u>3,031</u>	<u>-</u>	<u>3,645,518</u>
<u>FUND BALANCES:</u>				
Nonspendable Fund Balance	337,370	-	-	337,370
Restricted Fund Balance	16,223	2,747,860	-	2,764,083
Committed Fund Balance	9,639,446	-	-	9,639,446
Assigned Fund Balance	2,958,474	-	455	2,958,929
Unassigned Fund Balance	2,303,702	-	-	2,303,702
TOTAL FUND BALANCES	<u>15,255,215</u>	<u>2,747,860</u>	<u>455</u>	<u>18,003,530</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,897,702</u>	<u>\$ 2,750,891</u>	<u>\$ 455</u>	<u>\$ 21,649,048</u>

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

**Northwestern Lehigh School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
As of June 30, 2012**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 18,003,530

**Amounts reported for governmental activities in the statement
of net assets 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 \$81,453,740 and the accumulated depreciation is \$15,928,741. 65,524,999

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. -

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. 847,342

The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net assets uses the consumption method of inventory. 268,585

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	\$ (50,826,385)	
Accrued interest on the bonds	(323,276)	
Accounts Payable	-	
Compensated absences	(501,552)	
Other Retirement Benefits	(20,767)	
Net OPEB Obligation	(571,888)	<u>(52,243,868)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 32,400,588**

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

Northwestern Lehigh School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>GENERAL</u>	<u>CAPITAL PROJECT</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 25,723,782	\$ 51,056	\$ -	\$ 25,774,838
State Sources	10,026,455	-	-	10,026,455
Federal Sources	209,834	-	-	209,834
TOTAL REVENUES	<u>35,960,071</u>	<u>51,056</u>	<u>-</u>	<u>36,011,127</u>
EXPENDITURES				
Instruction	18,589,219	-	-	18,589,219
Support Services	10,539,801	-	191,384	10,731,185
Operation of Non-Instructional Services	630,567	-	-	630,567
Capital Outlay	-	601,658	-	601,658
Debt Service	3,587,568	-	-	3,587,568
TOTAL EXPENDITURES	<u>33,347,155</u>	<u>601,658</u>	<u>191,384</u>	<u>34,140,197</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,612,916</u>	<u>(550,602)</u>	<u>(191,384)</u>	<u>1,870,930</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	9,995,000	9,995,000
Bond Premium	-	-	-	-
Interfund Transfers In	-	-	-	-
Sale/Compensation for Fixed Assets	-	-	-	-
Payment to bond refunding escrow agent	-	-	(9,726,008)	(9,726,008)
Bond Discount	-	-	(77,153)	(77,153)
Refunds of Prior Year Receipts	-	-	-	-
Operating Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>191,839</u>	<u>191,839</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	2,612,916	(550,602)	455	2,062,769
FUND BALANCES - BEGINNING	<u>12,642,299</u>	<u>3,298,462</u>	<u>-</u>	<u>15,940,761</u>
FUND BALANCES - ENDING	<u>\$ 15,255,215</u>	<u>\$ 2,747,860</u>	<u>\$ 455</u>	<u>\$ 18,003,530</u>

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

**Northwestern Lehigh 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, 2012**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,062,769

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	\$ 1,278,721	
less - capital outlays	<u>1,210,893</u>	(67,828)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities. -

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 assets differs from the change in fund balance by the cost of fixed assets sold. -

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred revenues decreased by this amount this year. 138,560

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,885,000

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. 41,907

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **4,060,408**

**Northwestern Lehigh 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, 2012**

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING
 (CONT'D)** \$ 4,060,408

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. 50,878

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. -

Bond and Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Refunding bond issues becomes a use of current financial resources in governmental funds, but refundings represent the difference between bond proceeds and refunding payments made to paying agents. (455)

The governmental funds use the purchase method of inventory, where all items purchased are charged to expenditures. However, the statement of activities is reflected on the consumption method of recording inventory type items; therefore, this adjustment reflects the inventory difference. (266)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 4,110,565**

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

**Northwestern Lehigh School District
Statement of Net Assets
Proprietary Funds
As of June 30, 2012**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 147,270	\$ 43,636	\$ 190,906
Investments	-	-	-
Due from other funds	217,327	422	217,749
Due From Other Governments	5,333	-	5,333
Other Receivables	600	-	600
Inventories	15,296	-	15,296
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	<u>385,826</u>	<u>44,058</u>	<u>429,884</u>
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	67,173	-	67,173
Machinery & Equipment (net)	121,471	27,462	148,933
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	<u>188,644</u>	<u>27,462</u>	<u>216,106</u>
TOTAL ASSETS	<u>\$ 574,470</u>	<u>\$ 71,520</u>	<u>\$ 645,990</u>
LIABILITIES			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 407,361	\$ 7,169	\$ 414,530
Due to Other Governments	-	-	-
Accounts Payable	-	-	-
Current Portion of Long-Term Debt	-	-	-
Accrued Salaries and Benefits	103	-	103
Payroll Deductions and Withholdings	-	-	-
Deferred Revenue	14,970	2,390	17,360
TOTAL CURRENT LIABILITIES	<u>422,434</u>	<u>9,559</u>	<u>431,993</u>
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	1,959	-	1,959
Other Retirement Benefits	1,038	-	1,038
TOTAL NON-CURRENT LIABILITIES	<u>2,997</u>	<u>-</u>	<u>2,997</u>
TOTAL LIABILITIES	<u>425,431</u>	<u>9,559</u>	<u>434,990</u>
NET ASSETS			
Invested in capital assets, with no related debt Restricted for Legal Purposes	188,644	24,192	212,836
Unrestricted	(39,605)	37,769	(1,836)
TOTAL NET ASSETS	<u>149,039</u>	<u>61,961</u>	<u>211,000</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 574,470</u>	<u>\$ 71,520</u>	<u>\$ 645,990</u>

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

Northwestern Lehigh School District
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Food Service Revenue	\$ 527,078	\$ 14,107	\$ 541,185
Charges for Services	-	-	-
Other Operating Revenues	<u>6,660</u>	<u>5,828</u>	<u>12,488</u>
TOTAL OPERATING REVENUES	<u>533,738</u>	<u>19,935</u>	<u>553,673</u>
	-----	-----	-----
OPERATING EXPENSES:			
Salaries	279,963	2,057	282,020
Employee benefits	71,699	352	72,051
Purchased Professional and Technical Services	-	-	-
Purchased Property Service	29,081	1,275	30,356
Other Purchased Services	2,488	-	2,488
Supplies	396,844	9,520	406,364
Depreciation	29,201	1,780	30,981
Dues and Fees	-	-	-
Claims and Judgments	-	-	-
Other Operating Expenses	<u>1,303</u>	<u>-</u>	<u>1,303</u>
TOTAL OPERATING EXPENSES	<u>810,579</u>	<u>14,984</u>	<u>825,563</u>
	-----	-----	-----
OPERATING INCOME (LOSS)	<u>(276,841)</u>	<u>4,951</u>	<u>(271,890)</u>
	-----	-----	-----
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Earnings on investments	131	162	293
Contributions and Donations	-	1,875	1,875
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	45,062	167	45,229
Federal Sources	213,577	-	213,577
Interest Expenses	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>258,770</u>	<u>2,204</u>	<u>260,974</u>
	-----	-----	-----
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(18,071)</u>	<u>7,155</u>	<u>(10,916)</u>
	-----	-----	-----
Capital contributions	-	-	-
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
	-----	-----	-----
CHANGES IN NET ASSETS	<u>(18,071)</u>	<u>7,155</u>	<u>(10,916)</u>
	-----	-----	-----
TOTAL NET ASSETS - BEGINNING	<u>167,110</u>	<u>54,806</u>	<u>221,916</u>
	-----	-----	-----
TOTAL NET ASSETS - ENDING	<u>\$ 149,039</u>	<u>\$ 61,961</u>	<u>\$ 211,000</u>
	-----	-----	-----

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

**Northwestern Lehigh School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2012**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 306,147	\$ 13,939	\$ 320,086
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	12,386	5,828	18,214
Cash Payments to Employees for Services	(367,222)	(2,409)	(369,631)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(18,333)	(7,546)	(25,879)
Cash Payments to Other Operating Expenses	(1,303)	-	(1,303)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(68,325)</u>	<u>9,812</u>	<u>(58,513)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	1,875	1,875
State Sources	45,697	167	45,864
Federal Sources	172,298	-	172,298
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	<u>217,995</u>	<u>2,042</u>	<u>220,037</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facilities Acquisition/Const./Improvement Svcs.	(8,566)	(5,050)	(13,616)
Capital Contributions	-	-	-
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(8,566)</u>	<u>(5,050)</u>	<u>(13,616)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	131	162	293
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Withdrawals from Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>131</u>	<u>162</u>	<u>293</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	141,235	6,966	148,201
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,035</u>	<u>36,670</u>	<u>42,705</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 147,270</u>	<u>\$ 43,636</u>	<u>\$ 190,906</u>

**Northwestern Lehigh School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2012**

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

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING INCOME (LOSS)	\$ (276,841)	\$ 4,951	(271,890)
	-----	-----	-----
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	29,201	1,780	30,981
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	44,598	-	44,598
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	(600)	-	(600)
(Increase) Decrease in Advances from Other Funds	(217,327)	(168)	(217,495)
(Increase) Decrease in Inventories	(4,010)	-	(4,010)
(Increase) Decrease in Prepaid Expenses	2,722	-	2,722
(Increase) Decrease in Other Current Assets	-	-	-
Increase (Decrease) in Accounts Payable	-	-	-
Increase (Decrease) in Accrued Salaries and Benefits	(15,560)	-	(15,560)
Increase (Decrease) in Advances to Other Funds	367,974	2,409	370,383
Increase (Decrease) in Deferred Revenue	1,518	840	2,358
TOTAL ADJUSTMENTS	<u>208,516</u>	<u>4,861</u>	<u>213,377</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (68,325)</u>	<u>\$ 9,812</u>	<u>\$ (58,513)</u>

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

**Northwestern Lehigh School District
Statement of Net Assets
Fiduciary Funds
As of June 30, 2012**

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 133,463	\$ -	\$ 167,475
Investments	-	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	-
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	<u>\$ 133,463</u>	<u>\$ -</u>	<u>\$ 167,475</u>
 LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 11,515
Intergovernmental Payable	-	-	-
Due to Other Funds	-	-	4,868
Due to Student Clubs	-	-	116,892
Other Current Liabilities	-	-	34,200
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>167,475</u>
 NET ASSETS			
Restricted	-	-	-
Unrestricted	<u>133,463</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ 133,463</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Northwestern Lehigh School District
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012**

	<u>PRIVATE- PURPOSE TRUST FUND</u>	<u>PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS</u>
ADDITIONS		
Contributions	\$ 16,323	\$ -
Transfers from other funds	-	-
Investment Earnings:		
Interest and Dividends	893	-
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	<u>17,216</u>	<u>-</u>
	-----	-----
 DEDUCTIONS		
Transfers to other funds	-	-
Administrative charges	-	-
Scholarships	<u>15,650</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>15,650</u>	<u>-</u>
 CHANGE IN NET ASSETS	 1,566	 -
 NET ASSETS - BEGINNING OF YEAR	 <u>131,897</u>	 <u>-</u>
 NET ASSETS - END OF YEAR	 <u>\$ 133,463</u>	 <u>\$ -</u>

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

Northwestern Lehigh School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -
General Fund
For the Year Ended June 30, 2012

