

**REPORT ON
NORTHWESTERN LEHIGH SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

NORTHWESTERN LEHIGH SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

	<u>Page (s)</u>
Introductory Section	
Transmittal Letter	1
Letter to Governance/Management	2 - 6
Report Distribution List.....	7
Financial Section	
Independent Auditor's Report	8 - 10
Management's Discussion and Analysis	11 – 18
Basic Financial Statements	
District-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	24 - 25
Statement of Fund Net Position - Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28 - 29
Statement of Net Position - Fiduciary Funds.....	30

NORTHWESTERN LEHIGH SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS (continued)

	<u>Page (s)</u>
Statement of Changes in Net Position - Fiduciary Funds.....	31
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	32
Notes to Basic Financial Statements.....	33– 67
Required Supplemental Information	
Schedule of Funding Progress	68
Supplemental Information	
Combining Statement of Fiduciary Net Position - Private Purpose Trust Funds.....	69
Combining Statement of Changes in Fiduciary Net Position - Private Purpose Trust Funds	69
Combining Statement of Fund Net Position - All Enterprise Funds	70
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - All Enterprise Funds	71
Combining Statement of Cash Flows - All Enterprise Funds.....	72 - 73
Combining Balance Sheet - All Agency Funds.....	74
Combining Statement of Changes in Assets and Liabilities – All Agency Funds.....	75
Combining Balance Sheet - All Capital Project Funds.....	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – All Capital Project Funds.....	77
Combining Balance Sheet – All Non-Major Governmental Funds.....	78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – All Non-Major Governmental Funds.....	79
General Fund - Schedule on Tax Collectors' Receipts	80
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance	81 - 84
Food Service Fund - Statement of Revenues, Expenses, and Changes in Fund Net Position.....	85
Food Service Fund - Statement of Fund Net Position	86

NORTHWESTERN LEHIGH SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS (continued)

	<u>Page (s)</u>
Tiger Concession Fund - Statement of Revenues, Expenses, and Changes in Fund Net Position.....	87
Payroll Fund - Statement of Additions and Deletions.....	88
Capital Reserve Fund - Statement of Revenues and Expenditures	88
2008 A Construction Fund -33 – Statement of Revenue and Expenditures	89
2009 Construction Fund - Statement of Revenues and Expenditures	90
2013 Bond Fund – Statement of Revenues and Expenditures.....	91
2014 Bond Fund – Statement of Revenues and Expenditures.....	91
General Long-Term Debt:	
Schedule on General Obligation Bonds- Series of 2003.....	92
Schedule on General Obligation Bonds – Series A of 2007	92
Schedule on General Obligation Bonds – Series of 2009.....	93
Schedule on General Obligation Bonds – Series of 2010	93
Schedule on General Obligation Bonds – Series of 2012	94
Schedule on General Obligation Bonds – Series of 2013.....	94
Schedule on General Obligation Bonds – Series of 2014.....	95
Single Audit Section	
Schedule of Expenditures of Federal Awards	96
Notes to the Schedule of Expenditures of Federal Awards	97
Independent Auditor’s Report Under Government Auditing Standards	98 - 99
Independent Auditor’s Report Under OMB Circular A-133	100 – 101
Schedule of Findings and Questioned Costs.....	102 - 103

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, 2014, 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 21, 2014



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, 2014, and have issued our report thereon dated November 21, 2014.

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 25, 2014.

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 21, 2014. 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 2013-14 basic financial statements.

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

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

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

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

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

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

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

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

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

OTHER 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.

Scholarship Fund

During our review of the Scholarship Fund, we discovered management tracks and records transactions within the fund on a calendar year basis. We would like to suggest management track the scholarship accounts on the fiscal year end of the School District.

Food Service Operations

During the past few audit seasons, we have noticed some clients are having problems associated with security in the handling of food purchases and maintenance of inventory in the food service departments. While these issues are not necessarily occurring within your District, we felt compelled to suggest certain criteria that should be evaluated by the Superintendent and business office.

In many Schools, the food service director or third party provider has unlimited access to delivery doors. There have been instances of theft occurring at various schools over the years with this access. We wish to recommend, if not already implemented, that access to any door within the facility should be limited to custodial use only after school hours. We also suggest management consider the consequences that can occur when hiring food service personnel that may own or manage outside food establishments. In some instances, with unfettered access, food inventory may be stolen to accommodate another food establishment.

