

**REPORT ON
NORTHWESTERN LEHIGH SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2013**

NORTHWESTERN LEHIGH SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2013

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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, 2013, 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.

November 19, 2013



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
6493 Route 309
New Tripoli, PA 18066-9409

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, 2013, and have issued our report thereon dated November 19, 2013.

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 20, 2013.

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 November 19, 2013. We advise the governing body to request this letter from management for their review. In conjunction with their representations, we wish to inform you we did not encounter any significant difficulties in dealing with management and had no disagreements with your management. To our knowledge, management did not find a need to converse with any other independent accountant on any related accounting or auditing issue.

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

In accordance with auditing standards, generally accepted in the United States of America, we have acquired a sufficient understanding of the District and its environment, including its internal control, to assess the risk of material misstatements of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures that were necessary to express an opinion on the 2012-13 basic financial statements.

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

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

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

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

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

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

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

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

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

RECOMMENDATIONS

Interfund Receivables and Payables

During our review of the General Fund, along with the Tiger Concession and Food Service Funds, we noticed large balances owed between the three funds that we suggest management remove by having the appropriate funds pay the corresponding funds these outstanding balances. In most cases, these balances have accumulated over many years without extinguishing the debt owed on a current basis. These receivables and payables exist for a variety of reasons, including the general fund not paying the food service and tiger concession funds their proportionate share of fica tax and retirement reimbursements from the state.

ACH Wire Transfers

During our review of issues affecting the use of advanced technology dealing with financial institutions and the potential for fraud that has been happening throughout the world, we have decided to incorporate suggestions to our clients to make sure your anti-fraud controls are up to date dealing with wire transfers. The following represents an extensive list of controls that should be implemented in all organizations. Please review this list with your existing controls:

- 1. Require the bank to limit daily wire transfer amounts.**
- 2. Require two persons to consummate all wire transfers to external parties.**
- 3. If the wire transfer request is by phone or by fax, require the bank to call your organization back before the wire transfer is consummated.**
- 4. The bank should require the use of unique passwords to access wire-transfer software.**
- 5. Restrict the bank accounts from which a wire transfer can be made.**
- 6. Restrict certain bank accounts so that wire transfers can only be made to other bank accounts of the organization.**
- 7. Have someone peruse the daily bank account activity, at a minimum, reconcile bank accounts in a timely fashion.**
- 8. Require sufficient documentation for all wire transfer journal entries; require a second person review of these journal entries.**
- 9. Consider using a dedicated computer for all wire transfers.**
- 10. Use all bank-provided wire transfer controls.**
- 11. Any transactions over a certain high dollar amount must have the approval of the business manager.**

Not using controls offered by banks may make your organization liable should funds be stolen by hackers. Make sure your district uses appropriate firewall and antivirus protection.

If one person can make external wire transfers and journal entries to record those transactions, you have the makings of fraud.

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 District next year and future years. The Government Accounting Standards Board (GASB) has issued Statement Nos. 67, 68, 69, and 70 that will come into effect in years to come. The statements that could affect the District next year and future years are as follows:

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.

GASB Statement No. 69

This new accounting standard explains the proper accounting treatment of government mergers, acquisitions, transfer of operations, and disposals of government operations. In the current economic climate, there is much discussion on merging governments or transferring operations from one government entity to another. As a result, the Standards Board deliberated the proper financial recognition of assets, liabilities, deferred outflow or inflow of resources, and net position affected by such transactions. This standard takes effect in the 2014-15 fiscal year.

GASB Statement No. 70

This new accounting standard takes effect in the 2013-14 fiscal year. It pertains to governments extending non-exchange financial guarantees. As an example, when a school district creates a financing authority, then this Statement will apply. It requires governments extending financial guarantees on debt issued by another government to make certain disclosures in their notes to financial statements, and the government issuing the debt to also make certain disclosures.

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

In addition, the Statement provides criteria when a liability should be recorded on the Statement of Net Position for the guarantor government, and when the issuing government should reclassify its debt. It also provides guidance on the proper handling when the issuing government reimburses the guarantor government.

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,

Herman & Associates, P.C.

December 11, 2013

REPORT DISTRIBUTION LIST

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

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

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

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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Northwestern Lehigh School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Northwestern Lehigh School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2-F to the financial statements, the Northwestern Lehigh School District adopted new accounting guidance from GASB Statement Nos. 63 and 65 for the 2012-13 fiscal year. Our opinion is not modified with respect to these pronouncements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11-18, and the Schedule of Funding Progress, on page 72, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northwestern Lehigh School District's basic financial statements. The *combining and individual fund statements and schedules, and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards* are the responsibility of management and were derived from and related to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, *the combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards* are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwestern Lehigh School District's internal control over financial reporting and compliance.

Respectfully submitted,

Norman & Associates, P.C.

November 19, 2013

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, 2013

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, 2013, the District's net position equal \$34,490,744, for an increase of \$ 1,879,156 (or 5.76%).
- The governmental net position equal \$34,274,851, for an increase of \$1,874,263 (or 5.78%).
- The business-type net position equal \$215,893, for an increase of \$4,893 (or 2.32%).

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 Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

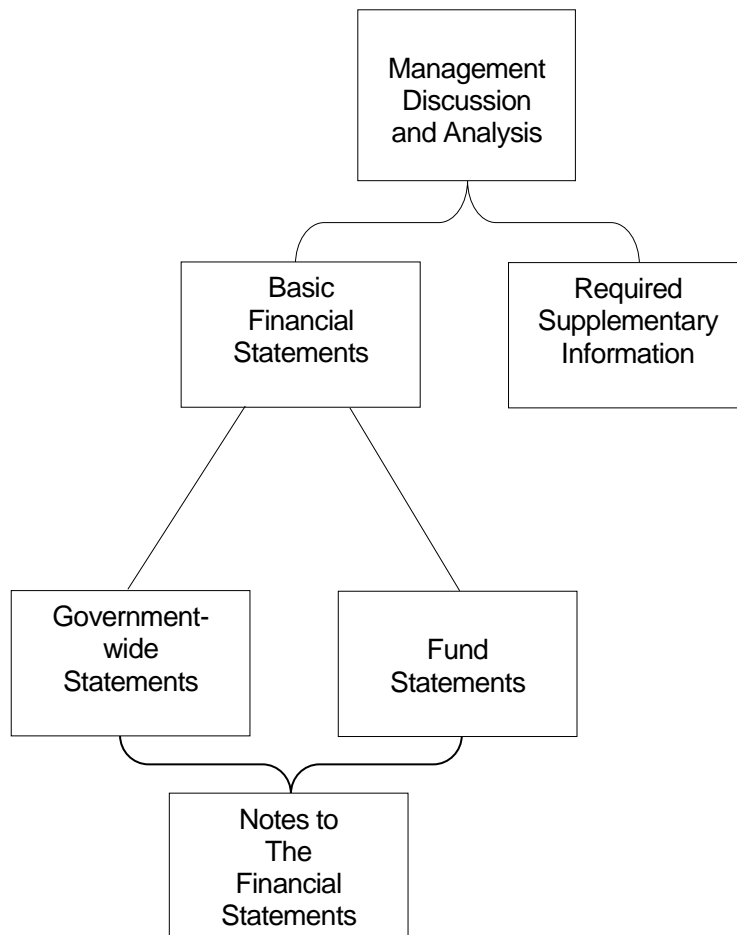
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short-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 Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital 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 Position (the "unrestricted net position") 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 position and how they have changed. Net position, the difference between the District's assets, deferred outflow of resources, liabilities, and deferred inflow of resources are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

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 Position 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

NORTHWESTERN LEHIGH SCHOOL DISTRICT Management's Discussion and Analysis

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.

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 Position. 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 \$152,399 more in General Fund revenue and other financing sources than originally budgeted. This positive variance is primarily attributed to the local revenues. In total, there were net positive budget variances in total expenditures and other financing uses amounting to \$2,419,649. The District budgeted for a planned transfer to Fund Balance for the Annual Required Contribution for Other Post-Employment Benefits (OPEB), and transferred funds to Capital Reserve for future anticipated capital projects. 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, 2013, the District has committed and assigned \$11,735,721 and \$2,913,098, 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, 2013, the district has an unassigned fund balance of \$1,956,402.

Business-Type Activities

Food Service Fund – The Food Service operations experienced net loss of 3,849 during the 2012-2013 fiscal year, with depreciation expense of \$27,919.

Government-wide Statements

Statement of Net Position

The following table reflects the Condensed Statement of Net Position

- (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 position are invested in capital assets (buildings, land and equipment). The District's restricted net position are for capital projects, retirement of long-term debt and other restrictions. The remaining unrestricted net position 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

	2013			2012		
	Govern- mental Activities	Business- Type Activities	Total (1)	Govern- mental Activities	Business- Type Activities	Total (1)
Current & Other Assets	\$ 23,836,438	\$ 526,773	\$ 23,745,337	\$ 22,062,678	\$ 429,884	\$ 21,860,283
Non-Current Assets	64,656,356	191,451	64,847,807	66,185,782	216,106	66,401,888
Deferred Outflow of Resources	602,240	-	602,240	-	-	-
Total Assets & Deferred Outflow of Resources	\$ 89,095,034	\$ 718,224	\$ 89,195,384	\$ 88,248,460	\$ 645,990	\$ 88,262,171
Current Liabilities	\$ 5,623,197	\$ 500,846	\$ 5,506,169	\$ 5,216,626	\$ 431,993	\$ 5,016,340
Non-Current Liabilities	49,183,365	1,485	49,184,850	50,631,246	2,997	50,634,243
Deferred Inflow of Resources	13,621	-	13,621	-	-	-
Total Liabilities & Deferred Inflow of Resources	54,820,183	502,331	54,704,640	55,847,872	434,990	55,650,583
Net Position:						
Net Investment in Capital Assets	16,285,067	191,451	16,476,518	15,938,164	216,106	16,154,270
Restricted	1,256,934	-	1,256,934	1,508,310	-	1,508,310
Unrestricted	16,732,850	24,442	16,757,292	14,954,114	(5,106)	14,949,008
Total Net Position	34,274,851	215,893	34,490,744	32,400,588	211,000	32,611,588
Total Liabilities, Deferred Inflow of Resources, & Net Position	\$ 89,095,034	\$ 718,224	\$ 89,195,384	\$ 88,248,460	\$ 645,990	\$ 88,262,171

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

Government-wide Statements

Statement of Net Position

The following table reflects the Condensed Statement of Net Position

	2013			2012		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
REVENUES						
Program revenues:						
Charges for services	\$ 90,134	\$ 538,051	\$ 628,185	\$ 116,127	\$ 553,673	\$ 669,800
Operating grants & contributions	4,657,858	271,961	4,929,819	4,287,260	260,661	4,547,921
Capital grants & contributions	316,409	-	316,409	373,431	-	373,431
General revenues:						
Property taxes	22,237,543	-	22,237,543	22,178,787	-	22,178,787
Other taxes	2,564,925	-	2,564,925	2,600,640	-	2,600,640
Grants, subsidies & contributions, not restricted	5,983,621	-	5,983,621	5,983,708	-	5,983,708
Investment earnings	184,771	499	185,270	232,657	293	232,950
Other	202,034	1,243	203,277	377,075	-	377,075
Gain (Loss) on sale of capital assets	-	-	-	-	-	-
Extraordinary items	-	-	-	-	-	-
TOTAL REVENUES	36,237,295	811,754	37,049,049	36,149,685	814,627	36,964,312
EXPENSES						
Instruction	19,466,555	-	19,466,555	18,320,472	-	18,320,472
Instructional student support	2,312,945	-	2,312,945	2,200,737	-	2,200,737
Admin. & Fin'l support services	3,028,248	-	3,028,248	3,146,069	-	3,146,069
Oper. & Maint. of plant svcs.	3,262,777	-	3,262,777	3,182,746	-	3,182,746
Pupil Transportation	2,098,533	-	2,098,533	1,911,601	-	1,911,601
Student activities	740,394	-	740,394	626,925	-	626,925
Community services	7,900	-	7,900	5,000	-	5,000
Debt Service	1,389,942	-	1,389,942	1,651,688	-	1,651,688
Unallocated depreciation expense	1,405,084	-	1,405,084	993,882	-	993,882
Proprietary Funds	-	806,861	806,861	-	825,563	825,563
TOTAL EXPENSES	33,712,378	806,861	34,519,239	32,039,120	825,563	32,864,683
Income (Loss) Before Contributions	2,524,917	4,893	2,529,810	4,110,565	(10,916)	4,099,649
Transfers In (Out)	-	-	-	-	-	-
Changes in Net Position	2,524,917	4,893	2,529,810	4,110,565	(10,916)	4,099,649
Total Net Position - Beginning	32,400,588	211,000	32,611,588	28,290,023	221,916	28,511,939
Prior Period Adjustment	(650,654)	-	(650,654)	-	-	-
Total Net Position - Ending	\$ 34,274,851	\$ 215,893	\$ 34,490,744	\$ 32,400,588	\$ 211,000	\$ 32,611,588

(2) 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 position is invested in capital assets (buildings, land and equipment). The District's restricted net position is for capital projects, retirement of long-term debt and other restrictions. The remaining unrestricted net position is 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

THE DISTRICT FUNDS

Governmental Funds

As of June 30, 2013, the governmental funds reported a combined fund balance of \$19,430,166, which increased from the prior year of \$1,426,636 (or 7.9%). 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 \$2,500,348, which decreased from prior year by \$247,512 (or 9.0%). The General Fund experienced a \$1,673,574 net increase in fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

As of June 30, 2013, the District had \$64,839,377 invested in a broad range of capital assets including land, buildings, furniture and equipment, which represents a net decrease (additions less retirements and depreciation) of \$901,728 or – 1.4% 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, 2013, the District had \$50,208,513 in debt (bonds and notes) outstanding compared to \$51,477,039 as of June 30, 2012. This represents a decrease of \$1,268,526 or -2.5%. 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

Lehigh County completed a country-wide reassessment that became effective January 1, 2013, and affected July 1, 2013 tax bills for the 2013-2014 year. The district was required to reset its mileage rate based on the new assessed values; however the net effect was revenue neutral for the 2013-2014 budget. 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.