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL (BUDGETARY BASIS)</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>	<u>BUDGET TO GAAP DIFFERENCE</u>	<u>ACTUAL AMOUNTS GAAP BASIS</u>
	<u>ORIGINAL</u>	<u>FINAL</u>				
REVENUES						
Local Sources	\$ 25,171,452	\$ 25,171,452	\$ 25,723,782	\$ 552,330	\$ -	\$ 25,723,782
State Sources	9,896,971	9,896,971	10,026,455	129,484	-	10,026,455
Federal Sources	213,142	213,142	209,834	(3,308)	-	209,834
TOTAL REVENUES	<u>35,281,565</u>	<u>35,281,565</u>	<u>35,960,071</u>	<u>678,506</u>	<u>-</u>	<u>35,960,071</u>
EXPENDITURES						
Regular Instruction	13,753,037	13,761,122	12,711,495	1,049,627	-	12,711,495
Special Programs	4,599,248	4,682,545	4,629,506	53,039	-	4,629,506
Vocational Programs	1,040,314	965,795	942,843	22,952	-	942,843
Other Instructional Programs	14,297	15,063	9,353	5,710	-	9,353
Non-Public School Programs	-	7,412	7,412	-	-	7,412
Adult Education Programs	8,859	8,859	5,912	2,947	-	5,912
Community/Junior College Ed. Programs	282,698	282,699	282,698	1	-	282,698
Pupil Personnel Services	1,216,270	1,217,612	1,110,016	107,596	-	1,110,016
Instructional Staff Services	807,042	913,735	857,360	56,375	-	857,360
Administrative Services	2,130,054	2,160,780	1,918,642	242,138	-	1,918,642
Pupil Health	261,817	261,817	236,285	25,532	-	236,285
Business Services	594,085	638,453	597,684	40,769	-	597,684
Operation & Maintenance of Plant Services	3,767,928	3,719,989	3,205,339	514,650	-	3,205,339
Student Transportation Services	1,896,986	2,048,751	1,957,942	90,809	-	1,957,942
Central Support Services	440,989	644,493	618,849	25,644	-	618,849
Other Support Services	38,000	38,000	37,684	316	-	37,684
Student Activities	675,066	678,416	625,567	52,849	-	625,567
Community Services	6,085	6,085	5,000	1,085	-	5,000
Facilities, Acquisition and Construction	-	-	-	-	-	-
Debt Service	4,034,388	3,965,537	3,587,568	377,969	-	3,587,568
TOTAL EXPENDITURES	<u>35,567,163</u>	<u>36,017,163</u>	<u>33,347,155</u>	<u>2,670,008</u>	<u>-</u>	<u>33,347,155</u>
Excess (deficiency) of revenues over expenditures	(285,598)	(735,598)	2,612,916	3,348,514	-	2,612,916
OTHER FINANCING SOURCES (USES)						
Proceeds From Extended Term Financing	-	-	-	-	-	-
Interfund Transfers In	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	-	-	-	-	-	-
Fund Transfers Out	(50,000)	-	-	-	-	-
Budgetary Reserve	(400,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(450,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>(735,598)</u>	<u>(735,598)</u>	<u>2,612,916</u>	<u>3,348,514</u>	<u>-</u>	<u>2,612,916</u>
FUND BALANCE - JULY 1, 2011	<u>11,903,740</u>	<u>11,903,740</u>	<u>12,642,299</u>	<u>738,559</u>	<u>-</u>	<u>12,642,299</u>
FUND BALANCE - JUNE 30, 2012	<u>\$ 11,168,142</u>	<u>\$ 11,168,142</u>	<u>\$ 15,255,215</u>	<u>\$ 4,087,073</u>	<u>\$ -</u>	<u>\$ 15,255,215</u>

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Note 1 - Description of the School District and Reporting Entity

School District

The Northwestern Lehigh School District is located in New Tripoli, Pennsylvania. The District tax base consists of the Townships of Heidelberg, Lowhill, Lynn, and Weisenberg.

The Northwestern Lehigh 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 Northwestern Lehigh 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 Director of Business and Fiscal Affairs, 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 Northwestern Lehigh School District. The Director of Business and Fiscal Affairs is directly responsible to the Superintendent.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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

Northwestern Lehigh 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 Northwestern Lehigh 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. Based upon the above criteria, the Northwestern Lehigh Education Foundation is not considered to be a component unit of the School District.

Joint Ventures

Lehigh Career and Technical Institute

The School District is a participating member of the Lehigh Career and Technical Institute (LCTI). The LCTI 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 LCTI's annual operating budget. Each participating district pays a pro-rata share of the LCTI's operating costs based on the number of students attending the LCTI for each district. The District's share of the LCTI's operating costs for 2011-12 was \$942,843.

On dissolution of the Lehigh Career and Technical Institute, the net assets of LCTI 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 LCTI as defined by GASB Statement No. 14, except for a residual interest in the net assets of LCTI upon dissolution that should not be reported on the basic financial statements. Complete financial statements for the LCTI can be obtained from the LCTI's administrative office at 2300 Main Street, Schnecksville, PA.

Lehigh-Carbon Community College

The District is a participating member of the Lehigh-Carbon Community College (LCCC). The LCCC 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 LCCC's annual operating budget. The amount of the annual operating costs of the LCCC shall be apportioned among the member districts on the basis of the number of full-time equivalent students enrolled in LCCC and residing in the respective geographical areas of each of the member districts. The District's share of LCCC's operating costs for 2011-12 was \$282,698.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

On dissolution of the Lehigh-Carbon Community College, the net assets of LCCC 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 LCCC as defined by GASB Statement No. 14, except for a residual interest in the net assets of LCCC upon dissolution that should not be reported on the basic financial statements. Complete financial statements for the LCCC can be obtained from the LCCC's administrative office at 2300 Main Street Schnecksville, PA.

Jointly Governed Organizations

The School District is a participating member of the Carbon-Lehigh Intermediate Unit (CLIU). The CLIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The boards of directors of the participating districts must approve the CLIU's annual operating budget. However, the CLIU is self-sustaining by providing services for fees to participating districts. The District has no on-going financial interest or responsibility in the CLIU. The CLIU 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. *Basis of Presentation*

The School District's basic financial statements consist of government-wide statements, including a statement of net assets, 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 assets 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 assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for two business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular program. 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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities 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 Funds

Special Revenue Funds are used to account for and report the proceeds of special 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 establishes 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 Project Funds

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

Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012

The District has the following Capital Project Funds:

2008A Construction Fund – 33

This fund received the proceeds of \$9,750,000 of General Obligation Bonds – Series A of 2008 to fund certain capital projects.

2009 Construction Fund

This fund received the proceeds of General Obligation Notes – Series of 2009 to fund certain capital projects.

Capital Reserve Fund

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

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

Enterprise Funds

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

Food Service Fund

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

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

C. Measurement Focus

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

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. 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 associated with the operation of these funds are included on the statement of net assets. The Statement of revenues, expenses, and changes in fund

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also 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 revenue, and in the presentation of expenses versus expenditures.

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

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

E. Budgetary Process

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

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

Accelerated Budget Process Option

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

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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 2011-12 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. Assets, Liabilities, and Net Assets

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.

Restricted Cash

There is a restricted debt service account with the PA Local Governmental Investment Trust that has a \$10,129 balance at year end.

Investments

In accordance with GASB Statement 31, investments are stated at fair value, except:

- a) Non-participating interest earning investment contracts are recorded at amortized cost;
- b) Money market investments and participating interest earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and,
- c) Investments held in 2a7-like pools (Pennsylvania School District Liquid Asset Fund) are recorded at the pool's share price.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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, 2012, 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 revenue in the fund financial statements.

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

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. A physical inventory taken at June 30, 2012, shows \$268,585 in the governmental activities column and \$15,296 in the business-type activities column of the government-wide statement of net assets.

Inventory type items in governmental funds utilize the purchase method; that is, they are charged to expenditures when purchased. There is no inventory shown as of June 30, 2012; therefore, there is no nonspendable fund balance.

Inventory type items in Proprietary Funds use the consumption method, in which items are purchased for inventory and charged to expenses when used. The District has the following Proprietary Funds: (1) Food Service Fund and (2) Tiger Concession Fund. Inventory within these funds consists of donated commodities, which are valued at U.S.D.A.'s approximate costs, supplies, and purchased food. Inventories on hand at June 30, 2012, consist of:

Purchased Food	\$ 7,860
Purchased Supplies	4,039
Donated Commodities	<u>3,397</u>
TOTAL	<u><u>\$ 15,296</u></u>

Prepaid Expenses

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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 assets, 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 assets 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 fair market values as of the date received. The School District maintains a capitalization threshold of two thousand (\$2,000) dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise funds is also capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	25 -50 years	25 - 50 years
Land Improvements	20 years	N/A
Furniture and Equipment	5 - 20 years	5 -20 years
Vehicles	8 years	N/A

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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 assets. Bond premiums and discounts, bond issuance costs, 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 and any deferred amount on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, 2012, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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. Net assets are reported as restricted 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 School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Categories

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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 and Business manager are responsible to make these assignments.

Unassigned Fund Balance

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

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

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds did not receive any capital contributions during the current 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 assets.

The governmental fund balance sheet includes reconciliation between "fund balance -total governmental funds" and "net assets - governmental activities" as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$52,243,868 difference are:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Bonds and Notes payable	\$ 52,070,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(495,467)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(650,654)
Less: Issuance discount (to be amortized as interest expense)	(130,861)
Add: Issuance premium (to be amortized as a contra to interest expense)	33,367
Accrued interest payable	323,276
Other Retirement Benefits	20,767
Compensated absences	501,552
Net OPEB Obligations	571,888
 Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	 <u>\$ 52,243,868</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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

	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	\$ 22,038,175	\$ 140,612	\$ -	\$ -	\$ 22,178,787
Taxes levied for specific purposes	2,602,692	(2,052)	-	-	2,600,640
Interest and investment earnings	232,657	-	-	-	232,657
Miscellaneous	252,431	-	-	-	252,431
Contributions and Donations	124,644	-	-	-	124,644
Charges for Services	116,127	-	-	-	116,127
Grants, subsidies & contributions not restricted	5,983,708	-	-	-	5,983,708
Transfers In	-	-	-	-	-
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating and Capital grants and contributions	4,046,447	-	-	-	4,046,447
FEDERAL SOURCES:					
Operating and Capital grants and contributions	614,244	-	-	-	614,244
SPECIAL AND EXTRAORDINARY ITEMS:					
Bond Premium	-	-	-	-	-
Proceeds from Bond/Note Issues	9,995,000	-	-	(9,995,000)	-
Gain or (Loss) on disposal of assets	-	-	-	-	-
TOTAL REVENUES	46,006,125	138,560	-	(9,995,000)	36,149,685
EXPENDITURES/EXPENSES					
Instruction	18,589,219	5,562	(274,309)	-	18,320,472
Instructional Student Support	2,203,661	1,292	(4,216)	-	2,200,737
Admin. & Fin'l Support Services	3,364,244	15,240	(42,030)	(191,385)	3,146,069
Oper. & Maint. of Plant Svcs.	3,438,435	(46,500)	(209,189)	-	3,182,746
Pupil Transportation	1,957,942	(12,607)	(33,734)	-	1,911,601
Student activities	625,567	(4,629)	5,987	-	626,925
Community Services	5,000	-	-	-	5,000
Capital Outlay	368,562	-	(368,562)	-	-
Debt Service	13,390,728	-	-	(11,739,040)	1,651,688
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	993,882	-	993,882
TOTAL EXPENDITURES/EXPENSES	43,943,358	(41,642)	67,829	(11,930,425)	32,039,120
NET CHANGE FOR THE YEAR	\$ 2,062,767	\$ 180,202	\$ (67,829)	\$ 1,935,425	\$ 4,110,565

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 assets of individual funds

No individual fund contains a deficit fund balance or net assets at June 30, 2012.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

C. Excess of expenditures over appropriations in individual funds

No individual which had a legally adopted budget, had an excess of expenditures over appropriations.

D. Budgetary compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2012. 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 activities

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, 2012, \$20,616,715 of the District's bank balance of \$20,914,929 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the District's name	20,616,715
TOTAL	\$ 20,616,715

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 20,616,715
Plus: Insured Amount	298,214
Less: Outstanding Checks	(869,158)
Carrying Amount - Bank balances	20,045,771
Plus: Petty Cash	775
Deposits in Investment Pool Considered Cash Equivalent	10,160
Less: Certificates of Deposit considered Investment by School Code	(2,700,000)
TOTAL CASH PER FINANCIAL STATEMENTS	\$ 17,356,706

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Investments

Permitted investments for Pennsylvania School Districts are defined in the Public School Code of 1949 as:

5. United States Treasury Bills;
6. Short-term obligations of the United States Government or its agencies or instrumentalities;
7. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C; and,
8. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

As of June 30, 2012, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Pa. Local Government Investment Trust		\$ 10,129
Certificates of Deposit		2,700,000
PA School District Liquid Asset Fund		31
TOTAL		\$ 2,710,160

Interest Rate Risk

The District does not 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, 2012, the District's investments in the PA School District Liquid Asset Fund and PA Local Government Investment Trust were rated AAA by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. Of the District's investments, 99.7% are in Certificates of Deposit with New Tripoli Bank. The governmental activities investments are all in Certificates of Deposit at New Tripoli Bank. The General Fund has 99.9% in Certificates of Deposit at New Tripoli Bank. All of the Capital Project Funds investments are in Certificates of Deposit at New Tripoli Bank.

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 investment subject to custodial credit risk, except for \$2,450,000 of Certificates of Deposit at New Tripoli Bank that are only collateralized with securities held in street name.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Reconciliation to Financial Statements

Total Investments Above	\$ 2,710,160
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(10,160)</u>
Total Investments Per Financial Statements	<u>\$ 2,700,000</u>

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 \$451,702,650. In accordance with Act 1 of 2006, the District received \$665,966 in property tax reduction funds for the 2011-12 fiscal year. The tax rate for the year was \$5.066 per \$100 of assessed valuation or 50.66 mills.

The property tax calendar is:

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

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes 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.