We also wish to advise the District that PDE has recently announced there can be no bad debt expense in the food service fund. The reason for their determination is because the federal national school lunch program and donated commodity program regulations prohibit bad debt expense in a federal program. As such, any students owing money to the School District's food service fund, that remains uncollectible, should not be written off. The Food Service Fund should be reimbursed by the General Fund for any uncollectible amounts owed by students.

OTHER INFORMATION

We would be remised 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 71, which 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 outflows or inflows of resources, and net position affected by such transactions. This standard takes effect in the 2014-15 fiscal year.

GASB Statement No. 71

This new accounting standard, which takes effect in the 2014-15 fiscal year, corrects a misinterpretation of paragraph 137 of Statement 68. In essence, any pension contributions made after the measurement date should be charged to deferred outflows of resources.

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

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,

Hornum & Associates, P.C.

November 21, 2014

REPORT DISTRIBUTION LIST

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

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

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

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

FINANCIAL SECTION



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, 2014, 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, 2014, 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.

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 68, 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 21, 2014, 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,



November 21, 2014

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, 2014

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, 2014, the District's net position equal \$37,164,975, for an increase of \$2,674,231 (or 7.75%).
- The governmental net position equal \$36,972,841, for an increase of \$2,697,990 (or 7.87%).
- The business-type net position equal \$192,134, for a decrease of \$23,759 (or -11.00%).

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.

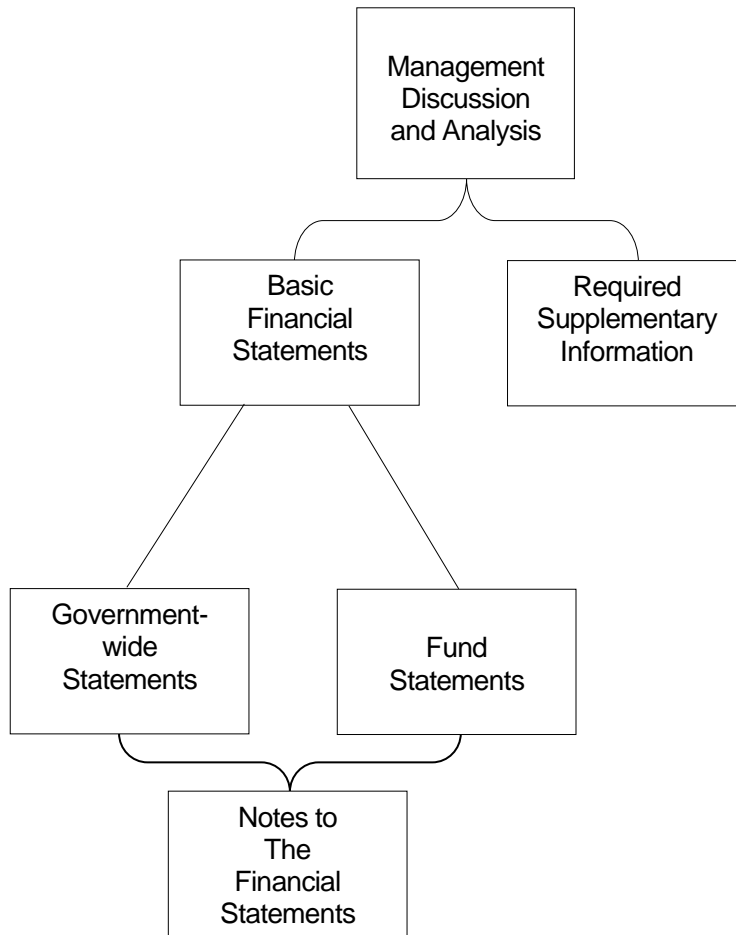
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short-term as well as what remains for future 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 outflows of resources, liabilities, and deferred inflows of resources are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

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 \$493,317 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 \$1,837,075. The District budgeted for a planned transfer 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, 2014, the District has committed and assigned \$12,941,937 and \$3,644,601, respectively for Other Post-Employment Benefits (OPEB), proposed future PSERS contributions, energy stabilization, variable rate debt increases, future textbook purchases, millage rate stabilization and increases in medical insurance. As of June 30, 2014, the district has an unassigned fund balance of \$1,586,555.

Business-Type Activities

Food Service Fund – The Food Service operations experienced net loss of 20,839 during the 2013-2014 fiscal year, with depreciation expense of \$26,210.

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 committed, assigned and unassigned amounts. The categories of fund balances are amounts set-aside to fund the future year's appropriations, future PSERS and GASB #45 obligations, future medical rate increases, capital projects, millage rate stabilization and buses as planned by the District.