During 2013-2014 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.

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

Northwestern Lehigh School District
Statement of Net Position
As of June 30, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 18,749,582	\$ 60,370	\$ 18,809,952
Investments	2,700,000	-	2,700,000
Receivables, net	1,137,713	-	1,137,713
Internal Balances	174,140	443,734	- (1)
Due From Other Governments	446,918	5,943	452,861
Other Receivables	89,944	684	90,628
Inventories	248,945	13,228	262,173
Prepaid Expenses	289,196	2,814	292,010
Other Current Assets	-	-	-
Total Current Assets	23,836,438	526,773	23,745,337
Non-Current Assets:			
Restricted Cash and Cash Equivalents	8,430	-	8,430
Land	406,148	-	406,148
Site Improvements (net of depreciation)	708,472	-	708,472
Building and Bldg. Improvements (net of depreciation)	61,834,623	60,776	61,895,399
Furniture and Equipment (net of depreciation)	1,546,351	130,675	1,677,026
Construction in Progress	152,332	-	152,332
Total Non-Current Assets	64,656,356	191,451	64,847,807
Total Assets	88,492,794	718,224	88,593,144
DEFERRED OUTFLOW OF RESOURCES			
Deferred Amount on Debt Refundings, net	602,240	-	602,240
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 89,095,034	\$ 718,224	\$ 89,195,384
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 133,886	\$ 483,988	\$ - (1)
Due to other governments	265,208	-	265,208
Accounts Payable	289,768	-	289,768
Warrants Payable	71,455	-	71,455
Current Portion of Long-Term Obligations	2,082,984	-	2,082,984
Accrued Salaries and Benefits	2,228,516	92	2,228,608
Payroll Deductions and Withholdings	133,159	-	133,159
Prepayments from Students	-	16,766	16,766
Other Current Liabilities	418,221	-	418,221
Total Current Liabilities	5,623,197	500,846	5,506,169
Non-Current Liabilities:			
Bonds and Notes Payable	48,203,513	-	48,203,513
Extended Term Financing Agreements Payable	-	-	-
Lease Purchase Obligations	-	-	-
Long-Term Portion of Compensated Absences	409,003	1,485	410,488
Other Retirement Benefits	14,537	-	14,537
Net OPEB Obligation	556,312	-	556,312
Total Liabilities	54,806,562	502,331	54,691,019
DEFERRED INFLOW OF RESOURCES			
Unearned Revenue from Grants	13,621	-	13,621
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	54,820,183	502,331	54,704,640
NET POSITION			
Net Investment in Capital Assets	16,285,067	191,451	16,476,518
Restricted For:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	1,256,934	-	1,256,934
Other Restrictions	-	-	-
Unrestricted (deficit)	16,732,850	24,442	16,757,292
TOTAL NET POSITION	34,274,851	215,893	34,490,744
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 89,095,034	\$ 718,224	\$ 89,195,384

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, 2013**

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 19,466,555	\$ 12,735	\$ 3,050,312	\$ -	\$ (16,403,508)	\$ -	\$ (16,403,508)
Instructional Student Support	2,312,945	-	241,642	-	(2,071,303)	-	(2,071,303)
Admin. & Fin'l Support Services	3,028,248	-	165,188	-	(2,863,060)	-	(2,863,060)
Oper. & Maint. Of Plant Svcs.	3,262,777	-	114,256	-	(3,148,521)	-	(3,148,521)
Pupil Transportation	2,098,533	5,236	1,049,054	-	(1,044,243)	-	(1,044,243)
Student activities	740,394	72,163	37,406	-	(630,825)	-	(630,825)
Community Services	7,900	-	-	-	(7,900)	-	(7,900)
Interest on Long-Term Debt	1,389,942	-	-	316,409	(1,073,533)	-	(1,073,533)
Unallocated Depreciation Expense	1,405,084	-	-	-	(1,405,084)	-	(1,405,084)
TOTAL GOVERNMENTAL ACTIVITIES	33,712,378	90,134	4,657,858	316,409	(28,647,977)	-	(28,647,977)
BUSINESS-TYPE ACTIVITIES:							
Food Services	792,901	518,563	268,909	-	-	(5,429)	(5,429)
Other Enterprise Funds	13,960	19,488	3,052	-	-	8,580	8,580
TOTAL PRIMARY GOVERNMENT	\$ 34,519,239	\$ 628,185	\$ 4,929,819	\$ 316,409	\$ (28,647,977)	\$ 3,151	\$ (28,644,826)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 22,237,543	\$ -	\$ 22,237,543
Taxes levied for specific purposes					2,564,925	-	2,564,925
Grants, subsidies, & contributions not restricted					5,983,621	-	5,983,621
Investment Earnings					184,771	499	185,270
Miscellaneous Income					199,034	1,243	200,277
Special item - Gain (Loss) on sale of capital assets					3,000	-	3,000
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					31,172,894	1,742	31,174,636
CHANGES IN NET POSITION					2,524,917	4,893	2,529,810
NET POSITION - BEGINNING					32,400,588	211,000	32,611,588
PRIOR PERIOD ADJUSTMENT					(650,654)	-	(650,654)
NET POSITION - ENDING					\$ 34,274,851	\$ 215,893	\$ 34,490,744

**Northwestern Lehigh School District
Balance Sheet
Governmental Funds
As of June 30, 2013**

	GENERAL	CAPITAL PROJECT	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 17,842,503	\$ 906,050	\$ 1,029	\$ 18,749,582
Restricted Cash	8,430		-	8,430
Investments	1,000,000	1,700,000	-	2,700,000
Taxes Receivable, net	888,551	-	-	888,551
Due from other funds	180,996	-	-	180,996
Due from Other Governments	446,918	-	-	446,918
Other Receivables	36,458	46,630	-	83,088
Inventories	-	-	-	-
Prepaid Expenditures	289,196	-	-	289,196
Other Current Assets	-	-	-	-
TOTAL ASSETS	20,693,052	2,652,680	1,029	23,346,761
<u>DEFERRED OUTFLOW OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ 20,693,052	\$ 2,652,680	\$ 1,029	\$ 23,346,761
<u>LIABILITIES:</u>				
Due to Other Funds	\$ 133,887	\$ -	\$ -	\$ 133,887
Due to Other Governments	265,208	-	-	265,208
Accounts Payable	137,436	152,332	-	289,768
Warrants Payable	71,455	-	-	71,455
Current Portion of Long-Term Debt	77,984	-	-	77,984
Accrued Salaries and Benefits	2,228,516	-	-	2,228,516
Payroll Deductions and Withholdings	138,890	-	-	138,890
Prepayments	-	-	-	-
Other Current Liabilities	18,043	-	-	18,043
TOTAL LIABILITIES	3,071,419	152,332	-	3,223,751
<u>DEFERRED INFLOW OF RESOURCES</u>				
Unearned Revenue from Property Taxes	692,844	-	-	692,844
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	3,764,263	152,332	-	3,916,595
<u>FUND BALANCES:</u>				
Nonspendable Fund Balance	289,196	-	-	289,196
Restricted Fund Balance	34,372	2,500,348	1,029	2,535,749
Committed Fund Balance	11,735,721	-	-	11,735,721
Assigned Fund Balance	2,913,098	-	-	2,913,098
Unassigned Fund Balance	1,956,402	-	-	1,956,402
TOTAL FUND BALANCES	16,928,789	2,500,348	1,029	19,430,166
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 20,693,052	\$ 2,652,680	\$ 1,029	\$ 23,346,761

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 Position
As of June 30, 2013**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 19,430,166**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$82,210,125 and the accumulated depreciation is \$17,562,199. 64,647,926

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. -

This represents deferred outflow of resources resulting in deferred charges on refunding prior bond issues. This amount was previously reported as a contra to Bonds Payable under long-term debt; however GASB Statement No. 65 changed the classification of this item to deferred outflow of resources. 602,240

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. 928,386

The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory. 248,945

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	\$ (50,208,513)	
Accrued interest on the bonds	(394,447)	
Accounts Payable	-	
Compensated absences	(409,003)	
Other Retirement Benefits	(14,537)	
Net OPEB Obligation	(556,312)	(51,582,812)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 34,274,851**

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, 2013

	GENERAL	CAPITAL PROJECT	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local Sources	\$ 25,525,010	\$ 50,362	\$ -	\$ 25,575,372
State Sources	10,329,448	-	-	10,329,448
Federal Sources	248,433	-	-	248,433
TOTAL REVENUES	<u>36,102,891</u>	<u>50,362</u>	<u>-</u>	<u>36,153,253</u>
EXPENDITURES				
Instruction	19,502,944	-	-	19,502,944
Support Services	10,646,578	-	133,256	10,779,834
Operation of Non-Instructional Services	763,428	-	-	763,428
Capital Outlay	-	490,874	-	490,874
Debt Service	3,190,110	-	455	3,190,565
TOTAL EXPENDITURES	<u>34,103,060</u>	<u>490,874</u>	<u>133,711</u>	<u>34,727,645</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,999,831</u>	<u>(440,512)</u>	<u>(133,711)</u>	<u>1,425,608</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	9,405,000	9,405,000
Bond Premium	-	-	12,998	12,998
Interfund Transfers In	-	193,000	133,257	326,257
Sale/Compensation for Fixed Assets	-	-	-	-
Payment to bond refunding escrow agent	-	-	(9,416,970)	(9,416,970)
Bond Discount	-	-	-	-
Refunds of Prior Year Receipts	-	-	-	-
Operating Transfers Out	(326,257)	-	-	(326,257)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(326,257)</u>	<u>193,000</u>	<u>134,285</u>	<u>1,028</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	1,673,574	(247,512)	574	1,426,636
FUND BALANCES - BEGINNING	<u>15,255,215</u>	<u>2,747,860</u>	<u>455</u>	<u>18,003,530</u>
FUND BALANCES - ENDING	<u>\$ 16,928,789</u>	<u>\$ 2,500,348</u>	<u>\$ 1,029</u>	<u>\$ 19,430,166</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, 2013**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,426,636

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	\$ 1,729,155	
less - capital outlays	<u>852,081</u>	(877,074)

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 position 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 inflow of resources decreased by this amount this year.

81,043

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

1,940,000

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.

114,356

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING

2,684,961

**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, 2013**

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING
(CONT'D)**

\$ 2,684,961

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.

(139,376)

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 net position. 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.

(1,028)

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.

(19,640)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 2,524,917

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

Northwestern Lehigh School District
Statement of Fund Net Position
Proprietary Funds
As of June 30, 2013

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 4,414	\$ 55,956	\$ 60,370
Investments	-	-	-
Due from other funds	443,616	598	444,214
Due From Other Governments	5,943	-	5,943
Other Receivables	204	-	204
Inventories	13,228	-	13,228
Prepaid expenses	2,814	-	2,814
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	470,219	56,554	526,773
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	60,776	-	60,776
Machinery & Equipment (net)	105,145	25,530	130,675
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	165,921	25,530	191,451
TOTAL ASSETS	636,140	82,084	718,224
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred Charges on Refundings	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ 636,140	\$ 82,084	\$ 718,224
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 474,617	\$ 9,371	\$ 483,988
Due to Other Governments	-	-	-
Accounts Payable	-	-	-
Current Portion of Long-Term Debt	-	-	-
Accrued Salaries and Benefits	92	-	92
Payroll Deductions and Withholdings	-	-	-
Prepayments	14,756	2,010	16,766
TOTAL CURRENT LIABILITIES	489,465	11,381	500,846
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	1,485	-	1,485
Other Retirement Benefits	-	-	-
TOTAL NON-CURRENT LIABILITIES	1,485	-	1,485
TOTAL LIABILITIES	490,950	11,381	502,331
<u>DEFERRED INFLOW OF RESOURCES</u>			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	490,950	11,381	502,331
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	165,921	24,192	190,113
Restricted for Legal Purposes	-	-	-
Unrestricted	(20,731)	46,511	25,780
TOTAL FUND NET POSITION	145,190	70,703	215,893
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND NET POSITION	\$ 636,140	\$ 82,084	\$ 718,224