Receivables

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

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ 27,508	\$ 46,763	\$ -	\$ -	\$ -	\$ 74,271
Taxes	816,461	-	-	-	-	816,461
Accounts	1,101	-	600	-	-	1,701
Intergovernmental	<u>435,584</u>	<u>-</u>	<u>5,333</u>	<u>-</u>	<u>-</u>	<u>440,917</u>
GROSS RECEIVABLES	1,280,654	46,763	5,933	-	-	1,333,350
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET RECEIVABLES	<u>\$ 1,280,654</u>	<u>\$ 46,763</u>	<u>\$ 5,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,333,350</u>

Governmental funds report deferred revenue 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 revenue and unearned revenue reported in the governmental funds were:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 692,168	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	26,607
TOTAL	\$ 692,168	\$ 26,607

Capital Assets

Capital asset balances and activity for the year ending June 30, 2012 were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 406,148	\$ -	\$ -	\$ 406,148
Construction in Progress	44,278,222	-	(44,252,791)	25,431
Total Capital Assets not being depreciated	44,684,370	-	(44,252,791)	431,579
Capital Assets being depreciated:				
Site Improvements	970,870	147,294	-	1,118,164
Buildings and Bldg. Improvements	30,631,122	44,474,059	-	75,105,181
Furniture and Equipment	4,068,605	842,331	(112,120)	4,798,816
TOTAL CAPITAL ASSETS BEING DEPRECIATED	35,670,597	45,463,684	(112,120)	81,022,161
Less accumulated depreciation for:				
Site Improvements	(692,038)	(25,104)		(717,142)
Buildings and Bldg. Improvements	(10,940,550)	(966,804)		(11,907,354)
Furniture and Equipment	(3,129,552)	(286,813)	112,120	(3,304,245)
TOTAL ACCUMULATED DEPRECIATION	(14,762,140)	(1,278,721)	112,120	(15,928,741)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	20,908,457	44,184,963	-	65,093,420
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 65,592,827	\$ 44,184,963	\$ (44,252,791)	\$ 65,524,999
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Buildings and Bldg. Improvements	\$ 127,948	\$ -	\$ -	\$ 127,948
Furniture and Equipment	547,716	13,616	(6,345)	554,987
Less accumulated depreciation	(442,193)	(30,981)	6,345	(466,829)
BUSINESS-TYPES ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 233,471	\$ (17,365)	\$ -	\$ 216,106

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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

Regular Instruction	\$	60,846
Special Instruction		962
Vocational Instruction		-
Other Instruction		-
Adult Instruction		-
Pupil Personnel Services		-
Instructional Support Svcs.		2,843
School Library Services		-
Administrative Services		-
Health Services		-
Business Services		105
Operation & Maintenance of Plant Svcs.		21,017
Pupil Transportation		179,528
Central Services		13,552
Other Support Services		-
School Sponsored Athletics		5,986
Community Services		-
Depreciation - unallocated		993,882
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$	1,278,721

The District's governmental-type activities disposed of \$112,120 of equipment during the year with accumulated depreciation of \$112,120, resulting in a gain on disposal of \$-0-. The District's business-type activities disposed of \$6,345, in fully depreciated equipment during the year.

Commitments

Encumbrances

Any encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent 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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Long-term construction commitments

The District did not have any commitments in the Capital Projects Fund and Capital Reserve Fund at year-end.

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2012:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 419,398	\$ 217,749
Enterprise (Tiger Conc.) Fund	422	7,169
Enterprise (Food Service) Fund	217,327	407,361
Agency (Payroll) Fund	-	4,815
Agency (Activity) Fund	-	53
TOTAL	<u>\$ 637,147</u>	<u>\$ 637,147</u>

Interfund Transfers

The District did not make any interfund transfers during the fiscal year ended June 30, 2012:

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2012, were:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 53,220,562	\$ 10,069,130	\$ 11,812,653	\$ 51,477,039	\$ 1,940,000
Other than capital projects	-	-	-	-	-
Capital Leases	-	-	-	-	-
Total general obligation debt	<u>53,220,562</u>	<u>10,069,130</u>	<u>11,812,653</u>	<u>51,477,039</u>	<u>1,940,000</u>
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	215,152	12,106	-	227,258	57,197
Sick pay	409,315	-	42,895	366,420	34,929
Retirement Severance - Yrs. of Service	67,786	-	47,019	20,767	-
Net OPEB Obligation	<u>504,581</u>	<u>67,307</u>	<u>-</u>	<u>571,888</u>	<u>-</u>
Total other liabilities	<u>1,196,834</u>	<u>79,413</u>	<u>89,914</u>	<u>1,186,333</u>	<u>92,126</u>
TOTAL GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 54,417,396</u>	<u>\$ 10,148,543</u>	<u>\$ 11,902,567</u>	<u>\$ 52,663,372</u>	<u>\$ 2,032,126</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	\$ 1,406	\$ 34	\$ -	\$ 1,440	\$ -
Sick pay	1,557	-	1,038	519	-
Retirement Severance - Yrs. of Service	<u>3,115</u>	<u>-</u>	<u>2,077</u>	<u>1,038</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	<u>\$ 6,078</u>	<u>\$ 34</u>	<u>\$ 3,115</u>	<u>\$ 2,997</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:

	<u>EXPENSE</u>	<u>PAID</u>
GOVERNMENTAL ACTIVITIES:		
General obligation debt	\$ 1,651,688	\$ 1,702,568
Capital leases		
Short-term borrowings	-	-
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	<u>\$ 1,651,688</u>	<u>\$ 1,702,568</u>

General Obligation Bonds - Series of 2003

On June 19, 2003, the District issued \$6,585,000 of General Obligation Bonds - Series of 2003. The purposes of this issue are to provide funds for: (1) the advance refunding of the General Obligation Bonds - Series of 2000, and (2) paying the costs of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from September 15, 2003, to September 15, 2014. Interest rates range from 2.00% to 3.25%.

The outstanding debt service requirements at June 30, 2012, are:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 1,560,000	\$ 108,956
2013-14	1,610,000	59,808
2014-15	1,060,000	17,225
SUB-TOTAL	4,230,000	\$ 185,989
Unamortized Premium	321	
Unamortized Deferred Amt.	(68,590)	
TOTAL OUTSTANDING	\$ 4,161,731	

General Obligation Bonds – Series A of 2007

On August 15, 2007, the District issued \$9,980,000 of General Obligation Bonds – Series A of 2007. The proceeds will be used to carry out the current refunding of the District's outstanding General Obligation Note – Series of 2006 and to pay the costs and expenses. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 15, 2008 to February 15, 2031. Interest rates range from 3.70% to 4.30% with total interest indebtedness of \$7,108,690.

On May 18th, 2012, the District refunded a portion of the Series A of 2007 (\$9,525,000), with interest rates ranging from 4.1% to 4.3%, with new debt in the amount of \$9,995,000 with interest rates ranging from 2.0% to 3.4%.

SOURCES

Gross Proceeds of Bonds	\$ 9,995,000
Plus: Accrued Interest	-
Premium	-
Less: Original Issue Discount	(77,153)
Underwriter's Discount	(75,462)

TOTAL SOURCES **\$ 9,842,385**

USES

2004B Escrow Deposit	\$ 9,726,008
Issuance Costs	115,922
Sinking Fund Deposit	455

TOTAL USES **\$ 9,842,385**

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows		\$ 14,740,355
Cash Flows From New Debt:		
New Debt Service Cash Flow	\$ 13,685,361	
Less: Excess Funds Deposited in Sinking Fund	(455)	
Net cash Flows From New Debt		13,684,906
Net Difference in Cash Flows		\$ 1,055,449

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows		\$ 10,530,870
Present Value of New debt Service Cash Flows	\$ 9,573,847	
Less: Excess Funds Deposited in Sinking Fund	(455)	
TOTAL		9,573,392

ECONOMIC GAIN (LOSS) **\$ 957,478**

The remaining future debt obligations at June 30, 2012, are:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 5,000	\$ 8,390
2013-14	5,000	8,192
2014-15	5,000	7,993
2015-16	5,000	7,790
2016-17	185,000	7,585
SUB-TOTAL	205,000	\$ 39,950
Unamortized Discount	-	
Unamortized Deferred Chgs.	-	
TOTAL OUTSTANDING	\$ 205,000	

General Obligation Note – Series A of 2007

On October 31, 2007, the District issued \$8,500,000 of General Obligation Note – Series A of 2007. The proceeds will be used to carry out the current refunding of the District's outstanding General Obligation Note – Series of 2006 and to pay the cost and expenses. In conjunction with this issue, the District issued a Series A of 2008 credit note held by U.S. Bank facility, acting as the loan credit facility. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from August 1, to August 1, 2023. Interest is calculated on a variable weekly rate plus fifty-five hundredths (.55%) per annum. The outstanding debt service requirements at June 30, 2012, using the variable rate of 1.80% are:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 100,000	\$ 136,269
2013-14	100,000	146,360
2014-15	100,000	144,560
2015-16	700,000	134,125
2016-17	800,000	119,666
2017-22	4,400,000	371,129
2022-24	2,100,000	26,441
	8,300,000	\$ 1,078,550
Unamortized Discount	-	
Unamortized Deferred Chgs.	-	
TOTAL OUTSTANDING	\$ 8,300,000	

General Obligation Bonds – Series of 2008

On February 15, 2008, the District issued \$9,400,000 of General Obligation Bonds – Series of 2008. The proceeds will be used to carry out the current refunding of the District's remaining outstanding General Obligation Note – Series A of 2006, the current refunding of General Obligation Note – Series of 2008, and to pay the costs of the issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The Bonds mature from March 15, 2008 to March 15, 2026. Interest rates range from 3.25% to 4.10% with total interest indebtedness of \$6,107,052.

The outstanding debt service requirements at June 30, 2012 are:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 5,000	\$ 353,940
2013-14	5,000	353,778
2014-15	5,000	353,615
2015-16	5,000	353,452
2016-17	425,000	353,290
2017-22	2,485,000	1,524,237
2022-27	3,130,000	1,035,795
2027-31	3,180,000	331,759
SUB-TOTAL	9,240,000	\$ 4,659,866
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 9,240,000	

General Obligation Bonds – Series A of 2008

On December 15, 2008, the District issued \$9,750,000 of General Obligation Bonds – Series A of 2008. The proceeds of the Bond issue shall be applied to the funding of certain capital improvements to the District's educational facilities pursuant to a project. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 15, 2009 to February 15, 2033. Interest rates range from 3.00% to 4.85%, with total interest indebtedness of \$7,162,334.17.

The outstanding debt service requirements at June 30, 2012 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 5,000	\$ 413,815
2013-14	5,000	413,661
2014-15	5,000	413,507
2015-16	260,000	413,347
2016-17	365,000	404,377
2017-22	2,050,000	1,795,449
2022-27	2,540,000	1,304,938
2027-32	3,195,000	653,328
2032-33	735,000	35,648
SUB-TOTAL	9,160,000	\$ 5,848,070
Unamortized Discount	(53,707)	
TOTAL OUTSTANDING	\$ 9,106,293	

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

General Obligation Bonds – Series of 2009

On December 15, 2009, the District issued \$8,770,000 of General Obligation Bonds – Series of 2009. The proceeds of the Bonds will be used to (1) provide funds for the refunding of the General Obligation Note - Series of 2009. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from October 1, 2010 to October 1, 2029. Interest rates are variable and estimated with a 0.09% rate at year end. The outstanding debt service requirements at June 30, 2012, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 65,000	\$ 143,648
2013-14	75,000	154,823
2014-15	80,000	153,413
2015-16	80,000	152,388
2016-17	125,000	149,994
2017-22	705,000	713,851
2022-27	3,735,000	558,170
2027-30	3,840,000	94,642
SUB-TOTAL	8,705,000	\$ 2,120,929
Unamortized Discount	(71,943)	
Unamortized Deferred Chgs.	-	
TOTAL OUTSTANDING	\$ 8,633,057	

General Obligation Bonds – Series of 2010

On June 21, 2010, the District issued \$2,545,000 of General Obligation Bonds – Series of 2010. The proceeds of the Bonds will be to currently refund the District's General Obligation Bonds - Series of 2005 and to pay the issuance costs of the issue. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The Bonds mature from October 1, 2010 to October 1, 2029. Interest rates range from 1.5% to 3.0% with total indebtedness of \$317,913. The outstanding debt service requirements at June 30, 2012, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 200,000	\$ 62,050
2013-14	200,000	59,050
2014-15	790,000	55,050
2015-16	1,045,000	31,350
SUB-TOTAL	2,235,000	\$ 207,500
Unamortized Premium	33,045	
Unamortized Deferred Chgs.	(40,220)	
TOTAL OUTSTANDING	\$ 2,227,825	

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

General Obligation Bonds – Series of 2012

On May 18, 2012, the District issued \$9,995,000 of General Obligation Bonds – Series of 2012. The proceeds of the Bonds will be used to (1) provide funds for the partial refunding of the GOB Series of 2007, and (2) to pay costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The Bonds mature from February 15, 2013 to February 15, 2031. Interest rates range from 2.0% to 3.40% with a total indebtedness of \$3,690,362. The outstanding debt service requirements at June 30, 2012, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2012-13	\$ 5,000	\$ 204,639
2013-14	5,000	275,818
2014-15	5,000	275,717
2015-16	5,000	275,618
2016-17	5,000	275,518
2017-22	3,105,000	1,255,892
2022-27	3,590,000	852,300
2027-32	3,275,000	274,860
SUB-TOTAL	9,995,000	\$ 3,690,362
Unamortized Premium	(77,152)	
Unamortized Deferred Chgs.	(314,715)	
TOTAL OUTSTANDING	\$ 9,603,133	

Lease Rental Debt

The Lehigh Career and Technical Institute (LCTI), with authority of the nine participating school districts, has agreed to borrow up to \$53,715,000 to improve the Institute's facilities. The participating districts, such as Northwestern Lehigh School District, will be required to pay their proportionate shares of the incurred debt under the Articles of Agreement in subsequent years as "Capital Costs" under Section 4.2 of the Articles. The district's proportionate share is based on each district's percentage of their respective market value to the total market value of all participating districts.