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

	2014			2013		
	Governmental Activities	Business- Type Activities	Total (1)	Governmental Activities	Business- Type Activities	Total (1)
Current & Other Assets	\$ 25,255,649	\$ 59,145	\$ 25,297,451	\$ 23,836,438	\$ 526,773	\$ 23,745,337
Non-Current Assets	63,948,935	172,894	64,121,829	64,656,356	191,451	64,847,807
Deferred Outflows of Resources	781,913	-	781,913	602,240	-	602,240
Total Assets & Deferred Outflows of Resources	\$ 89,986,497	\$ 232,039	\$ 90,201,193	\$ 89,095,034	\$ 718,224	\$ 89,195,384
Current Liabilities	\$ 5,705,672	\$ 38,389	\$ 5,726,718	\$ 5,623,197	\$ 500,846	\$ 5,506,169
Non-Current Liabilities	47,296,175	1,516	47,297,691	49,183,365	1,485	49,184,850
Deferred Inflows of Resources	11,809	-	11,809	13,621	-	13,621
Total Liabilities & Deferred Inflows of Resources	53,013,656	39,905	53,036,218	54,820,183	502,331	54,704,640
Net Position:						
Net Investment in Capital Assets	17,681,527	172,894	17,854,421	16,285,067	191,451	16,476,518
Restricted	950,110	-	950,110	1,256,934	-	1,256,934
Unrestricted	18,341,204	19,240	18,360,444	16,732,850	24,442	16,757,292
Total Net Position	36,972,841	192,134	37,164,975	34,274,851	215,893	34,490,744
Total Liabilities, Deferred Inflows of Resources, & Net Position	\$ 89,986,497	\$ 232,039	\$ 90,201,193	\$ 89,095,034	\$ 718,224	\$ 89,195,384

Government-wide Statements

Statement of Net Position

The following table reflects the Condensed Statement of Net Position

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

	2014			2013		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
REVENUES						
<i>Program revenues:</i>						
Charges for services	\$ 113,126	\$ 529,307	\$ 642,433	\$ 90,134	\$ 538,051	\$ 628,185
Operating grants & contributions	4,965,824	280,282	5,246,106	4,657,858	271,961	4,929,819
Capital grants & contributions	346,390	-	346,390	316,409	-	316,409
<i>General revenues:</i>						
Property taxes	22,523,103	-	22,523,103	22,237,543	-	22,237,543
Other taxes	3,193,682	-	3,193,682	2,564,925	-	2,564,925
Grants, subsidies & contributions, not restricted	6,084,983	-	6,084,983	5,983,621	-	5,983,621
Investment earnings	226,769	204	226,973	184,771	499	185,270
Other	223,440	-	223,440	202,034	1,243	203,277
Gain (Loss) on sale of capital assets	(224)	-	(224)	-	-	-
Extraordinary items	-	-	-	-	-	-
TOTAL REVENUES	37,677,093	809,793	38,486,886	36,237,295	811,754	37,049,049
EXPENSES						
Instruction	20,099,447	-	20,099,447	19,466,555	-	19,466,555
Instructional student support	2,395,603	-	2,395,603	2,312,945	-	2,312,945
Admin. & Fin'l support services	3,227,242	-	3,227,242	3,028,248	-	3,028,248
Oper. & Maint. of plant svcs.	3,587,543	-	3,587,543	3,262,777	-	3,262,777
Pupil Transportation	2,393,238	-	2,393,238	2,098,533	-	2,098,533
Student activities	749,438	-	749,438	740,394	-	740,394
Community services	3,851	-	3,851	7,900	-	7,900
Debt Service	1,092,152	-	1,092,152	1,389,942	-	1,389,942
Unallocated depreciation expense	1,430,589	-	1,430,589	1,405,084	-	1,405,084
Proprietary Funds	-	833,552	833,552	-	806,861	806,861
TOTAL EXPENSES	34,979,103	833,552	35,812,655	33,712,378	806,861	34,519,239
Income (Loss) Before Contributions	2,697,990	(23,759)	2,674,231	2,524,917	4,893	2,529,810
Transfers In (Out)	-	-	-	-	-	-
Changes in Net Position	2,697,990	(23,759)	2,674,231	2,524,917	4,893	2,529,810
Total Net Position - Beginning	34,274,851	215,893	34,490,744	32,400,588	211,000	32,611,588
Prior Period Adjustment	-	-	-	(650,654)	-	(650,654)
Total Net Position - Ending	\$ 36,972,841	\$ 192,134	\$ 37,164,975	\$ 34,274,851	\$ 215,893	\$ 34,490,744