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

Northwestern Lehigh School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING REVENUES:			
Food Service Revenue	\$ 513,107	\$ 13,455	\$ 526,562
Charges for Services	-	-	-
Other Operating Revenues	6,699	6,033	12,732
TOTAL OPERATING REVENUES	<u>519,806</u>	<u>19,488</u>	<u>539,294</u>
OPERATING EXPENSES:			
Salaries	284,385	1,832	286,217
Employee benefits	76,522	370	76,892
Purchased Professional and Technical Services	-	-	-
Purchased Property Service	26,021	-	26,021
Other Purchased Services	1,290	-	1,290
Supplies	371,905	9,826	381,731
Depreciation	27,919	1,932	29,851
Dues and Fees	-	-	-
Claims and Judgments	-	-	-
Other Operating Expenses	4,859	-	4,859
TOTAL OPERATING EXPENSES	<u>792,901</u>	<u>13,960</u>	<u>806,861</u>
OPERATING INCOME (LOSS)	<u>(273,095)</u>	<u>5,528</u>	<u>(267,567)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Earnings on investments	337	162	499
Contributions and Donations	-	2,875	2,875
Gain/Loss on Sale of Fixed Assets	-	-	-
Revenue from Local Government Units	5,150	-	5,150
State Sources	47,567	177	47,744
Federal Sources	216,192	-	216,192
Interest Expenses	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>269,246</u>	<u>3,214</u>	<u>272,460</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(3,849)	8,742	4,893
Capital contributions	-	-	-
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	(3,849)	8,742	4,893
FUND NET POSITION - BEGINNING	<u>149,039</u>	<u>61,961</u>	<u>211,000</u>
FUND NET POSITION - ENDING	<u>\$ 145,190</u>	<u>\$ 70,703</u>	<u>\$ 215,893</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, 2013**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 283,626	\$ 13,279	\$ 296,905
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	7,473	6,033	13,506
Cash Payments to Employees for Services	(362,430)	(2,202)	(364,632)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(291,512)	(8,004)	(299,516)
Cash Payments to Other Operating Expenses	(4,859)	-	(4,859)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(367,702)	9,106	(358,596)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	5,150	2,875	8,025
State Sources	47,370	177	47,547
Federal Sources	177,185	-	177,185
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	229,705	3,052	232,757
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facilities Acquisition/Const./Improvement Svcs.	(5,196)	-	(5,196)
Capital Contributions	-	-	-
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(5,196)	-	(5,196)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	337	162	499
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	337	162	499
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(142,856)	12,320	(130,536)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	147,270	43,636	190,906
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,414</u>	<u>\$ 55,956</u>	<u>\$ 60,370</u>

Northwestern Lehigh School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2013

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

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING INCOME (LOSS)	\$ (273,095)	\$ 5,528	(267,567)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	27,919	1,932	29,851
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	38,269	-	38,269
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	396	-	396
(Increase) Decrease in Advances to Other Funds	(226,289)	(176)	(226,465)
(Increase) Decrease in Inventories	2,393	-	2,393
(Increase) Decrease in Prepaid Expenses	(2,814)	-	(2,814)
(Increase) Decrease in Other Current Assets	-	-	-
Increase (Decrease) in Accounts Payable	-	-	-
Increase (Decrease) in Accrued Salaries and Benefits	(1,523)	-	(1,523)
Increase (Decrease) in Advances from Other Funds	67,256	2,202	69,458
Increase (Decrease) in Deferred Revenue	(214)	(380)	(594)
TOTAL ADJUSTMENTS	<u>(94,607)</u>	<u>3,578</u>	<u>(91,029)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (367,702)</u>	<u>\$ 9,106</u>	<u>\$ (358,596)</u>

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

Northwestern Lehigh School District
Statement of Net Position
Fiduciary Funds
As of June 30, 2013

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 137,339	\$ -	\$ 141,935
Investments	-	-	-
Due from Other Funds	-	-	1
Other Receivables	-	-	-
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	\$ 137,339	\$ -	\$ 141,936
DEFERRED OUTFLOW OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ 137,339	\$ -	\$ 141,936
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 10,922
Intergovernmental Payable			-
Due to Other Funds	-	-	7,336
Due to Student Clubs	-	-	99,952
Other Current Liabilities	-	-	23,726
TOTAL LIABILITIES	-	-	141,936
DEFERRED INFLOW OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	-	-	141,936
NET POSITION			
Restricted	-	-	-
Unrestricted	137,339	-	-
TOTAL NET POSITION	\$ 137,339	\$ -	\$ -

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

**Northwestern Lehigh School District
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2013**

	PRIVATE- PURPOSE TRUST FUND	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
ADDITIONS		
Contributions	\$ 13,943	\$ -
Transfers from other funds	-	-
Investment Earnings:		
Interest and Dividends	633	-
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	<u>14,576</u>	<u>-</u>
	-----	-----
 DEDUCTIONS		
Transfers to other funds	-	-
Administrative charges		-
Scholarships	<u>10,700</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>10,700</u>	<u>-</u>
 CHANGES IN NET POSITION	 3,876	 -
 NET POSITION - BEGINNING OF YEAR	 <u>133,463</u>	 <u>-</u>
 NET POSITION - END OF YEAR	 <u>\$ 137,339</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, 2013

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
REVENUES						
Local Sources	\$ 25,325,996	\$ 25,325,996	\$ 25,525,010	\$ 199,014	\$ -	\$ 25,525,010
State Sources	10,377,123	10,377,123	10,329,448	(47,675)	-	10,329,448
Federal Sources	247,373	247,373	248,433	1,060	-	248,433
TOTAL REVENUES	<u>35,950,492</u>	<u>35,950,492</u>	<u>36,102,891</u>	<u>152,399</u>	<u>-</u>	<u>36,102,891</u>
EXPENDITURES						
Regular Instruction	14,132,103	14,147,770	13,862,656	285,114	-	13,862,656
Special Programs	4,824,947	4,972,626	4,304,403	668,223	-	4,304,403
Vocational Programs	1,053,201	1,053,201	1,039,506	13,695	-	1,039,506
Other Instructional Programs	8,544	11,846	11,341	505	-	11,341
Non-Public School Programs	-	1,376	1,376	-	-	1,376
Adult Education Programs	7,417	7,417	4,024	3,393	-	4,024
Community/Junior College Ed. Programs	279,638	279,638	279,638	-	-	279,638
Pupil Personnel Services	1,124,759	1,131,888	1,104,876	27,012	-	1,104,876
Instructional Staff Services	838,676	962,940	933,954	28,986	-	933,954
Administrative Services	2,092,262	2,239,395	1,791,540	447,855	-	1,791,540
Pupil Health	255,878	274,524	264,857	9,667	-	264,857
Business Services	617,969	650,147	631,785	18,362	-	631,785
Operation & Maintenance of Plant Services	3,830,623	3,765,671	3,268,505	497,166	-	3,268,505
Student Transportation Services	2,030,121	2,156,409	2,115,194	41,215	-	2,115,194
Central Support Services	472,244	526,762	498,556	28,206	-	498,556
Other Support Services	38,000	38,000	37,311	689	-	37,311
Student Activities	718,934	761,201	733,691	27,510	-	733,691
Community Services	5,000	29,737	29,737	-	-	29,737
Facilities, Acquisition and Construction	-	-	-	-	-	-
Debt Service	3,758,150	3,512,161	3,190,110	322,051	-	3,190,110
TOTAL EXPENDITURES	<u>36,088,466</u>	<u>36,522,709</u>	<u>34,103,060</u>	<u>2,419,649</u>	<u>-</u>	<u>34,103,060</u>
Excess (deficiency) of revenues over expenditures	<u>(137,974)</u>	<u>(572,217)</u>	<u>1,999,831</u>	<u>2,572,048</u>	<u>-</u>	<u>1,999,831</u>
OTHER FINANCING SOURCES (USES)						
Proceeds From Extended Term Financing	-	-	-	-	-	-
Interfund Transfers In	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	-	-	-	-	-	-
Fund Transfers Out	(360,500)	(326,257)	(326,257)	-	-	(326,257)
Budgetary Reserve	(400,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(760,500)</u>	<u>(326,257)</u>	<u>(326,257)</u>	<u>-</u>	<u>-</u>	<u>(326,257)</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>(898,474)</u>	<u>(898,474)</u>	<u>1,673,574</u>	<u>2,572,048</u>	<u>-</u>	<u>1,673,574</u>
FUND BALANCE - JULY 1, 2012	<u>14,191,303</u>	<u>14,191,303</u>	<u>15,255,215</u>	<u>1,063,912</u>	<u>-</u>	<u>15,255,215</u>
FUND BALANCE - JUNE 30, 2013	<u>\$ 13,292,829</u>	<u>\$ 13,292,829</u>	<u>\$ 16,928,789</u>	<u>\$ 3,635,960</u>	<u>\$ -</u>	<u>\$ 16,928,789</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, 2013**

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, 2013**

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 2012-13 was \$1,039,506.

On dissolution of the Lehigh Career and Technical Institute, the net position 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 position 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 2012-13 was \$279,638.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for 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, 2013**

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

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

B. Fund Accounting

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

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

General Fund

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

Special Revenue 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, 2013**

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 position, financial position, and cash flows and are classified as enterprise funds.

Enterprise Funds

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

Food Service Fund

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

Fiduciary Funds Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District'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, deferred outflow of resources, liabilities, and deferred inflow of resources associated with the operation of the School District are included on the statement of net position.

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. 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 inflow of resources, and in the presentation of expenses versus expenditures.

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

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

E. Budgetary Process

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

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

Accelerated Budget Process Option

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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

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

Board Resolution Option

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

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2012-13 budget transfers.

F. Changes in Accounting Principle

During the 2012-13 fiscal year the District implemented the required GASB Statement No. 63, which establishes five (5) elements to the financial position statement previously known as the *Statement of Net Assets*, and now known as the *Statement of Net Position*. The five (5) elements are: Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position. The definition of these elements can be found in GASB Concepts Statement No. 4; however, a deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period.

In addition, the District has chosen to early implement GASB Statement No. 65, which was issued to explain what items previously classified as assets and liabilities will now be classified as deferred outflows of resources and deferred inflows of resources. As such, previously unamortized bond issuance costs are being adjusted to expense on the Statement of Activities because Statement No. 65 now requires bond issuance costs to be expensed in the year incurred. Also, deferred charges on refundings of bond issues has been reclassified by GASB Statement No. 65 from a contra of bonds payable to a deferred outflow of resources.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

G. 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.

H. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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

Restricted Cash

There is a restricted debt service account with the PA Local Governmental Investment Trust that has a \$8,430 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.

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, 2013, 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 inflow of resources in the fund financial statements.

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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, 2013, shows \$248,945 in the governmental activities column and \$13,228 in the business-type activities column of the government-wide statement of net position.

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, 2013; 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, 2013, consist of:

Purchased Food	\$ 5,734
Purchased Supplies	3,772
Donated Commodities	<u>3,722</u>
TOTAL	<u>\$ 13,228</u>

Prepaid Expenses

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their 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:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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.

Long-Term Obligations

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

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

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2013, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Net Position

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

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

Fund Balance Categories

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

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

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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 position.

The governmental fund balance sheet includes reconciliation between "fund balance -total governmental funds" and "net position - governmental activities" as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$51,582,812 difference are:

Bonds and Notes payable	\$ 50,295,000
Less: Issuance discount (to be amortized as interest expense)	(122,782)
Add: Issuance premium (to be amortized as a contra to interest expense)	36,295
Accrued interest payable	394,447
Other Retirement Benefits	14,537
Compensated absences	409,003
Net OPEB Obligations	<u>556,312</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	<u>\$ 51,582,812</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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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, 2013

	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	\$ 22,157,270	\$ 80,273	\$ -	\$ -	\$ 22,237,543
Taxes levied for specific purposes	2,564,155	770	-	-	2,564,925
Interest and investment earnings	184,771	-	-	-	184,771
Miscellaneous	52,342	-	-	-	52,342
Contributions and Donations	146,692	-	-	-	146,692
Charges for Services	90,134	-	-	-	90,134
Grants, subsidies & contributions not restricted	5,983,621	-	-	-	5,983,621
Transfers In	-	-	-	-	-
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating and Capital grants and contributions	4,346,976	-	-	-	4,346,976
FEDERAL SOURCES:					
Operating and Capital grants and contributions	627,291	-	-	-	627,291
SPECIAL AND EXTRAORDINARY ITEMS:					
Bond Premium	12,999	-	-	(12,999)	-
Proceeds from Bond/Note Issues	9,405,000	-	-	(9,405,000)	-
Gain or (Loss) on disposal of assets	-	-	3,000	-	3,000
TOTAL REVENUES	45,571,251	81,043	3,000	(9,417,999)	36,237,295
EXPENDITURES/EXPENSES					
Instruction	19,502,944	(38,111)	1,722	-	19,466,555
Instructional Student Support	2,303,687	6,284	2,974	-	2,312,945
Admin. & Fin'l Support Services	3,092,448	(72,675)	8,475	-	3,028,248
Oper. & Maint. of Plant Svcs.	3,286,222	(13,351)	(10,094)	-	3,262,777
Pupil Transportation	2,115,194	15,915	(32,576)	-	2,098,533
Student activities	733,691	7,222	(519)	-	740,394
Community Services	29,737	-	(21,837)	-	7,900
Capital Outlay	473,157	-	(473,157)	-	-
Debt Service	12,607,535	-	-	(11,217,593)	1,389,942
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	1,405,084	-	1,405,084
TOTAL EXPENDITURES/EXPENSES	44,144,615	(94,716)	880,072	(11,217,593)	33,712,378
NET CHANGE FOR THE YEAR	\$ 1,426,636	\$ 175,759	\$ (877,072)	\$ 1,799,594	\$ 2,524,917

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Note 4 - Stewardship, Compliance, and Accountability

A. Compliance with finance related legal and contractual provisions

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

B. Deficit fund balance or net position of individual funds

No individual fund contains a deficit fund balance or net position at June 30, 2013.

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, 2013. 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, 2013, \$21,860,403 of the District's bank balance of \$22,111,432, which includes \$8,430 in restricted cash, 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	21,860,403
TOTAL	<u>\$ 21,860,403</u>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 21,860,403
Plus: Insured Amount	251,029
Less: Outstanding Checks	<u>(323,012)</u>
Carrying Amount - Bank balances	21,788,420
Plus: Petty Cash	775
Deposits in Investment Pool Considered Cash Equivalent	8,461
Less: Certificates of Deposit considered Investment by School Code	<u>(2,700,000)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	<u>\$ 19,097,656</u>

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, 2013, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Pa. Local Government Investment Trust		\$ 8,430
Certificates of Deposit		2,700,000
PA School District Liquid Asset Fund		<u>31</u>
TOTAL		<u>\$ 2,708,461</u>

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, 2013, 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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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, 99.69% are in Certificates of Deposit with New Tripoli Bank. The General Fund has 99.16% 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.