Specifically, Lehigh Career and Technical Institute issued \$32,000,000 of revenue bonds - Series of 2003 dated March 15, 2003, and \$21,715,000 of revenue bonds - Series of 2001 dated September 15, 2001, through the State Public School Building Authority (SPSBA). The bonds are special limited obligations of the SPSBA.

The LCTI financing translates into an ongoing obligation of the participating districts for credit purposes; however, for purposes of the Local Governmental Unit Debt Act, this borrowing is not considered general obligation debt of the school districts; therefore, the future obligations of debt service are not recorded as a liability on Northwestern Lehigh's financial statements.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Combined Long-Term Debt

The combined general long-term debt obligations for subsequent years, except for compensated absences, are:

Combined Long-Term Debt

The combined general long-term debt obligations for subsequent years, except for compensated absences, are:

FISCAL YEAR	G.O.B. SERIES 2003	G.O.B. SERIES A OF 2007	G.O.N. SERIES A OF 2007	G.O.B. SERIES OF 2008	G.O.B. SERIES A OF 2008	G.O.B. SERIES OF 2009	G.O.B. SERIES OF 2010	G.O.B. SERIES OF 2012	TOTAL PRINCIPAL PAYMENTS
2012-13	\$ 1,560,000	\$ 5,000	\$ 100,000	\$ 5,000	\$ 5,000	\$ 65,000	\$ 200,000	\$ 5,000	\$ 1,945,000
2013-14	1,610,000	5,000	100,000	5,000	5,000	75,000	200,000	5,000	2,005,000
2014-15	1,060,000	5,000	100,000	5,000	5,000	80,000	790,000	5,000	2,050,000
2015-16	-	5,000	700,000	5,000	260,000	80,000	1,045,000	5,000	2,100,000
2016-17	-	185,000	800,000	425,000	365,000	125,000	-	5,000	1,905,000
2017-22	-	-	4,400,000	2,485,000	2,050,000	705,000	-	3,105,000	12,745,000
2022-27	-	-	2,100,000	3,130,000	2,540,000	3,735,000	-	3,590,000	15,095,000
2027-32	-	-	-	3,180,000	3,195,000	3,840,000	-	3,275,000	13,490,000
2032-33	-	-	-	-	735,000	-	-	-	735,000
TOTAL PRINCIPAL	4,230,000	205,000	8,300,000	9,240,000	9,160,000	8,705,000	2,235,000	9,995,000	52,070,000
LESS-PAYABLE WITHIN ONE YEAR	1,560,000	5,000	100,000	5,000	5,000	65,000	200,000	5,000	1,945,000
LONG-TERM PRINCIPAL AFTER ONE YEAR	\$ 2,670,000	\$ 200,000	\$ 8,200,000	\$ 9,235,000	\$ 9,155,000	\$ 8,640,000	\$ 2,035,000	\$ 9,990,000	\$ 50,125,000

FISCAL YEAR	G.O.B. SERIES 2003	G.O.B. SERIES A OF 2007	G.O.N. SERIES A OF 2007	G.O.B. SERIES OF 2008	G.O.B. SERIES A OF 2008	G.O.B. SERIES OF 2009	G.O.B. SERIES OF 2010	G.O.B. SERIES OF 2012	TOTAL DEBT SERVICE PAYMENTS
2012-13	\$ 1,668,956	\$ 13,390	\$ 236,269	\$ 358,940	\$ 418,815	\$ 208,648	\$ 262,050	\$ 209,639	\$ 3,376,707
2013-14	1,669,808	13,192	246,360	358,778	418,661	229,823	259,050	280,818	3,476,490
2014-15	1,077,225	12,993	244,560	358,615	418,507	233,413	845,050	280,717	3,471,080
2015-16	-	12,790	834,125	358,452	673,347	232,388	1,076,350	280,618	3,468,070
2016-17	-	192,585	919,666	778,290	769,377	274,994	-	280,518	3,215,430
2017-22	-	-	4,771,129	4,009,237	3,845,449	1,418,851	-	4,360,892	18,405,558
2022-27	-	-	2,126,441	4,165,795	3,844,938	4,293,170	-	4,442,300	18,872,644
2027-32	-	-	-	3,511,759	3,848,328	3,934,642	-	3,549,860	14,844,589
2032-33	-	-	-	-	770,648	-	-	-	770,648
TOTAL	\$ 4,415,989	\$ 244,950	\$ 9,378,550	\$ 13,899,866	\$ 15,008,070	\$ 10,825,929	\$ 2,442,500	\$ 13,685,362	\$ 69,901,216

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Compensated Absences

Sick-Pay

Any member of the Bargaining Unit with twenty-five (25) years or more of credited teaching service with PSERS and fifteen (15) or more years of service in the Northwestern Lehigh School District; and upon written notice to the Superintendent no later than March 15 indicating his/her intention to retire, shall be eligible for the following retirement severance benefits relevant to the employee's years of service with PSERS.

Unused Sick Day Conversion

Unused sick days will be converted to a severance payment according to the following chart:

Number of Unused Sick Days	Rate per Day
0-50.5	\$ 35.00
51-100.5	50.00
101-150.5	57.50
151-225.5	65.00
226+	70.00

Unused sick day severance payment shall be made in the last pay in June. If an employee's effective retirement date is prior to the end of school in any year of this Agreement, said employee shall receive his/her severance in his/her last paycheck but in no event later than June 30 of the contract year.

The District maintains records of accumulated sick days that are earned by each employee who is eligible to retire. The portion of the severance benefit recorded in the General Fund that will use currently available financial resources is \$34,929. This amount is also recorded as a current liability in the governmental activities column of the government-wide statement of net assets. The remaining potential liability of \$331,491 has been established as a long-term liability in the governmental activities column of the government-wide statement of net assets. The Food Service Fund shows \$519 as a long-term liability for sick pay. This amount is also recorded as a long-term liability in the business-type activities column of the government-wide statement of net assets.

No FICA tax has been recorded due to the fact that payment will be made in the form of a 401(a) retirement plan contribution for which the employee does not have constructive receipt.

Vacation Leave

Unused vacation leave is paid upon an employee's termination, with the exception of mid-management employees; vacation pay is not cumulative and must be used within one year. Payment will only be made for unused vacation days in the current year. Mid-management employees with 5 years or more of service can carry over a maximum of 5 days to be credited to an "end of year employment bank" which will be paid at retirement. 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, 2012, that will use currently available financial resources is \$57,197, 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 assets. The remaining vacation pay earned at June 30, 2012, of \$170,061, 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 assets. The Food Service Fund shows \$1,440 as a long-term liability

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

for vacation pay. This amount is also recorded as a long-term liability in the business-type activities column of the government-wide statement of net assets.

Defined benefit pension plans

Plan Description

Name of plan: The Public School Employees' Retirement System (the System).

Type of Plan: Governmental cost sharing multiple-employer defined benefit plan.

Benefits: Retirement and disability legislatively mandated ad hoc cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 PA C.S. 8101-8535).

Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P. O. Box 125, Harrisburg, PA 17108-0125. The report is also available in the publications section of the PSERS website at www.psers.state.pa.us.

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth.

Contribution Rates

Member Contributions: Active members, who joined the System prior to July 22, 1983, contributed at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2012, the rate of employer contribution was 8.65 percent of covered payroll. The 8.65 percent rate is comprised of a pension contribution rate of 8.00 percent for pension benefits and 0.65 percent for healthcare insurance premium assistance.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

The employer's current year covered payroll was \$12,360,807 and total payroll was \$16,455,275.

The total employee and employer contributions for this current year were \$1,204,540 and \$1,413,211, respectively.

Retirement Severance

Any teacher with fifteen (15) years or more of service with Northwestern Lehigh School District and twenty-five (25) years or more of credited service with PSERS, shall be eligible, upon retirement from the District, for a retirement severance payment as follows:

YEARS OF CREDITED PSERS SERVICE	Amount
Less than 31 years	\$ 17,000
31 years to less than 36 years	\$ 13,000
36 or more years	\$ 8,000

Upon retirement from the District, employees in the following categories shall receive retirement severance payment for each year of service, depending on the employee's years of service and age at retirement from the District.

	YEARS OF CREDITED PSERS SERVICE			
	15 Years of Svc. and 55 or Younger	15 Years of Svc. and 56 - 61	15 Years of of Svc. and 62 - 65	15 Years of Svc. and 65 or Older
Teacher Aides	\$ -	\$ -	\$ -	\$ 500
Business Office	3,000	3,000	1,500	-
Custodians	-	-	-	500
Food Services	-	-	-	500
Bus Mechanics	-	-	-	500
Bus Drivers	-	-	-	750
Mid-Management	3,000	3,000	1,500	-

In accordance with GASB Statement 16, the portion of this severance for service liability that will use currently available financial resources is \$-0-, including FICA tax (net of reimbursement), which has been recorded in the general fund and as a current liability of long-term debt in the governmental activities column of the government-wide statement of net assets. A total of \$1,038, including FICA tax (net of reimbursement) is recorded in the food service fund and as a long-term liability in the business-type activities column of the government-wide statement of net assets. The remaining portion of the retirement severance earned at June 30, 2012 of \$20,767, 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 assets.

Other Post Employment Benefits

The following table represents Northwestern Lehigh School District's other post employment benefit plan provisions:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Summary of Plan Provisions

<i>Group</i>	<i>Eligibility</i>	<i>Coverage And Premium Sharing</i>	<i>Duration</i>								
<u>I. TEACHERS</u>	<ul style="list-style-type: none"> ● 25 years of PSERS service and 15 years with NWLSD ● Act 110/43 	<ul style="list-style-type: none"> ● Coverage: Medical, Prescription Drug, and Dental. ● Premium Sharing: If the member reaches 25 years of PSERS service and 15 years of service with NWLSD, NWLSD will provide an account to the member that may be used to purchase medical, prescription drug, and dental benefits for the member. The spouse may elect coverage by paying the difference in premium between 2-party and single coverage. The initial account balance is determined by total PSERS service at retirement and follows the schedule below (note that past retirees may have followed a different schedule). <table style="margin-left: 40px; border: none;"> <tr> <td style="text-align: center;"><u>Years of PSERS service</u></td> <td style="text-align: center;"><u>Initial Account Balance</u></td> </tr> <tr> <td style="text-align: center;">Less than 31years</td> <td style="text-align: center;">\$18,500</td> </tr> <tr> <td style="text-align: center;">31 years up to 36 years</td> <td style="text-align: center;">\$14,000</td> </tr> <tr> <td style="text-align: center;">More than 36 years</td> <td style="text-align: center;">\$ 9,500</td> </tr> </table> <p>The account will be drawn down each month at a rate equal to the premium for the coverage that is elected less the PSERS Supplement (this must be supplied to NWLSD by the member). If the account balance exhausts, the member and spouse may continue coverage by paying the full premium as determined for the purpose of Cobra.</p> <p>If the member does not reach eligibility for the account above, however, the member reaches eligibility through Act 110/43, the member and spouse may continue benefits by paying the full premium as determined for the purpose of Cobra.</p> ● Dependents: Spouses included. 	<u>Years of PSERS service</u>	<u>Initial Account Balance</u>	Less than 31years	\$18,500	31 years up to 36 years	\$14,000	More than 36 years	\$ 9,500	<p>The member may continue benefits until the later of Medicare age or the exhaustion of the account.</p> <p>Benefits for the spouse will cease at the earlier of Medicare age, member Medicare age, or member death, however, the spouse can continue coverage until the account is exhausted as long as the member is also currently electing coverage.</p>
<u>Years of PSERS service</u>	<u>Initial Account Balance</u>										
Less than 31years	\$18,500										
31 years up to 36 years	\$14,000										
More than 36 years	\$ 9,500										

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Summary of Plan Provisions			
Group	Eligibility	Coverage And Premium Sharing	Duration
<u>II. Administrators</u>	<ul style="list-style-type: none"> ● 25 years of PSERS service and 15 years of service with NWLSD ● Act 110/43 	<ul style="list-style-type: none"> ● Coverage: Medical, Prescription Drug, and Dental. ● Premium Sharing: If the member reaches 25 years of PSERS service and 15 years of service with NWLSD, the member will be allowed to convert unused sick leave into medical, prescription drug, and dental coverage for the member's entire family. The member is responsible for providing NWLSD with the PSERS Supplement while receiving the paid benefit. The conversion rates for the different tiers of coverage are listed below. When the remaining sick leave reaches a level where a full year of coverage cannot be purchased, the monthly conversion will be used. <p style="text-align: center;"><u>Tier of Coverage</u> <u>Sick Leave Conversion Rate</u></p> <p style="text-align: center;">Single 25 days/year or 2 days/month Husband/Wife.....45 days/year or 4 days/month Family.....50 days/year or 4 days/month</p> <p>If coverage for either the member or spouse extends beyond age 65, the participant will be required to switch to a Medicare Supplemental plan.</p> <p>If the member either doesn't reach eligibility for the sick leave conversion benefit but does reach eligibility through Act 110/43 or the member exhausts the sick leave benefit prior to age 65, the member and the spouse may elect to continue coverage by paying the full premium as determined for the purpose of COBRA.</p> <ul style="list-style-type: none"> ● Dependents: Families Included 	<p>The member may continue benefits until the later of Medicare age or the exhaustion of the sick leave conversion benefit.</p> <p>Benefits for the spouse will cease at the earlier of Medicare eligibility, member Medicare eligibility, or member death, however, the spouse can continue coverage until the exhaustion of the sick leave conversion benefit as long as the member is also currently electing coverage.</p>
<u>III. Support Staff</u>	Act 110/43	Act 110/43	Act 110/43