(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, 2014, the governmental funds reported a combined fund balance of \$20,489,172, which increased from the prior year of \$1,059,005 (or 5.5%). 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 \$2,171,261, which decreased from prior year by \$329,087 (or 1.3%). The General Fund experienced a \$1,383,977 net increase in fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

As of June 30, 2014, the District had \$64,121,829 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 \$717,749 or – 1.1% 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, 2014, the District had \$48,270,271 in debt (bonds and notes) outstanding compared to \$50,208,513 as of June 30, 2013. This represents a decrease of \$1,938,242 or -3.9%. 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 millage 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.

BASIC FINANCIAL STATEMENTS

**Northwestern Lehigh School District
Statement of Net Position
As of June 30, 2014**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,816,847	\$ 46,659	\$ 1,863,506
Investments	20,700,000	-	20,700,000
Receivables, net	1,333,423	-	1,333,423
Internal Balances	17,018	325	-
Due From Other Governments	981,764	-	981,764
Other Receivables	95,108	633	95,741
Inventories	189,769	11,528	201,297
Prepaid Expenses	121,720	-	121,720
Other Current Assets	-	-	-
Total Current Assets	25,255,649	59,145	25,297,451
Non-Current Assets:			
Restricted Cash and Cash Equivalents	201	-	201
Land	406,148	-	406,148
Site Improvements (net of depreciation)	701,886	-	701,886
Building and Bldg. Improvements (net of depreciation)	61,229,545	54,378	61,283,923
Furniture and Equipment (net of depreciation)	1,611,155	118,516	1,729,671
Construction in Progress	-	-	-
Total Non-Current Assets	63,948,935	172,894	64,121,829
Total Assets	89,204,584	232,039	89,419,280
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Debt Refundings, net	781,913	-	781,913
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 89,986,497	\$ 232,039	\$ 90,201,193
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 325	\$ 17,018	\$ -
Due to other governments	141,858	-	141,858
Accounts Payable	282,548	-	282,548
Warrants Payable	77,471	-	77,471
Current Portion of Long-Term Obligations	2,111,857	-	2,111,857
Accrued Salaries and Benefits	2,632,646	84	2,632,730
Payroll Deductions and Withholdings	136,005	-	136,005
Prepayments from Students	-	21,287	21,287
Other Current Liabilities	322,962	-	322,962
Total Current Liabilities	5,705,672	38,389	5,726,718
Non-Current Liabilities:			
Bonds and Notes Payable	46,225,271	-	46,225,271
Extended Term Financing Agreements Payable	-	-	-
Lease Purchase Obligations	-	-	-
Long-Term Portion of Compensated Absences	478,883	1,516	480,399
Other Retirement Benefits	17,652	-	17,652
Net OPEB Obligation	574,369	-	574,369
Total Liabilities	53,001,847	39,905	53,024,409
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue from Grants	11,809	-	11,809
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	53,013,656	39,905	53,036,218
NET POSITION			
Net Investment in Capital Assets	17,681,527	172,894	17,854,421
Restricted For:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	950,110	-	950,110
Other Restrictions	-	-	-
Unrestricted (deficit)	18,341,204	19,240	18,360,444
TOTAL NET POSITION	36,972,841	192,134	37,164,975
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 89,986,497	\$ 232,039	\$ 90,201,193