Reconciliation to Financial Statements

Total Investments Above	\$ 2,708,461
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(8,461)</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 \$452,431,900. In accordance with Act 1 of 2006, the District received \$665,883 in property tax reduction funds for the 2012-13 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.

Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

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	\$ 27,429	\$ 46,630	\$ -	\$ -	\$ -	\$ 74,059
Taxes	888,551	-	-	-	-	888,551
Accounts	9,029	-	204	-	-	9,233
Intergovernmental	446,918	-	5,943	-	-	452,861
GROSS RECEIVABLES	1,371,927	46,630	6,147	-	-	1,424,704
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 1,371,927	\$ 46,630	\$ 6,147	\$ -	\$ -	\$ 1,424,704

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

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 679,223	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	13,621
TOTAL	\$ 679,223	\$ 13,621

Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

Capital Assets

Capital asset balances and activity for the year ending June 30, 2013 were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 406,148	\$ -	\$ -	\$ 406,148
Construction in Progress	25,431	473,156	(346,255)	152,332
Total Capital Assets not being depreciated	431,579	473,156	(346,255)	558,480
Capital Assets being depreciated:				-
Site Improvements	1,118,164	346,255	-	1,464,419
Buildings and Bldg. Improvements	75,105,181	-	-	75,105,181
Furniture and Equipment	4,798,816	378,925	(95,696)	5,082,045
TOTAL CAPITAL ASSETS BEING DEPRECIATED	81,022,161	725,180	(95,696)	81,651,645
Less accumulated depreciation for:				
Site Improvements	(717,142)	(38,805)		(755,947)
Buildings and Bldg. Improvements	(11,907,354)	(1,363,204)		(13,270,558)
Furniture and Equipment	(3,304,245)	(327,145)	95,696	(3,535,694)
TOTAL ACCUMULATED DEPRECIATION	(15,928,741)	(1,729,154)	95,696	(17,562,199)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	65,093,420	(1,003,974)	-	64,089,446
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 65,524,999	\$ (530,818)	\$ (346,255)	\$ 64,647,926
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Buildings and Bldg. Improvements	\$ 127,948	\$ -	\$ -	\$ 127,948
Furniture and Equipment	554,987	5,196	-	560,183
Less accumulated depreciation	(466,829)	(29,851)	-	(496,680)
BUSINESS-TYPES ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 216,106	\$ (24,655)	\$ -	\$ 191,451

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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

Regular Instruction	\$ 89,732
Special Instruction	912
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Pupil Personnel Services	-
Instructional Support Svcs.	504
School Library Services	2,470
Administrative Services	-
Health Services	-
Business Services	105
Operation & Maintenance of Plant Svcs.	27,416
Pupil Transportation	178,112
Central Services	19,572
Other Support Services	-
School Sponsored Athletics	4,572
Community Services	675
Depreciation - unallocated	1,405,084
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$ 1,729,154

The District's governmental-type activities disposed of \$95,696 of equipment during the year with accumulated depreciation of \$95,696, resulting in a gain on disposal of \$3,000. The District's business-type activities did not dispose of any 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, 2013**

Long-term construction commitments

The District had the following commitments in the Capital Projects Fund and Capital Reserve Fund at year-end.

VENDOR	CONTRACT AMOUNT	EXPENDED TO 6/30/13	OUTSTANDING COMMITMENTS
HS ROOF REPLACEMENT			
Houck Services, Inc.	<u>\$ 745,600</u>	<u>\$ 152,333</u>	<u>\$ 593,267</u>

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2013:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 180,996	\$ 133,887
Enterprise (Tiger Conc.) Fund	598	9,371
Enterprise (Food Service) Fund	443,616	474,617
Agency (Payroll) Fund	1	5,584
Agency (Activity) Fund	-	1,752
TOTAL	<u>\$ 625,211</u>	<u>\$ 625,211</u>

Interfund Transfers

The District did make the following transfers during the fiscal year ended June 30, 2013:

Fund	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 326,257
Activity Fund	-	-
Capital Reserve	193,000	
2013 Bond Fund	133,257	-
TOTAL	<u>\$ 326,257</u>	<u>\$ 326,257</u>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2013, were:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
GOVERNMENTAL ACTIVITIES					
General Obligation Debt:					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 51,477,039	\$ 10,098,515	\$ 11,367,041	\$ 50,208,513	\$ 2,005,000
Other than capital projects	-	-	-	-	-
Capital Leases	-	-	-	-	-
Total general obligation debt	<u>51,477,039</u>	<u>10,098,515</u>	<u>11,367,041</u>	<u>50,208,513</u>	<u>2,005,000</u>
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	227,258	-	73,935	153,323	42,731
Sick pay	366,420	-	32,756	333,664	35,253
Retirement Severance - Yrs. of Service	20,767	-	6,230	14,537	-
Net OPEB Obligation	<u>571,888</u>	<u>-</u>	<u>15,576</u>	<u>556,312</u>	<u>-</u>
Total other liabilities	<u>1,186,333</u>	<u>-</u>	<u>128,497</u>	<u>1,057,836</u>	<u>77,984</u>
TOTAL GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 52,663,372</u>	<u>\$ 10,098,515</u>	<u>\$ 11,495,538</u>	<u>\$ 51,266,349</u>	<u>\$ 2,082,984</u>
BUSINESS-TYPE ACTIVITIES:					
<i>Other liabilities:</i>					
<i>Vested employee benefits</i>					
Vacation pay	\$ 1,440	\$ 45	\$ -	\$ 1,485	\$ -
Sick pay	519	-	519	-	-
Retirement Severance - Yrs. of Service	<u>1,038</u>	<u>-</u>	<u>1,038</u>	<u>-</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	<u>\$ 2,997</u>	<u>\$ 45</u>	<u>\$ 1,557</u>	<u>\$ 1,485</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	\$ 1,389,942	\$ 1,250,565
Capital leases	-	-
Short-term borrowings	<u>-</u>	<u>-</u>
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	<u>\$ 1,389,942</u>	<u>\$ 1,250,565</u>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 1,610,000	\$ 59,808
2014-15	1,060,000	17,225
SUB-TOTAL	2,670,000	\$ 77,033
Unamortized Premium	133	
TOTAL OUTSTANDING	\$ 2,670,133	

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%.

The remaining future debt obligations at June 30, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
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	200,000	\$ 31,560
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 200,000	

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, 2008 to August 1, 2023. Interest is calculated on a variable weekly rate

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

plus fifty-five hundredths (.55%) per annum. The outstanding debt service requirements at June 30, 2013, using the variable rate of 1.32% are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 100,000	\$ 99,449
2014-15	100,000	106,807
2015-16	700,000	99,158
2016-17	800,000	88,551
2017-18	800,000	77,991
2018-23	4,600,000	215,868
2023-24	1,100,000	2,676
	<u>8,200,000</u>	<u>\$ 690,500</u>
Unamortized Discount	-	
TOTAL OUTSTANDING	<u>\$ 8,200,000</u>	

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.

On February 20, 2013, the District refunded a portion of the Series of 2008 (\$9,240,000), with interest rates ranging from 3.2% to 4.1%, with new debt in the amount of \$9,405,000 with interest rates ranging from 2.0% to 2.8%.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

SOURCES

Gross Proceeds of Bonds	\$ 9,405,000
Plus: Accrued Interest	-
Premium	12,999
Contributed Cash	133,257
Less: Original Issue Discount	-
	<u>(72,607)</u>

TOTAL SOURCES **\$ 9,478,649**

USES

2004B Escrow Deposit	\$ 9,416,970
Issuance Costs	60,650
Sinking Fund Deposit	<u>1,029</u>

TOTAL USES **\$ 9,478,649**

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows	\$ 13,722,898
Cash Flows From New Debt:	
New Debt Service Cash Flow	\$ 11,966,179
Less: Excess Funds Deposited in Sinking Fund	<u>(1,029)</u>
Net cash Flows From New Debt	<u>11,995,150</u>
Net Difference in Cash Flows	<u>\$ 1,727,748</u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows	\$ 10,817,257
Present Value of New debt Service Cash Flows	\$ 9,358,391
Less: Excess Funds Deposited in Sinking Fund	<u>(1,029)</u>
TOTAL	<u>9,357,362</u>
ECONOMIC GAIN (LOSS)	<u>\$ 1,459,895</u>

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

The outstanding debt service requirements at June 30, 2013 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 5,000	\$ 413,661
2014-15	5,000	413,507
2015-16	260,000	413,347
2016-17	365,000	404,377
2017-18	380,000	391,055
2018-23	2,135,000	1,709,336
2023-28	2,655,000	1,188,758
2028-33	3,350,000	500,214
SUB-TOTAL	9,155,000	\$ 5,434,255
Unamortized Discount	(49,908)	
TOTAL OUTSTANDING	\$ 9,105,092	

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, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 75,000	\$ 104,931
2014-15	80,000	113,010
2015-16	80,000	112,260
2016-17	125,000	110,503
2017-18	125,000	108,853
2018-22	740,000	516,413
2022-27	4,805,000	353,251
2027-30	2,610,000	30,001
SUB-TOTAL	8,640,000	\$ 1,449,222
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 8,640,000	

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 200,000	\$ 59,050
2014-15	790,000	55,050
2015-16	1,045,000	31,350
SUB-TOTAL	2,035,000	\$ 145,450
Unamortized Premium	23,163	
TOTAL OUTSTANDING	\$ 2,058,163	

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, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 5,000	\$ 275,818
2014-15	5,000	275,717
2015-16	5,000	275,618
2016-17	5,000	275,518
2017-18	530,000	275,417
2018-23	3,255,000	1,188,540
2023-28	3,690,000	751,185
2028-32	2,495,000	167,910
SUB-TOTAL	9,990,000	\$ 3,485,723
Unamortized Discount	(72,874)	
TOTAL OUTSTANDING	\$ 9,917,126	

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

General Obligation Bonds – Series of 2013

On February 20, 2013, the District issued \$9,405,000 of General Obligation Bonds – Series of 2013. The proceeds of the Bonds will be used to (1) provide funds for the refunding of the Gob Series of 2008 and (2) 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 March 15, 2014 to March 15, 2031. Interest rates are variable and estimated with a total indebtedness of \$2,591,179. The outstanding debt service requirements at June 30, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 5,000	\$ 228,749
2014-15	5,000	213,795
2015-16	5,000	213,695
2016-17	725,000	213,595
2017-18	515,000	199,095
2018-23	2,605,000	839,975
2023-28	3,230,000	551,775
2028-32	<u>2,315,000</u>	<u>130,500</u>
SUB-TOTAL	9,405,000	\$ 2,591,179
Unamortized Premium	<u>12,999</u>	
TOTAL OUTSTANDING	\$ 9,417,999	

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, 2013**

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 A OF 2008	G.O.B. SERIES OF 2009	G.O.B. SERIES OF 2010	G.O.B. SERIES OF 2012	G.O.B. SERIES OF 2013	TOTAL PRINCIPAL PAYMENTS
2013-14	\$ 1,610,000	\$ 5,000	\$ 100,000	\$ 5,000	\$ 75,000	\$ 200,000	\$ 5,000	\$ 5,000	\$ 2,005,000
2014-15	1,060,000	5,000	100,000	5,000	80,000	790,000	5,000	5,000	2,050,000
2015-16	-	5,000	700,000	260,000	80,000	1,045,000	5,000	5,000	2,100,000
2016-17	-	185,000	800,000	365,000	125,000	-	5,000	725,000	2,205,000
2017-18	-	-	800,000	380,000	125,000	-	530,000	515,000	2,350,000
2018-23	-	-	4,600,000	2,135,000	740,000	-	3,255,000	2,605,000	13,335,000
2023-28	-	-	1,100,000	2,655,000	4,805,000	-	3,690,000	3,230,000	15,480,000
2028-33	-	-	-	3,350,000	2,610,000	-	2,495,000	2,315,000	10,770,000
TOTAL PRINCIPAL	2,670,000	200,000	8,200,000	9,155,000	8,640,000	2,035,000	9,990,000	9,405,000	50,295,000
LESS-PAYABLE WITHIN ONE YEAR	1,610,000	5,000	100,000	5,000	75,000	200,000	5,000	5,000	2,005,000
LONG-TERM PRINCIPAL AFTER ONE YEAR	\$ 1,060,000	\$ 195,000	\$ 8,100,000	\$ 9,150,000	\$ 8,565,000	\$ 1,835,000	\$ 9,985,000	\$ 9,400,000	\$ 48,290,000

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 A OF 2008	G.O.B. SERIES OF 2009	G.O.B. SERIES OF 2010	G.O.B. SERIES OF 2012	G.O.B. SERIES OF 2013	TOTAL DEBT SERVICE PAYMENTS
2013-14	\$ 1,669,808	\$ 13,192	\$ 199,449	\$ 418,661	\$ 179,931	\$ 259,050	\$ 280,818	\$ 233,749	\$ 3,254,658
2014-15	1,077,225	12,993	206,807	418,507	193,010	845,050	280,717	218,795	3,253,104
2015-16	-	12,790	799,158	673,347	192,260	1,076,350	280,618	218,695	3,253,218
2016-17	-	192,585	888,551	769,377	235,503	-	280,518	938,595	3,305,129
2017-18	-	-	877,991	771,055	233,853	-	805,417	714,095	3,402,411
2018-23	-	-	4,815,868	3,844,336	1,256,413	-	4,443,540	3,444,975	17,805,132
2023-28	-	-	1,102,676	3,843,758	5,158,251	-	4,441,185	3,781,775	18,327,645
2028-33	-	-	-	3,850,214	2,640,001	-	2,662,910	2,445,500	11,598,625
TOTAL	\$ 2,747,033	\$ 231,560	\$ 8,890,500	\$ 14,589,255	\$ 10,089,222	\$ 2,180,450	\$ 13,475,723	\$ 11,996,179	\$ 64,199,922

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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 \$35,253. This amount is also recorded as a current liability in the governmental activities column of the government-wide statement of net position. The remaining potential liability of \$298,411 has been established as a long-term liability in the governmental activities column of the government-wide statement of net position. The Food Service Fund shows \$-0- 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 position.