Notes:: Act 110/43 Benefit: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years regardless of age). Retired employees are allowed to continue coverage for themselves and their dependents in the employer' 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 Supplement: A retiree may receive a \$100 monthly medical reimbursement form PSERS if he (or she) meets one of the following qualifications at retirement:

1. 24.5 years of PSERS service
2. Termination of employment on or after age 62 with at least 15 years of PSERS service.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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

Contribution Rates:	OPEB Benefit Actuarially Determined
Interest Rate	4.5%
Plan Members	316
Annual Required Contribution	\$ 354,216
Interest on net OPEB obligation	22,706
Adjustment to annual required contributio	<u>(30,977)</u>
Annual OPEB cost	345,945
Contributions made	<u>(278,638)</u>
Increase in net OPEB obligation	67,307
Net OPEB obligation - beginning of year	<u>504,581</u>
Net OPEB obligation - end of year	<u>\$ 571,888</u>

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 345,945	80.5%	\$ 571,888
6/30/2011	347,095	79.8%	504,581
6/30/2010	379,816	46.2%	434,403
6/30/2009	383,586	40.0%	230,051

Funding status and Funding Progress. The funded status of the benefits as of June 30, 2012, was as follows:

	Healthcare Benefit Governmental Activity
Actuarial accrued liability (a)	\$ 3,087,885
Actuarial value of plan assets (b)	<u>-</u>
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 3,087,885</u>
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 14,352,166
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	21.5%

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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 assets 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:

	Healthcare Benefit
Actuarial Valuation Date	7/1/2010
Actuarial Cost Method	Entry Age Normal
	Level dollar method over a 30 year period
Amortization Method	27 years
Remaining amortization period	pay as you go basis
Asset Valuation Method	
Actuarial Assumptions:	
Investment rate of return	4.5%
Projected salary increases	4.25% to 7.25%
Healthcare inflation rate	
	2012 6.5%
	2013 6.0%
	2014 5.5%
	2015 5.0%
	2016 + 5.0%

Note 6 - Risk Management

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

Note 7 - Fund Balance Allocations

Nonspendable Fund Balance

The General Fund had \$337,370, in nonspendable fund balance at June 30, 2012, comprised of prepaid expenditures.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Restricted Fund Balance

The two Capital Project Funds have restrictions on the use of the resources at year end. The Capital Reserve Fund's \$1,508,310 fund balance at year end is restricted because of enabling legislation under the Municipal Code in Pennsylvania. Section 1432 of this Code restricts the use of resources for limited purposes.

In addition, the debt covenant on Bond issues restricts the proceeds shown in the Construction Funds for the purposes outlined in the bond resolutions. As such, the \$1,239,550, in fund balance at year end within this fund is considered restricted.

The General Fund has \$16,223 restricted for unspent grants from the Northwestern Lehigh School District Educational Foundation.

Committed Fund Balance

The governing body (Board of School Directors) has committed \$9,639,446, of the General Fund's year end fund balance for the following purposes:

Future Retirement Rate increases	\$2,135,343
Other Post-Employment Benefits	\$2,776,403
Future Debt Service Rate increases	\$1,760,200
Increases in Healthcare	\$1,765,000
Energy Rate increases	\$1,202,500

Assigned Fund Balance

The General Fund has \$(650,000), assigned for future technology purchases (\$835,000), for purchases of textbooks, (\$575,000) for purchases of buses, and (\$898,474) to balance the 2012-13 budget.

Note 8 - Restricted Net Assets

Invested in Capital Assets, Net of Related Debt

The components of this restriction in the governmental activities column is total capital assets of \$65,524,999, unspent proceeds of \$1,239,550, with related debt of \$50,826,385, which includes unamortized bonds discounts, premiums, issuance costs and deferred refunding charges. In addition, the governmental activities column has \$1,508,310 restricted for capital projects. The business-type activities column reflects \$216,106 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, 2012.

Litigation

In accordance with the solicitor's legal letter, there is no pending litigation involving contingent liabilities, as of June 30, 2012, that would materially affect the financial position of the District.

**REQUIRED
SUPPLEMENTAL INFORMATION**

**Northwestern Lehigh School District
 Schedule of Funding Progress
 Fiscal Year Ended June 30, 2012**

Healthcare Benefit							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b - a) / c)	
7/1/2010	\$ -	3,087,885	3,087,885	0.0%	\$ 14,352,166	21.52%	
7/1/2008	-	\$ 3,129,378	\$ 3,129,378	0.0%	14,982,081	20.89%	
7/1/2006	-	-	-	0.0%	-	0.00%	

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

Northwestern Lehigh School District
Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds
For the Year Ended June 30, 2012

	CARL BETZ SCHOLAR. FUND	CLASS OF 1996 SCHOLAR. FUND	STUDENT COUNCIL SCHOLAR. FUND	CLASS OF 2000 SCHOLAR. FUND	LAURETTA LEAR SCHOLAR. FUND	DAVID FALLINGER SCHOLAR. FUND	ROTH MARZ SCHOLAR. FUND	MORTON GENERAL SCHOLAR. FUND	STEPHEN KOHLER MEMORIAL SCHOLAR. FUND	CLASS OF 1990 SCHOLAR. FUND	WEISEN- BERG SCHOLAR. FUND	KEY CLUB SCHOLAR. FUND
ASSETS												
Cash	\$ 6,198	\$ 1,519	\$ 366	\$ 2,738	\$ 2,656	\$ 6,058	\$ 11,073	\$ 54,782	\$ 7,473	\$ 2,278	\$ 403	\$ 181
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 6,198	\$ 1,519	\$ 366	\$ 2,738	\$ 2,656	\$ 6,058	\$ 11,073	\$ 54,782	\$ 7,473	\$ 2,278	\$ 403	\$ 181
LIABILITIES												
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund Payables	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
NET ASSETS												
Held in Trust for future recipients	\$ 6,198	\$ 1,519	\$ 366	\$ 2,738	\$ 2,656	\$ 6,058	\$ 11,073	\$ 54,782	\$ 7,473	\$ 2,278	\$ 403	\$ 181

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the Year Ended June 30, 2012

	CARL BETZ SCHOLAR. FUND	CLASS OF 1996 SCHOLAR. FUND	STUDENT COUNCIL SCHOLAR. FUND	CLASS OF 2000 SCHOLAR. FUND	LAURETTA LEAR SCHOLAR. FUND	DAVID FALLINGER SCHOLAR. FUND	ROTH MARZ SCHOLAR. FUND	MORTON GENERAL SCHOLAR. FUND	STEPHEN KOHLER MEMORIAL SCHOLAR. FUND	CLASS OF 1990 SCHOLAR. FUND	WEISEN- BERG SCHOLAR. FUND	KEY CLUB SCHOLAR. FUND
ADDITIONS:												
Contributions	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ 6,600	\$ -	\$ -	\$ 2,169	\$ 250
Interfund Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
INVESTMENT EARNINGS:												
Interest and dividends	40	11	3	18	18	40	74	364	49	15	9	1
TOTAL ADDITIONS	40	11	103	18	18	40	74	6,964	49	15	2,178	251
DEDUCTIONS:												
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-
Awards	-	100	150	100	50	100	200	7,000	50	100	2,500	250
TOTAL DEDUCTIONS	-	100	150	100	50	100	200	7,000	50	100	2,500	250
CHANGES IN NET ASSETS	40	(89)	(47)	(82)	(32)	(60)	(126)	(36)	(1)	(85)	(322)	1
NET ASSETS - BEG. OF YR	6,158	1,608	413	2,820	2,688	6,118	11,199	54,818	7,474	2,363	725	180
NET ASSETS - END OF YR	\$ 6,198	\$ 1,519	\$ 366	\$ 2,738	\$ 2,656	\$ 6,058	\$ 11,073	\$ 54,782	\$ 7,473	\$ 2,278	\$ 403	\$ 181

CLASS OF 1998 SCHOLAR. FUND	JUSTIN HUMMEL SCHOLAR. FUND	CLASS OF 2003 SCHOLAR. FUND	CLASS OF 2006 SCHOLAR. FUND	LYNDSAY BLOSE SCHOLAR. FUND	NWLS D SCHOLAR. FUND	CLASS OF 2007 SCHOLAR. FUND	FISHER SCHOLAR. FUND	RESH SCHOLAR. FUND	KISTLER SCHOLAR. FUND	NEMES FISHER SCHOLAR. FUND	CLASS OF 2008 SCHOLAR. FUND	SCIENCE CLUB SCHOLAR. FUND	TOTAL
\$ 343	\$ 4,693	\$ 460	\$ 2,001	\$ 8,622	\$ 2	\$ 599	\$ 90	\$ 13,962	\$ 3	\$ 4,527	\$ 2,435	\$ 1	\$ 133,463
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>\$ 343</u>	<u>\$ 4,693</u>	<u>\$ 460</u>	<u>\$ 2,001</u>	<u>\$ 8,622</u>	<u>\$ 2</u>	<u>\$ 599</u>	<u>\$ 90</u>	<u>\$ 13,962</u>	<u>\$ 3</u>	<u>\$ 4,527</u>	<u>\$ 2,435</u>	<u>\$ 1</u>	<u>\$ 133,463</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>\$ 343</u>	<u>\$ 4,693</u>	<u>\$ 460</u>	<u>\$ 2,001</u>	<u>\$ 8,622</u>	<u>\$ 2</u>	<u>\$ 599</u>	<u>\$ 90</u>	<u>\$ 13,962</u>	<u>\$ 3</u>	<u>\$ 4,527</u>	<u>\$ 2,435</u>	<u>\$ 1</u>	<u>\$ 133,463</u>

CLASS OF 1998 SCHOLAR. FUND	JUSTIN HUMMEL SCHOLAR. FUND	CLASS OF 2003 SCHOLAR. FUND	CLASS OF 2006 SCHOLAR. FUND	LYNDSAY BLOSE SCHOLAR. FUND	NWLS D SCHOLAR. FUND	CLASS OF 2007 SCHOLAR. FUND	FISHER SCHOLAR. FUND	RESH SCHOLAR. FUND	KISTLER SCHOLAR. FUND	NEMES FISHER SCHOLAR. FUND	CLASS OF 2008 SCHOLAR. FUND	SCIENCE CLUB SCHOLAR. FUND	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,198	\$ -	\$ -	\$ 800	\$ -	\$ 3,006	\$ -	\$ 1,200	\$ 16,323
-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	31	4	14	57	7	5	1	90	1	21	16	1	893
3	31	4	14	57	2,205	5	1	890	1	3,027	16	1,201	17,216
-	-	-	-	-	-	-	-	-	-	-	-	-	-
100	50	100	100	50	2,500	100	-	500	200	50	100	1,200	15,650
100	50	100	100	50	2,500	100	-	500	200	50	100	1,200	15,650
(97)	(19)	(96)	(86)	7	(295)	(95)	1	390	(199)	2,977	(84)	1	1,566
440	4,712	556	2,087	8,615	297	694	89	13,572	202	1,550	2,519	-	131,897
<u>\$ 343</u>	<u>\$ 4,693</u>	<u>\$ 460</u>	<u>\$ 2,001</u>	<u>\$ 8,622</u>	<u>\$ 2</u>	<u>\$ 599</u>	<u>\$ 90</u>	<u>\$ 13,962</u>	<u>\$ 3</u>	<u>\$ 4,527</u>	<u>\$ 2,435</u>	<u>\$ 1</u>	<u>\$ 133,463</u>

Northwestern Lehigh School District
Combining Statement of Net Assets - All Enterprise Funds
As of June 30, 2012

ASSETS	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
Cash	\$ 43,636	\$ 147,270	\$ 190,906
Investments	-	-	-
Due From Other Funds	422	217,327	217,749
Due From Other Governments	-	5,333	5,333
Other Receivables	-	600	600
Inventory	-	15,296	15,296
Prepaid Expenses	-	-	-
Building Improvements, net of Accum. depreciation	-	67,173	67,173
Equipment, net of Accum. Depreciation	<u>27,462</u>	<u>121,471</u>	<u>148,933</u>
TOTAL ASSETS	<u>\$ 71,520</u>	<u>\$ 574,470</u>	<u>\$ 645,990</u>
LIABILITIES AND NET ASSETS			
Due To Other Funds	\$ 7,169	\$ 407,361	\$ 414,530
Accounts Payable	-	-	-
Intergovernmental Payables	-	-	-
Accrued Salaries and Benefits	-	103	103
Accrued Compensated Absences	-	1,959	1,959
Other Retirement Benefits	-	1,038	1,038
Deferred Revenues	<u>2,390</u>	<u>14,970</u>	<u>17,360</u>
TOTAL LIABILITIES	9,559	425,431	434,990
Invested in capital assets, with no related debt	27,462	188,644	216,106
Unrestricted Net Assets	<u>34,499</u>	<u>(39,605)</u>	<u>(5,106)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 71,520</u>	<u>\$ 574,470</u>	<u>\$ 645,990</u>