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, 2013, that will use currently available financial resources is \$42,731, including FICA tax and retirement contributions (net of reimbursement), which has been recorded in the General Fund and as a current liability in the governmental activities column of the government-wide statement of net position. The remaining vacation pay earned at June 30, 2013, of \$110,592, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position. The Food Service Fund shows \$1,485 as a long-term liability

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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 position.

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 Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 N. 5th Street, Harrisburg, PA 17101-1905 or be emailing Beth at bgirman@pa.gov. The report is also available in the publications section of the PSERS website at www.pfers.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, 2013, the rate of employer contribution was 12.36 percent of covered payroll. The 12.36 percent rate is comprised of a pension contribution rate of 11.50 percent for pension benefits and 0.86 percent for healthcare insurance premium assistance.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

The employer's current year covered payroll was \$12,584,330 and total payroll was \$16,625,797.

The total employee and employer contributions for this current year were \$1,226,760 and \$2,043,988, 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 position. The remaining portion of the retirement severance earned at June 30, 2013 of \$14,537, including FICA tax (net of reimbursement) is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

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, 2013**

Summary of Plan Provisions																			
Group	Eligibility	Coverage And Premium Sharing	Duration																
I. <u>TEACHERS</u>	<p>Must meet one of the following conditions to be eligible:</p> <p>i) Must be 25 years of PSERS service and at least 15 years with NWLSD</p> <p>ii) Act 110/43</p>	<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). <p>If the member does not reach eligibility for the above coverage, but does reach, 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> <p><u>Retired between July 1, 2012, and June 30, 2014</u></p> <table><tr><th>Years of PSERS Service</th><th>Initial Account Balance</th></tr><tr><td>Less than 31 years</td><td>\$ 12,000</td></tr><tr><td>31 years up to 36 years</td><td>\$ 9,000</td></tr><tr><td>More than 36 years</td><td>\$ 6,000</td></tr></table> <p><u>Retired after July 1, 2014</u></p> <table><tr><th>Years of PSERS Service</th><th>Initial Account Balance</th></tr><tr><td>Less than 31 years</td><td>\$ 11,000</td></tr><tr><td>31 years up to 36 years</td><td>\$ 8,000</td></tr><tr><td>More than 36 years</td><td>\$ 5,000</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> <ul style="list-style-type: none">● Dependents: Spouses included.	Years of PSERS Service	Initial Account Balance	Less than 31 years	\$ 12,000	31 years up to 36 years	\$ 9,000	More than 36 years	\$ 6,000	Years of PSERS Service	Initial Account Balance	Less than 31 years	\$ 11,000	31 years up to 36 years	\$ 8,000	More than 36 years	\$ 5,000	<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>
Years of PSERS Service	Initial Account Balance																		
Less than 31 years	\$ 12,000																		
31 years up to 36 years	\$ 9,000																		
More than 36 years	\$ 6,000																		
Years of PSERS Service	Initial Account Balance																		
Less than 31 years	\$ 11,000																		
31 years up to 36 years	\$ 8,000																		
More than 36 years	\$ 5,000																		

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Summary of Plan Provisions											
Group	Eligibility	Coverage And Premium Sharing	Duration								
II. ADMINISTRATORS											
A) Current Superintendent and Assistant Superintendent	Must meet one of the following conditions to be eligible. i) Must have at least 25 years of PSERS service and at least 15 years of service with NWLSD. ii) 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). If the member does not reach eligibility for the above coverage but does reach eligibility through Act 110/43, the member and spouse may continue benefits by paying the full premium as determined for the purpose of Cobra If the member does not reach eligibility for the above coverage but does meet eligibility through Act 110/43, the member and spouse may continue benefits by pay8ing the full premium as determined for the purpose of COBRA.Dependents: Family included.	Member may continue benefits until Medicare age. Benefits for the spouse will cease at the earlier of Medicare age, member Medicare age or member death.								
B) Current Business Administrator and Act 93 Administrators who retired prior to June 30, 2011	Must meet one of the following conditions to be eligible. i) Must have at least 25 years of PSERS service and at least 15 years of service with NWLSD. ii) 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, 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.<table><tr><td><u>Tier of Coverage</u></td><td><u>Sick Leave Conversion Rate</u></td></tr><tr><td>Single</td><td>25 days/year or 2 days/month</td></tr><tr><td>Husband/Wife</td><td>45 days/year or 4 days/month</td></tr><tr><td>Family</td><td>50 days/year or 4 days/month</td></tr></table> If coverage for either the member or spouse extends beyond age 65, the participant will be required to switch to a Medicare Supplemental plan. If the member does not 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 spouse may continue benefits by paying the full premium as determined for the purpose of COBRA. Dependents: Families Included	<u>Tier of Coverage</u>	<u>Sick Leave Conversion Rate</u>	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	Member may continue benefits until the later of Medicare age or the exhaustion of the sick leave conversion benefit. 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 exhaustion of the sick leave conversion benefit as long as the member is also currently electing coverage.
<u>Tier of Coverage</u>	<u>Sick Leave Conversion Rate</u>										
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										

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Summary of Plan Provisions			
Group	Eligibility	Coverage and Premium Sharing	Duration
C) Current Director of Human Resources and Act 93 Administrators who retire after July 1, 2011	<p>Must meet one of the following conditions to be eligible.</p> <p>i) Must have at least 25 years of PSERS service and at least 15 years of service with NWLSD</p> <p>ii) ACT 110/43</p>	<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 the member will be allowed to convert unused sick leave into insurance dollars to be used to pay the single coverage premium for medical, prescription drug and dental coverage until Medicare age. The conversion rate will be 75% of employee's per diem rate at a retirement date for each unused sick day. The member is responsible for providing NWLSD with the active employee contributions to health care premiums. The current employee contribution rate for 2012-2013 is 14% of premium for PPO A, 7% of premium for PPO B and 3% of premium for PPO C. The spouse and/or dependent children may elect coverage by paying the additional premium due to the coverage of the spouse and/or dependent children. <p>If the member exhausts their available insurance dollars prior to reaching Medicare age, the member 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 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 spouse may continue benefits by paying the full premium as determined for the purpose of COBRA.</p> <ul style="list-style-type: none"> Dependents: Families Included 	<p>Member may continue benefits until Medicare age.</p> <p>Benefits for the spouse will cease at the earlier of Medicare age, member Medicare age or member death.</p>
III. SUPPORT STAFF	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 from 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.

Benefits not included in the Calculation:

The unused sick leave payment for Teachers that converts each sick day into dollars to be placed into the retiree's 403(b) is assumed to be valued under GASB Statement 16.

The retirement severance for Administrators that provides the retiree with a lump sum payment into NWLSD's 403(b) Postretirement Plan based on the retiree's final salary and years of service in PSERS is assumed to be valued under GASB Statement 27.

Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

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	285
Annual Required Contribution	\$ 324,675
Interest on net OPEB obligation	25,735
Adjustment to annual required contributio	(35,109)
Annual OPEB cost	315,301
Contributions made	(330,877)
Increase in net OPEB obligation	(15,576)
Net OPEB obligation - beginning of year	571,888
Net OPEB obligation - end of year	\$ 556,312

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

<u>Year Ended</u>	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 315,301	104.9%	\$ 556,312
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, 2013, was as follows:

	Healthcare Benefit Governmental Activity
Actuarial accrued liability (a)	\$ 2,973,312
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	\$ 2,973,312
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 13,757,081
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	21.6%

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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

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

	Healthcare Benefit
Actuarial Valuation Date	7/1/2012
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	
	2013 7.0%
	2014 6.5%
	2015 6.0%
	2016 + 5.5% to 4.2%

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 \$289,196, in nonspendable fund balance at June 30, 2013, comprised of prepaid expenditures.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Restricted Fund Balance

The two Capital Project Funds have restrictions on the use of the resources at year end. The Capital Reserve Fund's \$1,256,934 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 \$1,243,414, in fund balance at year end within this fund is considered restricted.

The General Fund has \$34,372 restricted for unspent grants and continues from various sources.

Committed Fund Balance

The governing body (Board of School Directors) has committed \$11,735,721, of the General Fund's year end fund balance for the following purposes:

Future Retirement Rate increases	\$1,969,835
Other Post-Employment Benefits	\$3,230,619
Future Debt Service Rate increases	\$2,346,517
Millage Rate Stabilization	\$690,000
Increases in Healthcare	\$1,885,000
Energy Rate increases	\$1,613,750

Assigned Fund Balance

The General Fund has \$(850,000), assigned for future technology purchases (\$1,035,000), for purchases of textbooks, (\$575,000) for purchases of buses, and (\$453,098) to balance the 2012-13 budget.

Note 8 – Prior Period Adjustment

As a result of early implementing GASB Statement No. 65, a prior period adjustment had to be made in the governmental activities to reflect expensing the remaining unamortized bond issuance costs of \$650,654. Statement No. 65 now requires expensing bond issuance costs in the year incurred, which previously were capitalized and amortized over the life of the corresponding bond issue. As such, the opening net position of the governmental activities is restated, as follows:

Net Position at June 30, 2012 (as reported)	\$32,400,588
Less: Unamortized Bond Issuance Costs	<u>(650,654)</u>
Net Position at June 30, 2012 (as restated)	<u>\$31,749,934</u>

Note 9 -Restricted Net Position

Net Investment in Capital Assets

The components of this restriction in the governmental activities column is total capital assets of \$64,647,926, unspent proceeds of \$1,243,414 with related debt of \$49,606,273, which includes

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

unamortized bonds discounts, premiums, and deferred refunding charges. In addition, the governmental activities column has \$1,256,934 restricted for capital projects. The business-type activities column reflects \$191,451 invested in capital assets with no related debt.

Note 10 – 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, 2013.

Litigation

In accordance with the solicitor's legal letter, there is no pending litigation involving contingent liabilities, as of June 30, 2013, 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, 2013

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)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2012	\$ -	\$ 2,973,312	\$ 2,973,312	0.0%	\$ 13,757,081	21.61%
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%

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 Position
Private Purpose Trust Funds
For the Year Ended June 30, 2013

	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 & DEFERRED OUTFLOW OF REOURSCES												
Cash	\$ 6,808	\$ 1,126	\$ 367	\$ 2,551	\$ 3,619	\$ 5,986	\$ 10,924	\$ 54,636	\$ 7,467	\$ 2,289	\$ 959	\$ 182
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Charges on Rfdgs.	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ 6,808	\$ 1,126	\$ 367	\$ 2,551	\$ 3,619	\$ 5,986	\$ 10,924	\$ 54,636	\$ 7,467	\$ 2,289	\$ 959	\$ 182
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LIABILITIES & DEFERRED INFLOW OF RESOURCES												
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund Payables	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	-	-	-	-	-	-	-	-	-	-	-	-
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NET POSITION												
Held in Trust for future recipients	\$ 6,808	\$ 1,126	\$ 367	\$ 2,551	\$ 3,619	\$ 5,986	\$ 10,924	\$ 54,636	\$ 7,467	\$ 2,289	\$ 959	\$ 182

Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2013

	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	\$ 630	\$ -	\$ 150	\$ -	\$ 1,000	\$ -	\$ -	\$ 4,600	\$ 9	\$ -	\$ 2,300	\$ 300
Interfund Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
INVESTMENT EARNINGS:												
Interest and dividends	30	7	1	13	13	28	51	254	35	11	6	1
TOTAL ADDITIONS	660	7	151	13	1,013	28	51	4,854	44	11	2,306	301
DEDUCTIONS:												
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-
Awards	50	400	150	200	50	100	200	5,000	50	-	1,750	300
TOTAL DEDUCTIONS	50	400	150	200	50	100	200	5,000	50	-	1,750	300
CHANGES IN NET POSITION	610	(393)	1	(187)	963	(72)	(149)	(146)	(6)	11	556	1
NET POSITION - BEG. OF YR	6,198	1,519	366	2,738	2,656	6,058	11,073	54,782	7,473	2,278	403	181
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NET POSITION - END OF YR	\$ 6,808	\$ 1,126	\$ 367	\$ 2,551	\$ 3,619	\$ 5,986	\$ 10,924	\$ 54,636	\$ 7,467	\$ 2,289	\$ 959	\$ 182

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	NICK GUSTAFSON SCHOLAR. FUND	SCIENCE CLUB SCHOLAR. FUND	TOTAL
\$ 145	\$ 4,665	\$ 461	\$ 2,010	\$ 8,611	\$ 2	\$ 601	\$ 90	\$ 14,426	\$ 3	\$ 4,497	\$ 2,447	\$ 2,464	\$ 3	\$ 137,339
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