Northwestern Lehigh School District
Combining Statement of Revenues, Expenses, and Changes
in Net Assets - All Enterprise Funds
For the Year Ended June 30, 2012

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES			
Food Service Revenue	\$ 14,107	\$ 527,078	\$ 541,185
Other Operating Revenue	5,828	6,660	12,488
TOTAL OPERATING REVENUES	<u>19,935</u>	<u>533,738</u>	<u>553,673</u>
	-----	-----	-----
OPERATING EXPENSES			
Salaries	2,057	279,963	282,020
Employee Benefits	352	71,699	72,051
Professional Services	-	-	-
Purchased Property Services	1,275	29,081	30,356
Other Purchased Services	-	2,488	2,488
Supplies	9,520	396,844	406,364
Depreciation	1,780	29,201	30,981
Other Operating Expenses	-	1,303	1,303
TOTAL OPERATING EXPENSES	<u>14,984</u>	<u>810,579</u>	<u>825,563</u>
	-----	-----	-----
OPERATING PROFIT (LOSS)	4,951	(276,841)	(271,890)
	-----	-----	-----
NON-OPERATING REVENUES			
Earnings on Investments	162	131	293
Contributions/Donations	1,875	-	1,875
State Sources	167	45,062	45,229
Federal Sources	-	213,577	213,577
TOTAL NON-OPERATING REVENUES	<u>2,204</u>	<u>258,770</u>	<u>260,974</u>
	-----	-----	-----
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	7,155	(18,071)	(10,916)
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>
	-----	-----	-----
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	7,155	(18,071)	(10,916)
Capital Contributions	-	-	-
Gain or Loss on Sale of Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>
	-----	-----	-----
CHANGES IN NET ASSETS	7,155	(18,071)	(10,916)
NET ASSETS - JULY 1, 2011	<u>54,806</u>	<u>167,110</u>	<u>221,916</u>
	-----	-----	-----
NET ASSETS - JUNE 30, 2012	<u>\$ 61,961</u>	<u>\$ 149,039</u>	<u>\$ 211,000</u>

Northwestern Lehigh School District
Combining Statement of Cash Flows - All Enterprise Funds
For the Year Ended June 30, 2012

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from users	\$ 13,939	\$ 306,147	\$ 320,086
Cash received from assessments to other funds	-	-	-
Cash received from earnings on investments	-	-	-
Cash received from other operating revenue	5,828	12,386	18,214
Cash paid to employees	(2,409)	(367,222)	(369,631)
Cash payments to insurance claims	-	-	-
Cash paid to suppliers	(7,546)	(18,333)	(25,879)
Cash payments for other operating expenses	-	(1,303)	(1,303)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>9,812</u>	<u>(68,325)</u>	<u>(58,513)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Contributions	1,875	-	1,875
State Sources	167	45,697	45,864
Federal Sources	-	172,298	172,298
Interfund Transfers	-	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>2,042</u>	<u>217,995</u>	<u>220,037</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(5,050)	(8,566)	(13,616)
Capital Contributions	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(5,050)</u>	<u>(8,566)</u>	<u>(13,616)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	162	131	293
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,966	141,235	148,201
CASH AND CASH EQUIVALENTS - JULY 1, 2011	<u>36,670</u>	<u>6,035</u>	<u>42,705</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2012	<u>\$ 43,636</u>	<u>\$ 147,270</u>	<u>\$ 190,906</u>

Northwestern Lehigh School District
Combining Statement of Cash Flows - All Enterprise Funds
For the Year Ended June 30, 2012

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

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
	<u> </u>	<u> </u>	<u> </u>
OPERATING INCOME (LOSS)	\$ 4,951	\$ (276,841)	\$ (271,890)
	-----	-----	-----
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Depreciation	1,780	29,201	30,981
Donated Commodities used	-	44,598	44,598
NET CHANGES IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	-	(600)	(600)
(Increase) Decrease in Interfund Receivable	(168)	(217,327)	(217,495)
(Increase) Decrease in Inventories	-	(4,010)	(4,010)
(Increase) Decrease in Prepaid Expenses	-	2,722	2,722
Increase (Decrease) in Interfund Payable	2,409	367,974	370,383
Increase (Decrease) in Accounts Payable	-	-	-
Increase (Decrease) in Accrued Salaries and Benefits	-	(15,560)	(15,560)
Increase (Decrease) in Deferred Revenue	840	1,518	2,358
TOTAL ADJUSTMENTS	<u>4,861</u>	<u>208,516</u>	<u>213,377</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 9,812</u>	<u>\$ (68,325)</u>	<u>\$ (58,513)</u>

**Northwestern Lehigh School District
Combining Balance Sheet
All Agency Funds
As of June 30, 2012**

ASSETS	ACTIVITY FUND	PAYROLL FUND	TOTAL
Cash	\$ 128,460	\$ 39,015	\$ 167,475
Due from Other Funds	-	-	-
Accounts Receivable	-	-	-
Prepaid Expenses	-	-	-
TOTAL ASSETS	<u>\$ 128,460</u>	<u>\$ 39,015</u>	<u>\$ 167,475</u>
LIABILITIES			
Accounts Payable	\$ 11,515	\$ -	\$ 11,515
Intergovernmental Payable	-	-	-
Due Student Organizations	116,892	-	116,892
Payroll Deductions	-	34,200	34,200
Interfund Payable	53	4,815	4,868
TOTAL LIABILITIES	<u>\$ 128,460</u>	<u>\$ 39,015</u>	<u>\$ 167,475</u>

**Northwestern Lehigh School District
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2012**

<u>ACTIVITY FUND</u>	<u>BALANCE 7/1/11</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE 6/30/12</u>
ASSETS:				
Cash	\$ 119,195	\$ 327,832	\$ 318,567	\$ 128,460
Interfund Receivable	-	-	-	-
Accounts Receivable	979	-	979	-
Prepaid Expenses	-	-	-	-
TOTAL ASSETS	<u>\$ 120,174</u>	<u>\$ 327,832</u>	<u>\$ 319,546</u>	<u>\$ 128,460</u>
LIABILITIES:				
Accounts Payable	\$ 9,178	\$ 11,515	\$ 9,178	\$ 11,515
Intergovernmental Payable	-	-	-	-
Interfund Payables	3,062	53	3,062	53
Due to Student Organizations	107,934	316,264	307,306	116,892
TOTAL LIABILITIES	<u>\$ 120,174</u>	<u>\$ 327,832</u>	<u>\$ 319,546</u>	<u>\$ 128,460</u>
 <u>PAYROLL FUND</u>				
ASSETS:				
Cash	\$ 5,143	\$ 17,453,887	\$ 17,420,015	\$ 39,015
Other Accounts Receivable	-	-	-	-
Interfund Receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 5,143</u>	<u>\$ 17,453,887</u>	<u>\$ 17,420,015</u>	<u>\$ 39,015</u>
LIABILITIES:				
Accounts Payable	\$ 233	\$ -	\$ 233	\$ -
Interfund Payable	4,571	4,815	4,571	4,815
Accrued Payroll Deductions	339	17,449,072	17,415,211	34,200
TOTAL LIABILITIES	<u>\$ 5,143</u>	<u>\$ 17,453,887</u>	<u>\$ 17,420,015</u>	<u>\$ 39,015</u>
 <u>ALL AGENCY FUNDS</u>				
ASSETS:				
Cash	\$ 124,338	\$ 17,781,719	\$ 17,738,582	\$ 167,475
Interfund Receivables	-	-	-	-
Accounts Receivable	979	-	979	-
Prepaid Expenses	-	-	-	-
TOTAL ASSETS	<u>\$ 125,317</u>	<u>\$ 17,781,719</u>	<u>\$ 17,739,561</u>	<u>\$ 167,475</u>
LIABILITIES:				
Accounts Payable	\$ 9,411	\$ 11,515	\$ 9,411	\$ 11,515
Intergovernmental Payable	-	-	-	-
Due to Student Organizations	107,934	316,264	307,306	116,892
Accrued Payroll Deductions	339	17,449,072	17,415,211	34,200
Interfund Payable	7,633	4,868	7,633	4,868
TOTAL LIABILITIES	<u>\$ 125,317</u>	<u>\$ 17,781,719</u>	<u>\$ 17,739,561</u>	<u>\$ 167,475</u>

Northwestern Lehigh School District
Combining Balance Sheet - All Capital Project Funds
As of June 30, 2012

	CAPITAL RESERVE FUND	2008A - 33 CONSTRUCTION FUND	2009 CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 483,833	\$ 447,927	\$ 72,368	\$ 1,004,128
Investments	1,000,000	300,000	400,000	1,700,000
Due from other funds	-	-	-	-
Accrued Interest Receivables	27,508	8,252	11,003	46,763
Prepaid Expenditures	-	-	-	-
Other Current Assets	-	-	-	-
	\$ 1,511,341	\$ 756,179	\$ 483,371	\$ 2,750,891
TOTAL ASSETS				
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Accounts Payable	3,031	-	-	3,031
Intergovernmental Payables	-	-	-	-
Deferred Revenues	-	-	-	-
Other Current Liabilities	-	-	-	-
TOTAL LIABILITIES	3,031	-	-	3,031
	-----	-----	-----	-----
FUND BALANCES:				
Restricted Fund Balance	1,508,310	756,179	483,371	2,747,860
Assigned Fund Balance	-	-	-	-
TOTAL FUND BALANCES	1,508,310	756,179	483,371	2,747,860
	\$ 1,511,341	\$ 756,179	\$ 483,371	\$ 2,750,891
TOTAL LIABILITIES AND FUND BALANCES				

Northwestern Lehigh School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2012

	CAPITAL RESERVE FUND	2008A - 33 CONSTRUCTION FUND	2009 CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES				
Local Sources	\$ 28,835	\$ 10,877	\$ 11,344	\$ 51,056
State Sources	-	-	-	-
Federal Sources	-	-	-	-
TOTAL REVENUES	<u>28,835</u>	<u>10,877</u>	<u>11,344</u>	<u>51,056</u>
EXPENDITURES				
Instruction	-	-	-	-
Support Services	-	-	-	-
Operation of Non-Instructional Services	-	-	-	-
Capital Outlay	150,046	126,408	325,204	601,658
Debt Service	-	-	-	-
TOTAL EXPENDITURES	<u>150,046</u>	<u>126,408</u>	<u>325,204</u>	<u>601,658</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(121,211)</u>	<u>(115,531)</u>	<u>(313,860)</u>	<u>(550,602)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	-	-
Bond Discount	-	-	-	-
Interfund Transfers In	-	-	-	-
Sale/Compensation for Fixed Assets	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Refunds of Prior Year Receipts	-	-	-	-
Operating Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>(121,211)</u>	<u>(115,531)</u>	<u>(313,860)</u>	<u>(550,602)</u>
FUND BALANCES - BEGINNING	<u>1,629,521</u>	<u>871,710</u>	<u>797,231</u>	<u>3,298,462</u>
FUND BALANCES - ENDING	<u>\$ 1,508,310</u>	<u>\$ 756,179</u>	<u>\$ 483,371</u>	<u>\$ 2,747,860</u>

**Northwestern Lehigh School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2012**

<u>CURRENT REAL ESTATE TAXES</u>	<u>HEIDELBERG TOWNSHIP</u>	<u>LOWHILL TOWNSHIP</u>	<u>LYNN TOWNSHIP</u>	<u>WEISENBERG TOWNSHIP</u>	<u>TOTALS</u>
Original Assessment	\$ 77,985,300	\$ 80,982,450	\$ 100,776,950	\$ 191,957,950	\$ 451,702,650
Millage Rate	0.05066	0.05066	0.05066	0.05066	0.05066
Total Assessed Tax Amount	3,950,740	4,102,574	5,105,366	9,724,597	22,883,277
Less: Act 1 Reduction	152,820	101,790	184,721	226,618	665,949
TAX PER DUPLICATE	3,797,920	4,000,784	4,920,645	9,497,979	22,217,328
PLUS - Additions	5,428	1,760	1,968	215	9,371
- Penalties	14,527	9,298	20,252	22,003	66,080
TAXES TO BE COLLECTED	3,817,875	4,011,842	4,942,865	9,520,197	22,292,779
LESS - Discounts	59,071	63,301	77,233	150,556	350,161
- Outstanding Additions	-	-	55	-	55
- Reductions	2,101	-	-	-	2,101
- Refunds	-	-	-	76,149	76,149
- Returned to County	164,799	117,460	192,190	210,059	684,508
- Exonerations	-	-	-	-	-
NET CURRENT R. E. TAXES COLLECTED	\$ 3,591,904	\$ 3,831,081	\$ 4,673,387	\$ 9,083,433	\$ 21,179,805
INTERIM R. E. TAXES COLLECTED	\$ 13,815	\$ 10,533	\$ 19,411	\$ 63,112	\$ 106,871

Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012

REVENUES

LOCAL SOURCES:

Current Real Estate Taxes	\$ 21,179,805	
Interim Real Estate Taxes	106,871	
Public Utility	32,749	
Payment in Lieu of Taxes	5,707	
Current Per Capita Taxes - 511	-	
Current Per Capita Taxes - 679	-	
Occupational Privilege Tax	41,141	
Earned Income Tax	2,296,808	
Real Estate Transfer Tax	212,667	
Amusement Taxes	13,164	
Delinquent Real Estate Taxes	743,734	
Delinquent Interim Real Estate Taxes	7,765	
Delinquent Per Capita Taxes - 511	228	
Delinquent Per Capita Taxes - 679	228	
Delinquent Occupation Taxes	-	
Interest	181,603	
Admissions	52,862	
Fees	1,167	
Other Student Activity Income	11,378	
Revenue Received from I.S. - State	3,700	
I/U Services - Federal	404,410	
Other Revenue I.U. Sources	-	
Rentals	11,116	
Contributions	124,644	
Regular Day School Tuition	-	
Summer School	-	
Adult School	6,493	
Receipts from Other LEA's - Education	39,570	
Other Tuition From Patrons	4,657	
Miscellaneous	29,998	
Refunds of Prior Yr. Expenditures	211,317	
TOTAL LOCAL SOURCE REVENUE	211,317	\$ 25,723,782

STATE SOURCES:

Basic Subsidy - ESBE	5,317,742
Read to Succeed	-
Charter Schools	-
School Performance	-
Orphan Tuition	47,893
Homebound	-
Vocational Education	-
Special Education	1,306,276
SUB-TOTAL	6,671,911

**Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012**

REVENUE (CONT'D)

SUB-TOTAL (CARRIED FORWARD)	\$	6,671,911	
Transportation		894,575	
Rentals		373,431	
Health Services		42,420	
State Property Tax Reduction Allocation		665,966	
Dual Enrollment		-	
Sewage		-	
PA Accountability Grant		85,745	
Project 720 HS		-	
DCED Pavilion		-	
FICA Revenue		603,493	
Retirement Revenue		688,914	
Classrooms for the Future		-	
TOTAL STATE SOURCE REVENUE		<u> </u>	\$ 10,026,455

FEDERAL SOURCES:

Title I	170,583	
Title II A	31,424	
Title I - ARRA	-	
State Fiscal Stabilization Fund - ARRA	-	
Education Jobs Grant	5,877	
Drug Free	-	
Medical Assistance Reimbursement	1,950	
TOTAL FEDERAL SOURCE REVENUE	<u> </u>	<u>209,834</u>
TOTAL REVENUE		<u>35,960,071</u>

EXPENDITURES

Regular Programs - Elem./Secondary	12,527,836
Federally Funded Regular Programs	183,659
Special Education	-
Life Skills Support - Public	180,771
Deaf or Hearing Impaired Support	-
Blind or Visually Impaired Support	-
Speech & Language Impaired	167,736
Emotional Support - Public	315,331
Academic Support	-
Learning Support - Public	2,194,694
Gifted Support	105,429
Physical Support	-
Multi-Handicapped Support	-
Early Intervention Support	-
Other Support	1,665,545
SUB-TOTAL	<u>17,341,001</u>

**Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012**

SUB-TOTAL (CARRIED FORWARD)	\$ 17,341,001
Home Economics	-
Business Education	-
Other Vocational Education Programs	942,843
Drivers Education	2,200
Homebound Instruction	6,387
Adjudicated/Court Placed Programs	766
Alternative Education Program	-
Additional Other Instructional Program	-
Non-Public School Programs	7,412
Adult Education	5,912
Community College Programs	282,698
Supervision of Pupil Personnel Services	306,065
Guidance Services	-
Counseling Services	628,430
Attendance Services	-
Psychological Services	175,521
Other Pupil Personnel Services	-
Support Services - Instructional Staff	-
Technology Support Services	-
Educational Television Services	4,025
Computer Assisted Instruction Services	89,859
School Library Services	474,013
Instructional & Curriculum Dev. Service	250,499
Instructional Staff Development Services	-
Instructional Staff Development	38,919
Instructional Staff Development - Non-certified	45
Other Instructional Staff Services	-
Board Services	39,496
Board Treasurer Services	-
Tax Assessment & Collection Service	121,013
Staff Relations	-
Legal Services	129,324
Office of the Superintendent Services	269,086
Community Relations Services	190
Office of the Principal Services	1,357,505
Other Administration Services	2,028
Medical Services	236,189
Dental Services	96
Nursing Services	-
Non-Public Health Services	-
Support Services - Business	597,684
SUB-TOTAL	23,309,206

**Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012**

SUB-TOTAL (CARRIED FORWARD)	\$	23,309,206
Operation and Maintenance of Plant Services		3,181,184
Security Services		24,155
Student Transportation Services		1,957,942
Support Services - Central		-
System-Wide Technology Services		399,334
Recruitment and Placement Services		204,420
Staff Development Services		6,882
Non-Instructional Dev - Non Cert		8,213
Other Support Services		37,684
School Sponsored Student Activities		161,297
School Sponsored Athletics		464,270
Community Services		5,000
Existing Site Improvement Services		-
Building Acquisition and Construction Services		-
Existing Building Improvement Services		-
Debt Service		3,545,566
Refund of Prior Yr. Receipts		42,002
TOTAL EXPENDITURES		\$ 33,347,155
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		 2,612,916
 <u>OTHER FINANCING SOURCES (USES)</u>		
Proceeds from Extended Term Financing		-
Debt Service Fund Transfers		-
Transfer from Activity Funds		-
Transfer from Tiger Concession Fund		-
Sale of Fixed Assets		-
Special Revenue Fund Transfers		-
Capital Projects Funds Transfers		-
Debt Service Fund Transfers		-
Food Service Fund Transfers		-
Tiger Concession Fund Transfers		-
Activity Fund Transfers		-
TOTAL OTHER FINANCING SOURCES (USES)		-
 Special Items		 -
Extraordinary Items		-
 NET CHANGE IN FUND BALANCE		 2,612,916
 FUND BALANCE - JULY 1, 2011		 12,642,299
 FUND BALANCE - JUNE 30, 2012		 \$ 15,255,215

Northwestern Lehigh School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2012

REVENUES

Student Payments	\$ 519,833	
Adult Payments	4,241	
Kitchen Sales	3,004	
Miscellaneous	-	
Federal Donated Commodities	46,264	
Federal Subsidies	167,313	
State Subsidies	45,062	
Transfer from General Fund	-	
Interest	131	
Special Events	<u>6,660</u>	\$ 792,508

COST OF SALES

Beginning Inventory - July 1, 2011	9,620	
Purchases - Food and Milk	328,364	
- Donated Commodities	46,265	
- Supplies	27,891	
LESS: Ending Inventory - June 30, 2012	<u>(15,296)</u>	<u>396,844</u>

GROSS PROFIT

395,664

EXPENSES

Payroll	279,963	
Taxes and Benefits	71,699	
Professional Services	-	
Purchased Property Services	29,081	
Travel	1,278	
Advertising	-	
Tech Communications	220	
Printing & Binding	990	
Depreciation	29,201	
Equipment	995	
Dues & Fees	<u>308</u>	<u>413,735</u>

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS

(18,071)

Gain or Loss on Sale of Fixed Assets

-

Capital Contributions

-

CHANGES IN NET ASSETS

(18,071)

NET ASSETS - JULY 1, 2011

167,110

NET ASSETS - JUNE 30, 2012

\$ 149,039

**Northwestern Lehigh School District
Food Service Fund
Statement of Net Assets
As of June 30, 2012**

ASSETS

Cash	\$ 147,270	
Interfund Receivables	217,327	
Subsidies Receivable	5,333	
Other Receivable	600	
Inventories	15,296	
Prepaid Expenses	-	
Building Improvements, net of Accum. Depreciation	67,173	
Equipment, net of Accum. Depreciation	<u>121,471</u>	
TOTAL ASSETS		<u>\$ 574,470</u>

LIABILITIES AND NET ASSETS

Accounts Payable	-	
Interfund Accounts Payable	407,361	
Accrued Salaries and Benefits	103	
Accrued Compensated Absences	1,959	
Other Retirement Benefits	1,038	
Deferred Revenue	14,970	
NET ASSETS - JUNE 30, 2012	<u>149,039</u>	
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 574,470</u>

**Northwestern Lehigh School District
Tiger Concession Fund
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2012**

REVENUES

Concession Stand Revenues	\$ 14,107	
Other Revenue	5,828	
Interest	162	
Contributions/Donations	1,875	
State Sources	167	
Transfer from the General Fund	-	\$ 22,139

COST OF SALES

Beginning Inventory - July 1, 2011	-	
Food	8,347	
Supplies	1,173	
Less: Ending Inventory - June 30, 2012	-	9,520

GROSS PROFIT

12,619

EXPENSES

Payroll	2,057	
Taxes and Benefits	352	
Other Professional Services	-	
Repairs and Maintenance	1,275	
Small Tools	-	
Depreciation	1,780	5,464

CHANGES IN NET ASSETS

7,155

NET ASSETS - JULY 1, 2011

54,806

NET ASSETS - JUNE 30, 2012

\$ 61,961

**Northwestern Lehigh School District
Payroll Fund
Statement of Additions and Deletions
For the Year Ended June 30, 2012**

CASH BALANCE - JULY 1, 2011		\$ 5,143
<u>ADDITIONS</u>		
Transfers From Other Funds	\$ 17,453,642	
Interest	<u>245</u>	17,453,887
TOTAL FUNDS AVAILABLE		17,459,030
<u>DELETIONS</u>		
		<u>17,420,015</u>
CASH BALANCE - JUNE 30, 2012		<u>\$ 39,015</u>

RECONCILIATION

Due from Other Funds	\$ -	
Accounts Payable	-	
Misc. deductions	392	
Retro Retirement	-	
Occupational Tax	-	
Due to General Fund	4,815	
Fica	-	
Flex Spending	11,036	
Dependent Care	<u>22,772</u>	
TOTAL LIABILITIES		<u>\$ (39,015)</u>

**Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012**

FUND BALANCE - JULY 1, 2011		\$ 1,629,521
<u>REVENUES</u>		
Interest	\$ 28,835	
Transfer from General Fund	<u>-</u>	28,835
TOTAL FUNDS AVAILABLE		1,658,356
<u>EXPENDITURES</u>		
INSTRUCTIONAL:		
Equipment	-	
SUPPORT SERVICES:		
Repairs and Maintenance	-	
CAPITAL OUTLAY:		
Rentals	-	
Professional Services	40,151	
Construction	-	
Land Improvements	109,515	
Fees	<u>380</u>	150,046
FUND BALANCE - JUNE 30, 2012		<u>\$ 1,508,310</u>

**Northwestern Lehigh School District
2008 A Construction Fund - 33
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012**

FUND BALANCE - JULY 1, 2011		\$ 871,710
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Bond Issues	\$ -	
Interest	10,877	10,877
TOTAL FUNDS AVAILABLE		882,587
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	-	
Insurance	-	
Printing	-	
CAPITAL OUTLAY:		
Professional Services	850	
Advertising	-	
Construction	-	
Land Improvements	-	
Equipment	125,558	
Dues and Fees	-	
OTHER FINANCING USES:		
Transfer to 2009 Construction Fund	-	126,408
 FUND BALANCE - JUNE 30, 2012		 <u>\$ 756,179</u>

**Northwestern Lehigh School District
2009 Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012**

FUND BALANCE - JULY 1, 2011 \$ 797,231

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Bond Issues	\$	-	
Refund of Prior Year Expenditures		-	
Interest		11,344	11,344
TOTAL FUNDS AVAILABLE		11,344	808,575

EXPENDITURES AND OTHER FINANCING USES

INSTRUCTIONAL SERVICES:

Equipment -

SUPPORT SERVICES:

Professional Services -

Advertising -

Equipment -

CAPITAL OUTLAY:

Professional Services 19,376

Advertising -

Construction 214,614

Insurance -

Land Improvements -

Equipment 91,214

Dues and Fees -

OTHER FINANCING USES:

Bond Discount - **325,204**

FUND BALANCE - JUNE 30, 2012 **\$ 483,371**

**Northwestern Lehigh School District
2012 Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012**

FUND BALANCE - JULY 1, 2011		\$	-
<u>REVENUES AND OTHER FINANCING SOURCES</u>			
Proceeds from Refunding Bond Issues	\$ 9,995,000		
Bond Premium	-		
Interest	-		9,995,000
TOTAL FUNDS AVAILABLE			<u>9,995,000</u>
<u>EXPENDITURES AND OTHER FINANCING USES</u>			
SUPPORT SERVICES:			
Professional Services	135,271		
Insurance	54,741		
Printing	1,372		
OTHER FINANCING USES:			
Payment to Refunded Bonds Escrow Agent	9,726,008		
Bond Discount	77,153		
Debt Service - Interest	-		9,994,545
			<u>9,994,545</u>
FUND BALANCE - JUNE 30, 2012		\$	<u>455</u>

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2003
For the Year Ended June 30, 2012**

<u>MATURITY DATE</u>	<u>INTEREST RATE PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	3.05%	\$ 108,956	\$ 1,560,000
2013-14	3.15%	59,808	1,610,000
2014-15	3.25%	17,225	1,060,000
TOTAL OUTSTANDING		<u>\$ 185,989</u>	<u>\$ 4,230,000</u>