\$ 145	\$ 4,665	\$ 461	\$ 2,010	\$ 8,611	\$ 2	\$ 601	\$ 90	\$ 14,426	\$ 3	\$ 4,497	\$ 2,447	\$ 2,464	\$ 3	\$ 137,339
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\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

\$ 145	\$ 4,665	\$ 461	\$ 2,010	\$ 8,611	\$ 2	\$ 601	\$ 90	\$ 14,426	\$ 3	\$ 4,497	\$ 2,447	\$ 2,464	\$ 3	\$ 137,339
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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	NICK GUSTAFSON SCHOLAR. FUND	SCIENCE CLUB SCHOLAR. FUND	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 900	\$ -	\$ -	\$ -	\$ 2,554	\$ 1,500	\$ 13,943
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	22	1	9	39	-	2	-	64	-	20	12	10	2	633
2	22	1	9	39	-	2	-	964	-	20	12	2,564	1,502	14,576
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
200	50	-	-	50	-	-	-	500	-	50	-	100	1,500	10,700
200	50	-	-	50	-	-	-	500	-	50	-	100	1,500	10,700
(198)	(28)	1	9	(11)	-	2	-	464	-	(30)	12	2,464	2	3,876
343	4,693	460	2,001	8,622	2	599	90	13,962	3	4,527	2,435	-	1	133,463
\$ 145	\$ 4,665	\$ 461	\$ 2,010	\$ 8,611	\$ 2	\$ 601	\$ 90	\$ 14,426	\$ 3	\$ 4,497	\$ 2,447	\$ 2,464	\$ 3	\$ 137,339

Northwestern Lehigh School District
Combining Statement of Fund Net Position - All Enterprise Funds
As of June 30, 2013

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
ASSETS			
Cash	\$ 55,956	\$ 4,414	\$ 60,370
Investments	-	-	-
Due From Other Funds	598	443,616	444,214
Due From Other Governments	-	5,943	5,943
Other Receivables	-	204	204
Inventory	-	13,228	13,228
Prepaid Expenses	-	2,814	2,814
Building Improvements, net of Accum. depreciation	-	60,776	60,776
Equipment, net of Accum. Depreciation	25,530	105,145	130,675
TOTAL ASSETS	\$ 82,084	\$ 636,140	\$ 718,224
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred Charges on Refundings	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	<u>\$ 82,084</u>	<u>\$ 636,140</u>	<u>\$ 718,224</u>
<u>LIABILITIES</u>			
Due To Other Funds	\$ 9,371	\$ 474,617	\$ 483,988
Accounts Payable	-	-	-
Intergovernmental Payables	-	-	-
Accrued Salaries and Benefits	-	92	92
Accrued Compensated Absences	-	1,485	1,485
Other Retirement Benefits	-	-	-
Prepayments	2,010	14,756	16,766
TOTAL LIABILITIES	11,381	490,950	502,331
<u>DEFERRED INFLOW OF RESOURCES</u>			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	11,381	490,950	502,331
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	25,530	165,921	191,451
Unrestricted	45,173	(20,731)	24,442
TOTAL FUND NET POSITION	70,703	145,190	215,893
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND NET POSITION	<u>\$ 82,084</u>	<u>\$ 636,140</u>	<u>\$ 718,224</u>

Northwestern Lehigh School District
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - All Enterprise Funds
For the Year Ended June 30, 2013

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
OPERATING REVENUES			
Food Service Revenue	\$ 13,455	\$ 513,107	\$ 526,562
Other Operating Revenue	6,033	6,699	12,732
TOTAL OPERATING REVENUES	19,488	519,806	539,294
	-----	-----	-----
OPERATING EXPENSES			
Salaries	1,832	284,385	286,217
Employee Benefits	370	76,522	76,892
Professional Services	-	-	-
Purchased Property Services	-	26,021	26,021
Other Purchased Services	-	1,290	1,290
Supplies	9,826	371,905	381,731
Depreciation	1,932	27,919	29,851
Other Operating Expenses	-	4,859	4,859
TOTAL OPERATING EXPENSES	13,960	792,901	806,861
	-----	-----	-----
OPERATING PROFIT (LOSS)	5,528	(273,095)	(267,567)
	-----	-----	-----
NON-OPERATING REVENUES			
Earnings on Investments	162	337	499
Contributions/Donations	2,875	-	2,875
Revenue from Local Government Units	-	5,150	5,150
State Sources	177	47,567	47,744
Federal Sources	-	216,192	216,192
TOTAL NON-OPERATING REVENUES	3,214	269,246	272,460
	-----	-----	-----
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	8,742	(3,849)	4,893
Interfund Transfers	-	-	-
	-----	-----	-----
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	8,742	(3,849)	4,893
Capital Contributions	-	-	-
Gain or Loss on Sale of Fixed Assets	-	-	-
	-----	-----	-----
CHANGES IN FUND NET POSITION	8,742	(3,849)	4,893
FUND NET POSITION - JULY 1, 2012	61,961	149,039	211,000
	-----	-----	-----
FUND NET POSITION - JUNE 30, 2013	<u>\$ 70,703</u>	<u>\$ 145,190</u>	<u>\$ 215,893</u>

Northwestern Lehigh School District
Combining Statement of Cash Flows - All Enterprise Funds
For the Year Ended June 30, 2013

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from users	\$ 13,279	\$ 283,626	\$ 296,905
Cash received from assessments to other funds	-	-	-
Cash received from earnings on investments	-	-	-
Cash received from other operating revenue	6,033	7,473	13,506
Cash paid to employees	(2,202)	(362,430)	(364,632)
Cash payments to insurance claims	-	-	-
Cash paid to suppliers	(8,004)	(291,512)	(299,516)
Cash payments for other operating expenses	-	(4,859)	(4,859)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>9,106</u>	<u>(367,702)</u>	<u>(358,596)</u>
	-----	-----	-----
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Contributions	2,875	-	2,875
Local Sources	-	5,150	5,150
State Sources	177	47,370	47,547
Federal Sources	-	177,185	177,185
Interfund Transfers	-	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>3,052</u>	<u>229,705</u>	<u>232,757</u>
	-----	-----	-----
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	-	(5,196)	(5,196)
Capital Contributions	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(5,196)</u>	<u>(5,196)</u>
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	<u>162</u>	<u>337</u>	<u>499</u>
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,320	(142,856)	(130,536)
CASH AND CASH EQUIVALENTS - JULY 1, 2012	<u>43,636</u>	<u>147,270</u>	<u>190,906</u>
	-----	-----	-----
CASH AND CASH EQUIVALENTS - JUNE 30, 2013	<u>\$ 55,956</u>	<u>\$ 4,414</u>	<u>\$ 60,370</u>
	-----	-----	-----

Northwestern Lehigh School District
Combining Statement of Cash Flows - All Enterprise Funds
For the Year Ended June 30, 2013

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

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
OPERATING INCOME (LOSS)	\$ 5,528	\$ (273,095)	\$ (267,567)
	-----	-----	-----
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Depreciation	1,932	27,919	29,851
Donated Commodities used	-	38,269	38,269
NET CHANGES IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	-	396	396
(Increase) Decrease in Interfund Receivable	(176)	(226,289)	(226,465)
(Increase) Decrease in Inventories	-	2,393	2,393
(Increase) Decrease in Prepaid Expenses	-	(2,814)	(2,814)
Increase (Decrease) in Interfund Payable	2,202	67,256	69,458
Increase (Decrease) in Accounts Payable	-	-	-
Increase (Decrease) in Accrued Salaries and Benefits	-	(1,523)	(1,523)
Increase (Decrease) in Prepayments	(380)	(214)	(594)
TOTAL ADJUSTMENTS	<u>3,578</u>	<u>(94,607)</u>	<u>(91,029)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 9,106</u>	<u>\$ (367,702)</u>	<u>\$ (358,596)</u>

**Northwestern Lehigh School District
Combining Balance Sheet
All Agency Funds
As of June 30, 2013**

ASSETS	ACTIVITY FUND	PAYROLL FUND	TOTAL
Cash	\$ 112,626	\$ 29,309	\$ 141,935
Due from Other Funds	-	1	1
Accounts Receivable	-	-	-
Prepaid Expenses	-	-	-
TOTAL ASSETS	<u>\$ 112,626</u>	<u>\$ 29,310</u>	<u>\$ 141,936</u>
LIABILITIES			
Accounts Payable	\$ 10,922	\$ -	\$ 10,922
Intergovernmental Payable	-	-	-
Due Student Organizations	99,952	-	99,952
Payroll Deductions	-	23,726	23,726
Interfund Payable	1,752	5,584	7,336
TOTAL LIABILITIES	<u>\$ 112,626</u>	<u>\$ 29,310</u>	<u>\$ 141,936</u>

Northwestern Lehigh School District
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2013

<u>ACTIVITY FUND</u>	<u>BALANCE 7/1/12</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE 6/30/13</u>
ASSETS:				
Cash	\$ 128,460	\$ 255,789	\$ 271,623	\$ 112,626
Interfund Receivable	-	-	-	-
Accounts Receivable	-	-	-	-
Prepaid Expenses	-	-	-	-
TOTAL ASSETS	\$ 128,460	\$ 255,789	\$ 271,623	\$ 112,626
LIABILITIES:				
Accounts Payable	\$ 11,515	\$ 10,922	\$ 11,515	\$ 10,922
Intergovernmental Payable	-	-	-	-
Interfund Payables	53	1,752	53	1,752
Due to Student Organizations	116,892	243,115	260,055	99,952
TOTAL LIABILITIES	\$ 128,460	\$ 255,789	\$ 271,623	\$ 112,626
 <u>PAYROLL FUND</u>				
ASSETS:				
Cash	\$ 39,015	\$ 16,980,426	\$ 16,990,132	\$ 29,309
Other Accounts Receivable	-	-	-	-
Interfund Receivable	-	1	-	1
TOTAL ASSETS	\$ 39,015	\$ 16,980,427	\$ 16,990,132	\$ 29,310
LIABILITIES:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Interfund Payable	4,815	5,584	4,815	5,584
Accrued Payroll Deductions	34,200	16,974,843	16,985,317	23,726
TOTAL LIABILITIES	\$ 39,015	\$ 16,980,427	\$ 16,990,132	\$ 29,310
 <u>ALL AGENCY FUNDS</u>				
ASSETS:				
Cash	\$ 167,475	\$ 17,236,215	\$ 17,261,755	\$ 141,935
Interfund Receivables	-	1	-	1
Accounts Receivable	-	-	-	-
Prepaid Expenses	-	-	-	-
TOTAL ASSETS	\$ 167,475	\$ 17,236,216	\$ 17,261,755	\$ 141,936
LIABILITIES:				
Accounts Payable	\$ 11,515	\$ 10,922	\$ 11,515	\$ 10,922
Intergovernmental Payable	-	-	-	-
Due to Student Organizations	116,892	243,115	260,055	99,952
Accrued Payroll Deductions	34,200	16,974,843	16,985,317	23,726
Interfund Payable	4,868	7,336	4,868	7,336
TOTAL LIABILITIES	\$ 167,475	\$ 17,236,216	\$ 17,261,755	\$ 141,936

Northwestern Lehigh School District
Combining Balance Sheet - All Capital Project Funds
As of June 30, 2013

	CAPITAL RESERVE FUND	2008A - 33 CONSTRUCTION FUND	2009 CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 381,837	\$ 455,270	\$ 68,943	\$ 906,050
Investments	1,000,000	300,000	400,000	1,700,000
Due from other funds	-	-	-	-
Accrued Interest Receivables	27,429	8,229	10,972	46,630
Prepaid Expenditures	-	-	-	-
Other Current Assets	-	-	-	-
TOTAL ASSETS	\$ 1,409,266	\$ 763,499	\$ 479,915	\$ 2,652,680
<u>DEFERRED OUTFLOW OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ 1,409,266	\$ 763,499	\$ 479,915	\$ 2,652,680
<u>LIABILITIES</u>				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Accounts Payable	152,332	-	-	152,332
Intergovernmental Payables	-	-	-	-
Prepayments	-	-	-	-
Other Current Liabilities	-	-	-	-
TOTAL LIABILITIES	152,332	-	-	152,332
<u>DEFERRED INFLOW OF RESOURCES</u>				
Unearned/Unavailable Revenue	-	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	152,332	-	-	152,332
<u>FUND BALANCES:</u>				
Restricted Fund Balance	1,256,934	763,499	479,915	2,500,348
Assigned Fund Balance	-	-	-	-
TOTAL FUND BALANCES	1,256,934	763,499	479,915	2,500,348
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 1,409,266	\$ 763,499	\$ 479,915	\$ 2,652,680

Northwestern Lehigh School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2013

	CAPITAL RESERVE FUND	2008A - 33 CONSTRUCTION FUND	2009 CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES				
Local Sources	\$ 28,781	\$ 10,317	\$ 11,264	\$ 50,362
State Sources	-	-	-	-
Federal Sources	-	-	-	-
TOTAL REVENUES	<u>28,781</u>	<u>10,317</u>	<u>11,264</u>	<u>50,362</u>
EXPENDITURES				
Instruction	-	-	-	-
Support Services	-	-	-	-
Operation of Non-Instructional Services	-	-	-	-
Capital Outlay	473,157	2,997	14,720	490,874
Debt Service	-	-	-	-
TOTAL EXPENDITURES	<u>473,157</u>	<u>2,997</u>	<u>14,720</u>	<u>490,874</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(444,376)</u>	<u>7,320</u>	<u>(3,456)</u>	<u>(440,512)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	-	-
Bond Discount	-	-	-	-
Interfund Transfers In	193,000	-	-	193,000
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>193,000</u>	<u>-</u>	<u>-</u>	<u>193,000</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>(251,376)</u>	<u>7,320</u>	<u>(3,456)</u>	<u>(247,512)</u>
FUND BALANCES - BEGINNING	<u>1,508,310</u>	<u>756,179</u>	<u>483,371</u>	<u>2,747,860</u>
FUND BALANCES - ENDING	<u>\$ 1,256,934</u>	<u>\$ 763,499</u>	<u>\$ 479,915</u>	<u>\$ 2,500,348</u>

Northwestern Lehigh School District
Combining Balance Sheet - All Non-Major Governmental Funds
As of June 30, 2013

	2012 BOND FUND	2013 BOND FUND	TOTAL NON MAJOR FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ 1,029	\$ 1,029
Investments	-	-	-
Due from other funds	-	-	-
Accrued Interest Receivables	-	-	-
Prepaid Expenditures	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	\$ -	\$ 1,029	\$ 1,029
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ -	\$ 1,029	\$ 1,029
<u>LIABILITIES</u>			
Due to Other Funds	\$ -	\$ -	\$ -
Accounts Payable	-	-	-
Intergovernmental Payables	-	-	-
Prepayments	-	-	-
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	-	-	-
<u>DEFERRED INFLOW OF RESOURCES</u>			
Unearned/Unavailable Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	-	-	-
	-----	-----	-----
FUND BALANCES:			
Restricted Fund Balance	-	1,029	1,029
Assigned Fund Balance	-	-	-
TOTAL FUND BALANCES	-	1,029	1,029
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ -	\$ 1,029	\$ 1,029

Northwestern Lehigh School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Non-Major Governmental Funds
For the Year Ended June 30, 2013

	2012 BOND FUND	2013 BOND FUND	TOTAL NON MAJOR FUNDS
REVENUES			
Local Sources	\$ -	\$ -	\$ -
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUES	-	-	-
	-----	-----	-----
EXPENDITURES			
Instruction	-	-	-
Support Services	-	133,256	133,256
Operation of Non-Instructional Services	-	-	-
Capital Outlay	-	-	-
Debt Service	455	-	455
TOTAL EXPENDITURES	455	133,256	133,711
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(455)	(133,256)	(133,711)
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Refunding Bond Proceeds	-	9,405,000	9,405,000
Bond Discount	-	-	-
Interfund Transfers In	-	133,257	133,257
Sale/Compensation for Fixed Assets	-	-	-
Payment to bond refunding escrow agent	-	(9,416,970)	(9,416,970)
Bond Premium	-	12,998	12,998
Operating Transfers Out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	134,285	134,285
SPECIAL/EXTRAORDINARY ITEMS			
Special Items	-	-	-
Extraordinary Items	-	-	-
NET CHANGE IN FUND BALANCES	(455)	1,029	574
FUND BALANCES - BEGINNING	455	-	455
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 1,029</u>	<u>\$ 1,029</u>

**Northwestern Lehigh School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2013**

	HEIDELBERG TOWNSHIP	LOWHILL TOWNSHIP	LYNN TOWNSHIP	WEISENBERG TOWNSHIP	TOTALS
<u>CURRENT REAL ESTATE TAXES</u>					
Original Assessment	\$ 78,336,500	\$ 81,168,950	\$ 101,100,950	\$ 191,825,500	\$ 452,431,900
Millage Rate	0.05066	0.05066	0.05066	0.05066	0.05066
Total Assessed Tax Amount	3,968,526	4,112,018	5,121,773	9,717,878	22,920,195
Less: Act 1 Reduction	151,310	101,127	185,936	227,603	665,976
TAX PER DUPLICATE	3,817,216	4,010,891	4,935,837	9,490,275	22,254,219
PLUS - Additions	-	4,927	10,669	8,129	23,725
- Penalties	11,888	11,669	16,843	25,292	65,692
TAXES TO BE COLLECTED	3,829,104	4,027,487	4,963,349	9,523,696	22,343,636
LESS - Discounts	59,378	63,013	79,360	159,674	361,425
- Outstanding Additions	-	-	-	-	-
- Reductions	2,898	4,342	15,629	-	22,869
- Refunds	2,377	284	710	218	3,589
- Returned to County	185,046	82,073	196,107	213,216	676,442
- Exonerations	-	-	-	9,079	9,079
NET CURRENT R. E. TAXES COLLECTED	<u>\$ 3,579,405</u>	<u>\$ 3,877,775</u>	<u>\$ 4,671,543</u>	<u>\$ 9,141,509</u>	<u>\$ 21,270,232</u>
 INTERIM R. E. TAXES COLLECTED	 <u>\$ 14,023</u>	 <u>\$ 21,269</u>	 <u>\$ 20,851</u>	 <u>\$ 36,059</u>	 <u>\$ 92,202</u>

Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013

REVENUES

LOCAL SOURCES:

Current Real Estate Taxes	\$ 21,270,232	
Interim Real Estate Taxes	92,202	
Public Utility	33,488	
Payment in Lieu of Taxes	5,708	
Current Per Capita Taxes - 511	-	
Current Per Capita Taxes - 679	-	
Occupational Privilege Tax	41,152	
Earned Income Tax	2,153,990	
Real Estate Transfer Tax	320,117	
Amusement Taxes	9,700	
Delinquent Real Estate Taxes	779,715	
Delinquent Interim Real Estate Taxes	15,121	
Delinquent Per Capita Taxes - 511	-	
Delinquent Per Capita Taxes - 679	-	
Delinquent Occupation Taxes	-	
Interest	134,410	
Admissions	60,786	
Fees	3,089	
Other Student Activity Income	8,288	
Revenue Received from I.S. - State	1,149	
I/U Services - Federal	378,858	
Other Revenue I.U. Sources	-	
Rentals	21,641	
Contributions	146,692	
Regular Day School Tuition	-	
Summer School	-	
Adult School	4,435	
Receipts from Other LEA's - Education	7,620	
Other Tuition From Patrons	680	
Transportaion Services Provided Other PA LEAs	5,236	
Miscellaneous	28,689	
Refunds of Prior Yr. Expenditures	2,012	
TOTAL LOCAL SOURCE REVENUE	\$ 25,525,010	

STATE SOURCES:

Basic Subsidy - ESBE	5,317,738	
Read to Succeed	-	
Charter Schools	-	
School Performance	-	
Orphan Tuition	25,832	
Homebound	-	
Vocational Education	-	
Special Education	1,329,211	
SUB-TOTAL	6,672,781	

Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013

REVENUE (CONT'D)

SUB-TOTAL (CARRIED FORWARD)	\$ 6,672,781	
Transportation	933,273	
Rentals	316,409	
Health Services	41,536	
State Property Tax Reduction Allocation	665,883	
Dual Enrollment	-	
Sewage	-	
PA Accountability Grant	85,745	
Project 720 HS	-	
DCED Pavilion	-	
FICA Revenue	610,448	
Retirement Revenue	1,003,373	
Classrooms for the Future	-	
TOTAL STATE SOURCE REVENUE	<u> </u>	\$ 10,329,448

FEDERAL SOURCES:

Title I	198,346	
Title II A	45,287	
Title I - ARRA	-	
State Fiscal Stabilization Fund - ARRA	-	
Education Jobs Grant	-	
Drug Free	-	
Medical Assistance Reimbursement	4,800	
TOTAL FEDERAL SOURCE REVENUE	<u> </u>	<u>248,433</u>
TOTAL REVENUE		36,102,891

EXPENDITURES

Regular Programs - Elem./Secondary	13,298,512
Federally Funded Regular Programs	564,144
Special Education	-
Life Skills Support - Public	28,980
Deaf or Hearing Impaired Support	-
Blind or Visually Impaired Support	-
Speech & Language Impaired	169,666
Emotional Support - Public	350,933
Academic Support	-
Learning Support - Public	2,020,706
Gifted Support	114,573
Physical Support	-
Multi-Handicapped Support	-
Early Intervention Support	-
Other Support	1,619,545
SUB-TOTAL	<u>18,167,059</u>

Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013

SUB-TOTAL (CARRIED FORWARD)	\$ 18,167,059
Home Economics	-
Business Education	-
Other Vocational Education Programs	1,039,506
Drivers Education	2,000
Homebound Instruction	9,341
Adjudicated/Court Placed Programs	-
Alternative Education Program	-
Additional Other Instructional Program	-
Non-Public School Programs	1,376
Adult Education	4,024
Community College Programs	279,638
Supervision of Pupil Personnel Services	314,676
Guidance Services	-
Counseling Services	644,708
Attendance Services	-
Psychological Services	145,492
Other Pupil Personnel Services	-
Support Services - Instructional Staff	-
Technology Support Services	-
Educational Television Services	3,934
Computer Assisted Instruction Services	90,558
School Library Services	484,299
Instructional & Curriculum Dev. Service	273,637
Instructional Staff Development Services	-
Instructional Staff Development	81,424
Instructional Staff Development - Non-certified	102
Other Instructional Staff Services	-
Board Services	39,889
Board Treasurer Services	-
Tax Assessment & Collection Service	88,445
Staff Relations	-
Legal Services	130,936
Office of the Superintendent Services	279,966
Community Relations Services	190
Office of the Principal Services	1,250,606
Other Administration Services	1,508
Medical Services	264,457
Dental Services	400
Nursing Services	-
Non-Public Health Services	-
Support Services - Business	631,785
SUB-TOTAL	24,229,956

Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013

SUB-TOTAL (CARRIED FORWARD)	\$ 24,229,956	
Operation and Maintenance of Plant Services	3,251,045	
Security Services	17,460	
Student Transportation Services	2,115,194	
Support Services - Central	-	
System-Wide Technology Services	258,742	
Recruitment and Placement Services	215,140	
Staff Development Services	16,026	
Non-Instructional Dev - Non Cert	8,648	
Other Support Services	37,311	
School Sponsored Student Activities	182,069	
School Sponsored Athletics	551,622	
Community Services	29,737	
Existing Site Improvement Services	-	
Building Acquisition and Construction Services	-	
Existing Building Improvement Services	-	
Debt Service	3,167,089	
Refund of Prior Yr. Receipts	23,021	
TOTAL EXPENDITURES	<u>34,103,060</u>	\$ 34,103,060
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		1,999,831
<u>OTHER FINANCING SOURCES (USES)</u>		
Proceeds from Extended Term Financing	-	
Debt Service Fund Transfers	(133,257)	
Transfer from Activity Funds	-	
Transfer from Tiger Concession Fund	-	
Sale of Fixed Assets	-	
Special Revenue Fund Transfers	(193,000)	
Capital Projects Funds Transfers	-	
Debt Service Fund Transfers	-	
Food Service Fund Transfers	-	
Tiger Concession Fund Transfers	-	
Activity Fund Transfers	-	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(326,257)</u>	
Special Items	-	
Extraordinary Items	<u>(326,257)</u>	(326,257)
NET CHANGE IN FUND BALANCE		1,673,574
FUND BALANCE - JULY 1, 2012		<u>15,255,215</u>
FUND BALANCE - JUNE 30, 2013		<u>\$ 16,928,789</u>

Northwestern Lehigh School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2013

REVENUES

Student Payments	\$	504,190	
Adult Payments		5,329	
Kitchen Sales		3,588	
Miscellaneous		1,243	
Revenue from Local Government Units		5,150	
Federal Donated Commodities		38,594	
Federal Subsidies		176,598	
Other Unrestricted Federal Grant		1,000	
State Subsidies		46,817	
Other State Revenue		750	
Transfer from General Fund		-	
Interest		337	
Special Events		<u>5,456</u>	\$ 789,052

COST OF SALES

Beginning Inventory - July 1, 2012		15,296	
Purchases - Food and Milk		302,389	
- Donated Commodities		38,594	
- Supplies		28,854	
LESS: Ending Inventory - June 30, 2013		<u>(13,228)</u>	<u>371,905</u>

GROSS PROFIT

417,147

EXPENSES

Payroll	284,385	
Taxes and Benefits	76,522	
Professional Services	-	
Purchased Property Services	26,021	
Travel	645	
Advertising	-	
Tech Communications	250	
Printing & Binding	395	
Depreciation	27,919	
Equipment	4,547	
Dues & Fees	<u>312</u>	<u>420,996</u>

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS

(3,849)

Gain or Loss on Sale of Fixed Assets

-

Capital Contributions

-

CHANGES IN FUND NET POSITION

(3,849)

FUND NET POSITION - JULY 1, 2012

149,039

FUND NET POSITION - JUNE 30, 2013

\$ 145,190

**Northwestern Lehigh School District
Food Service Fund
Statement of Fund Net Position
As of June 30, 2013**

ASSETS & DEFERRED OUTFLOW OF RESOURCES

Cash	\$ 4,414
Interfund Receivables	443,616
Subsidies Receivable	5,943
Other Receivable	204
Inventories	13,228
Prepaid Expenses	2,814
Building Improvements, net of Accum. Depreciation	60,776
Equipment, net of Accum. Depreciation	105,145
Deferred Outflow of Resources	<u>-</u>

TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	<u>\$ 636,140</u>
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**LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND
FUND NET POSITION**

Accounts Payable	-
Interfund Accounts Payable	474,617
Accrued Salaries and Benefits	92
Accrued Compensated Absences	1,485
Other Retirement Benefits	-
Prepayments	14,756
Deferred Inflow of Resources	-
FUND NET POSITION - JUNE 30, 2013	<u>145,190</u>

TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND NET POSITION	<u>\$ 636,140</u>
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Tiger Concession Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2013