**Schedule on General Obligation Bonds - Series A of 2007
For the Year Ended June 30, 2012**

<u>MATURITY DATE</u>	<u>INTEREST RATE PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	3.950%	\$ 8,390	\$ 5,000
2013-14	4.000%	8,192	5,000
2014-15	4.050%	7,993	5,000
2015-16	4.100%	7,790	5,000
2016-17	4.100%	7,585	185,000
TOTAL OUTSTANDING		<u>\$ 39,950</u>	<u>\$ 205,000</u>

**Schedule on General Obligation Notes - Series A of 2007
For the Year Ended June 30, 2012**

<u>MATURITY DATE</u>	<u>VARIABLE INTEREST RATE PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	1.800%	\$ 136,269	\$ 100,000
2013-14	1.800%	146,360	100,000
2014-15	1.800%	144,560	100,000
2015-16	1.800%	134,125	700,000
2016-17	1.800%	119,666	800,000
2017-18	1.800%	105,266	800,000
2018-19	1.800%	61,783	800,000
2019-20	1.800%	104,247	900,000
2020-21	1.800%	58,766	900,000
2021-22	1.800%	41,067	1,000,000
2022-23	1.800%	23,067	1,000,000
2023-24	1.800%	3,374	1,100,000
TOTAL OUTSTANDING		<u>\$ 1,078,550</u>	<u>\$ 8,300,000</u>

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2008
For the Year Ended June 30, 2012**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	3.25%	\$ 353,940	\$ 5,000
2013-14	3.25%	353,778	5,000
2014-15	3.25%	353,615	5,000
2015-16	3.25%	353,452	5,000
2016-17	3.30%	353,290	425,000
2017-18	3.40%	339,265	475,000
2018-19	3.50%	323,115	520,000
2019-20	3.55%	304,915	475,000
2020-21	3.65%	288,052	525,000
2021-22	3.70%	268,890	490,000
2022-23	3.75%	250,760	545,000
2023-24	3.80%	230,323	510,000
2024-25	3.85%	210,942	665,000
2025-26	3.90%	185,340	690,000
2026-27	4.00%	158,430	720,000
2027-28	4.00%	129,630	750,000
2028-29	4.10%	99,630	775,000
2029-30	4.10%	67,855	810,000
2030-31	4.10%	34,644	845,000
TOTAL OUTSTANDING		\$ 4,659,866	\$ 9,240,000

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series A of 2008
For the Year Ended June 30, 2012**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	3.500%	\$ 413,815	\$ 5,000
2013-14	3.100%	413,661	5,000
2014-15	3.200%	413,507	5,000
2015-16	3.450%	413,347	260,000
2016-17	3.650%	404,377	365,000
2017-18	3.850%	391,055	380,000
2018-19	4.100%	376,426	390,000
2019-20	4.250%	360,436	410,000
2020-21	4.350%	343,010	425,000
2021-22	4.400%	324,522	445,000
2022-23	4.500%	304,942	465,000
2023-24	4.600%	284,018	485,000
2024-25	4.550%	262,192	505,000
2025-26	4.650%	239,216	530,000
2026-27	4.650%	214,570	555,000
2027-28	4.750%	188,762	580,000
2028-29	4.750%	161,212	610,000
2029-30	4.800%	132,238	640,000
2030-31	4.800%	101,518	665,000
2031-32	4.850%	69,598	700,000
2032-33	4.850%	35,648	735,000
TOTAL OUTSTANDING		<u>\$ 5,848,070</u>	<u>\$ 9,160,000</u>

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2009
For the Year Ended June 30, 2012**

<u>MATURITY DATE</u>	<u>VARIABLE INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	1.800%	\$ 143,648	\$ 65,000
2013-14	1.800%	154,823	75,000
2014-15	1.800%	153,413	80,000
2015-16	1.800%	152,388	80,000
2016-17	1.800%	149,994	125,000
2017-18	1.800%	147,744	125,000
2018-19	1.800%	145,314	140,000
2019-20	1.800%	143,183	140,000
2020-21	1.800%	140,155	150,000
2021-22	1.800%	137,455	150,000
2022-23	1.800%	134,635	160,000
2023-24	1.800%	132,053	165,000
2024-25	1.800%	117,640	1,090,000
2025-26	1.800%	97,421	1,140,000
2026-27	1.800%	76,421	1,180,000
2027-28	1.800%	54,712	1,230,000
2028-29	1.800%	31,843	1,280,000
2029-30	1.800%	8,087	1,330,000
TOTAL OUTSTANDING		<u>\$ 2,120,929</u>	<u>\$ 8,705,000</u>

**Schedule on General Obligation Bonds - Series of 2010
For the Year Ended June 30, 2012**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	1.500%	\$ 62,050	\$ 200,000
2013-14	2.000%	59,050	200,000
2014-15	3.000%	55,050	790,000
2015-16	3.000%	31,350	1,045,000
TOTAL OUTSTANDING		<u>\$ 207,500</u>	<u>\$ 2,235,000</u>

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2012
For the Year Ended June 30, 2012**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012-13	2.000%	\$ 204,639	\$ 5,000
2013-14	2.000%	275,818	5,000
2014-15	2.000%	275,717	5,000
2015-16	2.000%	275,618	5,000
2016-17	2.000%	275,518	5,000
2017-18	2.000%	275,417	530,000
2018-19	2.000%	264,817	625,000
2019-20	2.100%	252,318	635,000
2020-21	2.250%	238,982	650,000
2021-22	2.450%	224,358	665,000
2022-23	2.550%	208,065	680,000
2023-24	2.700%	190,725	695,000
2024-25	2.800%	171,960	720,000
2025-26	3.000%	151,800	735,000
2026-27	3.000%	129,750	760,000
2027-28	3.150%	106,950	780,000
2028-29	3.200%	82,380	810,000
2029-30	3.300%	56,460	830,000
2030-31	3.400%	29,070	855,000
TOTAL OUTSTANDING		<u>\$ 3,690,362</u>	<u>\$ 9,995,000</u>

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

NORTHWESTERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NO.	PASS THROUGH GRANTOR NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) 7/1/11	REVENUE	EXPEND.	ACCRUED OR (DEFERRED) 6/30/2012	FOOTNOTES
U.S. DEPT. OF EDUCATION											
PASSED THROUGH THE PDE											
ESEA - TITLE I - IMPROVING BASIC PROGRAMS	I	84.010	013-120305	7/1/11 - 9/30/12	\$ 170,583	\$ 139,558	\$ -	\$ 170,583	\$ 170,583	\$ 31,025	2
ARRA - ESEA - TITLE I - IMPROVING BASIC PROGRAMS	I	84.389	127-100305	7/1/09 - 9/30/10	\$ 96,642	5,616	5,616	-	-	-	5
TOTAL TITLE I CLUSTER						145,174	5,616	170,583	170,583	31,025	
PASSED THROUGH THE PDE											
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-120305	7/1/11 - 9/30/12	\$ 38,424	36,114	-	31,424	31,424	(4,690)	2
ARRA - STATE FISCAL STABILIZATION FUND	I	84.394	126-110305	7/1/10 - 6/30/11	\$ 649,229	52,745	52,745	-	-	-	5
ARRA - EDUCATION JOBS FUND	I	84.410	140-175519	8/10/11 - 6/30/12	\$ 5,877	-	-	5,877	5,877	5,877	5
PASSED THROUGH THE CARBON-LEHIGH LU											
IDEA - B	I	84.027	N/A	7/1/10 - 6/30/11	\$ 381,768	72,547	72,547	-	-	-	2
IDEA - B	I	84.027	N/A	7/1/11 - 6/30/12	\$ 403,382	342,049	-	402,389	402,389	60,340	1
ARRA - IDEA	I	84.391	N/A	7/1/10 - 9/30/12	\$ 529,595	79,618	79,618	-	-	-	5
IDEA - SECTION 619	I	84.173	N/A	7/1/11 - 6/30/12	\$ 2,021	-	-	2,021	2,021	2,021	1
TOTAL IDEA CLUSTER						494,214	152,165	404,410	404,410	62,361	
TOTAL U. S. DEPARTMENT OF EDUCATION						728,247	210,526	612,294	612,294	94,573	
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES											
PASSED THROUGH THE PA DEPARTMENT OF PUBLIC WELFARE											
TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	7/1/11 - 6/30/12	N/A	3,523	-	1,950	1,950	(1,573)	2
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						3,523	-	1,950	1,950	(1,573)	
U. S. DEPARTMENT OF AGRICULTURE											
PASSED THROUGH THE PDE											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/10 - 6/30/11	N/A	9,010	9,010	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/11 - 6/30/12	N/A	151,124	-	155,444	155,444	4,320	
NATIONAL SCHOOL BREAKFAST	I	10.553	N/A	7/1/10 - 6/30/11	N/A	756	756	-	-	-	
NATIONAL SCHOOL BREAKFAST	I	10.553	N/A	7/1/11 - 6/30/12	N/A	11,409	-	11,869	11,869	460	
PASSED THROUGH THE PA DEPT. OF AGRICULTURE:											
U.S.D.A. COMMODITIES	I	10.555	N/A	7/1/11 - 6/30/12	N/A	46,264	(1,731)	44,599	44,599	(3,396)	2
TOTAL CHILD NUTRITION CLUSTER						218,563	8,035	211,912	211,912	1,384	3,4
TOTAL U.S. DEPARTMENT OF AGRICULTURE						218,563	8,035	211,912	211,912	1,384	
TOTAL FEDERAL AWARDS						\$ 950,333	\$ 218,561	\$ 826,156	\$ 826,156	\$ 94,384	

SOURCE: D -DIRECT; I -INDIRECT

**Northwestern Lehigh School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012**

Note 1 - Significant Accounting Policies

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

Note 2 - Organization and Scope

The District recognized 1.7% of its total general fund revenue in federal awards, and 26.9% of its total enterprise fund revenue.

Note 3 - Program Disclosure – Footnotes

1. The federal awards passed through the Carbon-Lehigh 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 Department of Education	\$ 960,755	\$ 375,197
Carbon-Lehigh I.U.	1,316,766	404,410
PA Department of Public Welfare	N/A	1,950
PA Department of Agriculture	N/A	44,599
Totals	\$ 2,277,521	\$ 826,156

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$46,264, in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2011-12 fiscal year, the District used \$44,599 in commodities and established a year-end inventory of \$3,396 at June 30, 2012.
4. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards, under the U.S. Department of Agriculture heading, represents the commodities used, versus the commodities received, which are recognized as revenue in the basic financial statements.
5. The programs reporting this footnote are grants received using funds from the American Recovery and Reinvestment Act.

FINANCIAL STATEMENT RECONCILIATION

General Fund Federal Source Revenues	\$ 209,834
Federal Grants in Local Sources	404,410
Food Service Fund Federal Revenue	<u>213,577</u>
Total Federal Revenue, per financial statements	827,821
Change in Donated Commodities	<u>(1,665)</u>
Total Federal Revenue Reported on SEFA	<u>\$ 826,156</u>



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of School Directors
Northwestern Lehigh School District
6493 Route 309
New Tripoli, PA 18066-9409

**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**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement for the General Fund of Northwestern Lehigh School District as of and for the year ended June 30, 2012, which collectively comprise Northwestern Lehigh School District's basic financial statements and have issued our report thereon dated December 11, 2012. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America, and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Northwestern Lehigh School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Northwestern Lehigh School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwestern Lehigh School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Northwestern Lehigh School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

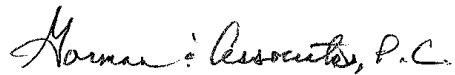
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwestern Lehigh School District's financial statements are free of 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*.

We noted certain matters that we reported to management of Northwestern Lehigh School District in a separate letter dated December 11, 2012.

This report is intended solely for the information and use of management, the Board of School Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,



December 11, 2012



Board of School Directors
Northwestern Lehigh School District
6493 Route 309
New Tripoli, PA 18066-9409

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited Northwestern Lehigh School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A -133 *Compliance Supplement* that could have a direct or material effect on Northwestern Lehigh School District's major federal programs for the year ended June 30, 2012. Northwestern Lehigh 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Northwestern Lehigh School District's management. Our responsibility is to express an opinion on Northwestern Lehigh School District's compliance based on our audit.

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 OMB Circular A -133. Those standards and OMB Circular A -133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements, referred to above, that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about Northwestern Lehigh School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Northwestern Lehigh School District's compliance with those requirements.

In our opinion, Northwestern Lehigh School District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

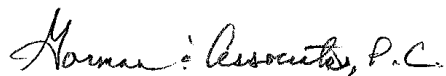
Management of Northwestern Lehigh School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Northwestern Lehigh School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Northwestern Lehigh School District's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of School Directors, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully submitted,



December 11, 2012

**Northwestern Lehigh School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unqualified

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: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with section
510(a) of **OMB** Circular A-133? yes no

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.391, 84.173	IDEA - Cluster

Percentage of programs tested to total awards 49.0%

Dollar threshold used to distinguish between
type A and type B program: \$ 300,000

Auditee qualified as low-risk auditee? yes no

**Northwestern Lehigh School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section II - Financial Statement Findings

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

Section III - Findings and Questioned Costs for Federal Awards

We did not discover any findings or questioned costs on federal awards, in accordance with the criteria established in OMB Circular A-133, Section 510 (a).

Audit Follow-up Procedures

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