REVENUES

Concession Stand Revenues	\$	13,455	
Other Revenue		6,033	
Interest		162	
Contributions/Donations		2,875	
State Sources		177	
Transfer from the General Fund		-	\$ 22,702

COST OF SALES

Beginning Inventory - July 1, 2012	-	
Food	6,825	
Supplies	3,001	
Less: Ending Inventory - June 30, 2013	-	9,826

GROSS PROFIT 12,876

EXPENSES

Payroll	1,832	
Taxes and Benefits	370	
Other Professional Services	-	
Repairs and Maintenance	-	
Small Tools	-	
Depreciation	1,932	4,134

CHANGES IN FUND NET POSITION 8,742

FUND NET POSITION - JULY 1, 2012 61,961

FUND NET POSITION - JUNE 30, 2013 **\$ 70,703**

**Northwestern Lehigh School District
Payroll Fund
Statement of Additions and Deletions
For the Year Ended June 30, 2013**

CASH BALANCE - JULY 1, 2012 **\$ 39,015**

ADDITIONS

Transfers From Other Funds	\$ 16,980,247	
Interest	179	16,980,426
TOTAL FUNDS AVAILABLE		17,019,441

DELETIONS

16,990,132

CASH BALANCE - JUNE 30, 2013 **\$ 29,309**

RECONCILIATION

Interfund Receivable	\$ 1	
Accounts Payable	-	
Misc. deductions	(5)	
Retro Retirement	-	
Occupational Tax	-	
Due to General Fund	5,584	
Fica	-	
Flex Spending	15,141	
Dependent Care	8,590	
TOTAL LIABILITIES		<u>\$ (29,309)</u>

**Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2013**

FUND BALANCE - JULY 1, 2012 **\$ 1,508,310**

REVENUES

Interest	\$ 28,781	
Transfer from General Fund	193,000	221,781
TOTAL FUNDS AVAILABLE		1,730,091

EXPENDITURES

INSTRUCTIONAL:

Equipment	-	
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SUPPORT SERVICES:

Repairs and Maintenance	-	
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CAPITAL OUTLAY:

Rentals	-	
Professional Services	5,454	
Construction	467,393	
Land Improvements	-	
Fees	310	473,157

FUND BALANCE - JUNE 30, 2013 **\$ 1,256,934**

**Northwestern Lehigh School District
2008 A Construction Fund - 33
Statement of Revenues and Expenditures
For the Year Ended June 30, 2013**

FUND BALANCE - JULY 1, 2012 **\$ 756,179**

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Bond Issues	\$ -	
Interest	10,317	10,317
TOTAL FUNDS AVAILABLE		766,496

EXPENDITURES AND OTHER FINANCING USES

SUPPORT SERVICES:

Professional Services	-	
Insurance	-	
Printing	-	

CAPITAL OUTLAY:

Professional Services	2,997	
Advertising	-	
Construction	-	
Land Improvements	-	
Equipment	-	
Dues and Fees	-	

OTHER FINANCING USES:

Transfer to 2009 Construction Fund	-	2,997

FUND BALANCE - JUNE 30, 2013 **\$ 763,499**

**Northwestern Lehigh School District
2009 Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2013**

FUND BALANCE - JULY 1, 2012	\$	483,371
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REVENUES AND OTHER FINANCING SOURCES

Proceeds from Bond Issues	\$	-	
Refund of Prior Year Expenditures		-	
Interest		11,264	11,264
TOTAL FUNDS AVAILABLE		11,264	494,635

EXPENDITURES AND OTHER FINANCING USES

INSTRUCTIONAL SERVICES:

Equipment	-	
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SUPPORT SERVICES:

Professional Services	-	
Advertising	-	
Equipment	-	

CAPITAL OUTLAY:

Professional Services	-	
Advertising	-	
Construction	14,720	
Insurance	-	
Land Improvements	-	
Equipment	-	
Dues and Fees	-	

OTHER FINANCING USES:

Bond Discount	-	14,720
	-	14,720

FUND BALANCE - JUNE 30, 2013	\$	479,915
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**Northwestern Lehigh School District
2012 Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2013**

FUND BALANCE - JULY 1, 2012 \$ 455

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Refunding Bond Issues	\$ -		
Bond Premium	-		
Interest	-		-
TOTAL FUNDS AVAILABLE			455

EXPENDITURES AND OTHER FINANCING USES

SUPPORT SERVICES:

Professional Services	-		
Insurance	-		
Printing	-		

OTHER FINANCING USES:

Payment to Refunded Bonds Escrow Agent	-		
Bond Discount	-		
Debt Service - Interest	455		455

FUND BALANCE - JUNE 30, 2013 **\$ -**

**2013 Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2013**

FUND BALANCE - JULY 1, 2012 \$ -

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Refunding Bond Issues	\$ 9,405,000		
Bond Premium	12,998		
Transfer from General Fund	133,257		
Interest	-		9,551,255
TOTAL FUNDS AVAILABLE			9,551,255

EXPENDITURES AND OTHER FINANCING USES

SUPPORT SERVICES:

Professional Services	131,359		
Insurance	-		
Printing	1,897		

OTHER FINANCING USES:

Payment to Refunded Bonds Escrow Agent	9,416,970		
Bond Discount	-		
Debt Service - Interest	-		9,550,226

FUND BALANCE - JUNE 30, 2013 **\$ 1,029**

Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2003
For the Year Ended June 30, 2013

<u>MATURITY DATE</u>	<u>INTEREST RATE PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	3.15%	\$ 59,808	\$ 1,610,000
2014-15	3.25%	17,225	1,060,000
TOTAL OUTSTANDING		\$ 77,033	\$ 2,670,000

Schedule on General Obligation Bonds - Series A of 2007
For the Year Ended June 30, 2013

<u>MATURITY DATE</u>	<u>INTEREST RATE PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		\$ 31,560	\$ 200,000

Schedule on General Obligation Notes - Series A of 2007
For the Year Ended June 30, 2013

<u>MATURITY DATE</u>	<u>VARIABLE INTEREST RATE PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	1.320%	99,449	100,000
2014-15	1.320%	106,807	100,000
2015-16	1.320%	99,158	700,000
2016-17	1.320%	88,551	800,000
2017-18	1.320%	77,991	800,000
2018-19	1.320%	45,842	800,000
2019-20	1.320%	77,508	900,000
2020-21	1.320%	43,892	900,000
2021-22	1.320%	30,913	1,000,000
2022-23	1.320%	17,713	1,000,000
2023-24	1.320%	2,676	1,100,000
TOTAL OUTSTANDING		\$ 690,500	\$ 8,200,000

Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series A of 2008
For the Year Ended June 30, 2013

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		\$ 5,434,255	\$ 9,155,000

Schedule on General Obligation Bonds - Series of 2009
For the Year Ended June 30, 2013

<u>MATURITY DATE</u>	<u>VARIABLE INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	1.320%	\$ 104,931	\$ 75,000
2014-15	1.320%	113,010	80,000
2015-16	1.320%	112,260	80,000
2016-17	1.320%	110,503	125,000
2017-18	1.320%	108,853	125,000
2018-19	1.320%	107,071	140,000
2019-20	1.320%	105,509	140,000
2020-21	1.320%	103,287	150,000
2021-22	1.320%	101,307	150,000
2022-23	1.320%	99,239	160,000
2023-24	1.320%	97,347	165,000
2024-25	1.320%	86,776	1,090,000
2025-26	1.320%	71,949	1,140,000
2026-27	1.320%	56,549	1,180,000
2027-28	1.320%	40,630	1,230,000
2028-29	1.320%	23,858	1,280,000
2029-30	1.320%	6,143	1,330,000
TOTAL OUTSTANDING		\$ 1,449,222	\$ 8,640,000

Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2010
For the Year Ended June 30, 2013

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		\$ 145,450	\$ 2,035,000

Schedule on General Obligation Bonds - Series of 2012
For the Year Ended June 30, 2013

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		\$ 3,485,723	\$ 9,990,000

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2013
For the Year Ended June 30, 2013**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	2.00%	\$ 228,749	\$ 5,000
2014-15	2.00%	213,795	5,000
2015-16	2.00%	213,695	5,000
2016-17	2.00%	213,595	725,000
2017-18	2.00%	199,095	515,000
2018-19	2.00%	188,795	540,000
2019-20	2.00%	177,995	490,000
2020-21	2.00%	168,195	535,000
2021-22	2.00%	157,495	500,000
2022-23	2.00%	147,495	540,000
2023-24	2.10%	136,695	505,000
2024-25	2.15%	126,090	660,000
2025-26	2.25%	111,900	670,000
2026-27	2.40%	96,825	690,000
2027-28	2.50%	80,265	705,000
2028-29	2.60%	62,640	720,000
2029-30	2.70%	43,920	740,000
2030-31	2.80%	23,940	855,000
TOTAL OUTSTANDING		<u>\$ 2,591,179</u>	<u>\$ 9,405,000</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, 2013

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NO.	PASS THROUGH GRANTOR NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) 7/1/12	REVENUE	EXPEND.	ACCRUED OR (DEFERRED) 6/30/2013	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	\$ 31,025	\$ 31,025	\$ -	\$ -	\$ -	2
ESEA - TITLE I - IMPROVING BASIC PROGRAMS	I	84.010	013-130305	7/1/12 - 9/30/13	\$ 198,346	185,670	-	198,346	198,346	12,676	
TOTAL TITLE I PROGRAM						216,695	31,025	198,346	198,346	12,676	
PASSED THROUGH THE PDE											
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-120305	7/1/11 - 9/30/12	\$ 38,424	2,310	(4,690)	7,000	7,000	-	2
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-130305	7/1/12 - 9/30/13	\$ 38,287	38,287	-	38,287	38,287	-	
TOTAL TITLE II PROGRAM						40,597	(4,690)	45,287	45,287	-	
ARRA - EDUCATION JOBS FUND	I	84.410	140-175519	8/10/11 - 6/30/12	\$ 5,877	5,877	5,877	-	-	-	5
PASSED THROUGH THE CARBON-LEHIGH I.U.											
IDEA - B	I	84.027	N/A	7/1/11 - 6/30/12	\$ 402,389	60,340	60,340	-	-	-	2
IDEA - B	I	84.027	N/A	7/1/12 - 6/30/13	\$ 367,354	367,354	-	367,354	367,354	-	1
IDEA - SECTION 619	I	84.173	N/A	7/1/12 - 6/30/13	\$ 2,547	4,568	2,021	1,099	1,099	(1,448)	1
TOTAL IDEA CLUSTER						432,262	62,361	368,453	368,453	(1,448)	
TOTAL U. S. DEPARTMENT OF EDUCATION						695,431	94,573	612,086	612,086	11,228	
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES											
PASSED THROUGH THE PA. DEPARTMENT OF PUBLIC WELFARE											
TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	7/1/12 - 6/30/13	N/A	3,227	(1,573)	4,800	4,800	-	2
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						3,227	(1,573)	4,800	4,800	-	
U. S. DEPARTMENT OF AGRICULTURE											
PASSED THROUGH THE PDE											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/11 - 6/30/12	N/A	4,320	4,320	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/12 - 6/30/13	N/A	157,872	-	163,064	163,064	5,192	
NATIONAL SCHOOL BREAKFAST	I	10.553	N/A	7/1/11 - 6/30/12	N/A	460	460	-	-	-	
NATIONAL SCHOOL BREAKFAST	I	10.553	N/A	7/1/12 - 6/30/13	N/A	13,534	-	13,534	13,534	-	
PASSED THROUGH THE PA DEPT. OF AGRICULTURE											
U.S.D.A. COMMODITIES	I	10.555	N/A	7/1/12- 6/30/13	N/A	38,594	(3,397)	38,269	38,269	(3,722)	2
TOTAL CHILD NUTRITION CLUSTER						214,780	1,383	214,867	214,867	1,470	3,4
TOTAL U.S. DEPARTMENT OF AGRICULTURE						214,780	1,383	214,867	214,867	1,470	
TOTAL FEDERAL AWARDS						\$ 913,438	\$ 94,383	\$ 831,753	\$ 831,753	\$ 12,698	

SOURCE: D -DIRECT; I -INDIRECT

Northwestern Lehigh School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

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 27.2% 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	\$ 628,115	\$ 420,231
Carbon-Lehigh I.U.	772,290	368,453
PA Department of Public Welfare	N/A	4,800
PA Department of Agriculture	N/A	38,269
Totals	\$ 1,400,405	\$ 831,753

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$38,594, in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2012-13 fiscal year, the District used \$38,269 in commodities and established a year-end inventory of \$3,722 at June 30, 2013.
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	\$ 248,433
Federal Grants in Local Sources	378,858
Food Service Fund Federal Revenue	215,192
Total Federal Revenue, per financial statements	842,483
Less: Transportation Access Reimbursement	(10,405)
Change in Donated Commodities	(325)
Total Federal Revenue Reported on SEFA	\$ 831,753



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT UNDER GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement of the general fund of the Northwestern Lehigh School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Northwestern Lehigh School District's basic financial statements, and have issued our report thereon dated November 19, 2013.

Internal Control over Financial Reporting

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

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

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

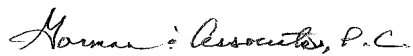
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



November 19, 2013



**INDEPENDENT AUDITOR'S REPORT
UNDER OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Northwestern Lehigh School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Northwestern Lehigh School District's major federal programs for the year ended June 30, 2013*. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northwestern Lehigh School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Northwestern Lehigh School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Northwestern Lehigh School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Northwestern Lehigh School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northwestern Lehigh School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



November 19, 2013

**Northwestern Lehigh School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major program:

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

Percentage of programs tested to total awards 44.3%

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, 2013**

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.