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, 2014**

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	\$ 20,099,447	\$ 15,671	\$ 3,220,465	\$ -	\$ (16,863,311)	\$ -	\$ (16,863,311)
Instructional Student Support	2,395,603	-	243,172	45	(2,152,386)	-	(2,152,386)
Admin. & Fin'l Support Services	3,227,242	-	200,090	-	(3,027,152)	-	(3,027,152)
Oper. & Maint. Of Plant Svcs.	3,587,543	-	136,249	-	(3,451,294)	-	(3,451,294)
Pupil Transportation	2,393,238	10,589	1,118,665	-	(1,263,984)	-	(1,263,984)
Student activities	749,438	86,866	47,183	-	(615,389)	-	(615,389)
Community Services	3,851	-	-	-	(3,851)	-	(3,851)
Interest on Long-Term Debt	1,092,152	-	-	346,345	(745,807)	-	(745,807)
Unallocated Depreciation Expense	1,430,589	-	-	-	(1,430,589)	-	(1,430,589)
TOTAL GOVERNMENTAL ACTIVITIES	34,979,103	113,126	4,965,824	346,390	(29,553,763)	-	(29,553,763)
BUSINESS-TYPE ACTIVITIES:							
Food Services	806,633	505,739	279,956	-	-	(20,938)	(20,938)
Other Enterprise Funds	26,919	23,568	326	-	-	(3,025)	(3,025)
TOTAL PRIMARY GOVERNMENT	\$ 35,812,655	\$ 642,433	\$ 5,246,106	\$ 346,390	\$ (29,553,763)	\$ (23,963)	\$ (29,577,726)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 22,523,103	\$ -	\$ 22,523,103
Taxes levied for specific purposes					3,193,682	-	3,193,682
Grants, subsidies, & contributions not restricted					6,084,983	-	6,084,983
Investment Earnings					226,769	204	226,973
Miscellaneous Income					223,440	-	223,440
Special item - Gain (Loss) on sale of capital assets					(224)	-	(224)
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					32,251,753	204	32,251,957
CHANGES IN NET POSITION					2,697,990	(23,759)	2,674,231
NET POSITION - BEGINNING					34,274,851	215,893	34,490,744
NET POSITION - ENDING					\$ 36,972,841	\$ 192,134	\$ 37,164,975

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

**Northwestern Lehigh School District
Balance Sheet
Governmental Funds
As of June 30, 2014**

	<u>GENERAL</u>	<u>CAPITAL PROJECT</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 711,757	\$ 1,099,946	\$ 5,144	\$ 1,816,847
Restricted Cash	201		-	201
Investments	19,000,000	1,700,000	-	20,700,000
Taxes Receivable, net	1,333,423	-	-	1,333,423
Due from other funds	617,533	-	-	617,533
Due from Other Governments	981,764	-	-	981,764
Other Receivables	9,797	-	-	9,797
Inventories	-	-	-	-
Prepaid Expenditures	121,720	-	-	121,720
Other Current Assets	-	-	-	-
TOTAL ASSETS	22,776,195	2,799,946	5,144	25,581,285
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 22,776,195	\$ 2,799,946	\$ 5,144	\$ 25,581,285
<u>LIABILITIES:</u>				
Due to Other Funds	\$ 326	\$ 598,273	\$ -	\$ 598,599
Due to Other Governments	140,043	1,817	-	141,860
Accounts Payable	253,952	28,595	-	282,547
Warrants Payable	77,471	-	-	77,471
Current Portion of Long-Term Debt	66,857	-	-	66,857
Accrued Salaries and Benefits	2,632,646	-	-	2,632,646
Payroll Deductions and Withholdings	136,005	-	-	136,005
Prepayments	-	-	-	-
Other Current Liabilities	10,039	-	-	10,039
TOTAL LIABILITIES	3,317,339	628,685	-	3,946,024
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned Revenue from Property Taxes	1,146,089	-	-	1,146,089
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	4,463,428	628,685	-	5,092,113
<u>FUND BALANCES:</u>				
Nonspendable Fund Balance	121,720	-	-	121,720
Restricted Fund Balance	17,954	2,171,261	5,144	2,194,359
Committed Fund Balance	12,941,937	-	-	12,941,937
Assigned Fund Balance	3,644,601	-	-	3,644,601
Unassigned Fund Balance	1,586,555	-	-	1,586,555
TOTAL FUND BALANCES	18,312,767	2,171,261	5,144	20,489,172
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 22,776,195	\$ 2,799,946	\$ 5,144	\$ 25,581,285

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, 2014**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 20,489,172

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 \$83,136,652 and the accumulated depreciation is \$19,187,918. 63,948,734

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. 83,070

This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues. This amount was previously reported as a contra to Bonds Payable under long-term debt; however GASB Statement No. 65 changed the classification of this item to deferred outflows of resources. 781,914

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 1,134,280

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. 189,769

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	\$ (48,270,271)	
Accrued interest on the bonds	(312,923)	
Accounts Payable	-	
Compensated absences	(478,883)	
Other Retirement Benefits	(17,652)	
Net OPEB Obligation	(574,369)	(49,654,098)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 36,972,841**

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, 2014

	<u>GENERAL</u>	<u>CAPITAL PROJECT</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 26,289,844	\$ 49,217	\$ -	\$ 26,339,061
State Sources	10,839,519	-	-	10,839,519
Federal Sources	<u>209,771</u>	<u>-</u>	<u>-</u>	<u>209,771</u>
TOTAL REVENUES	<u>37,339,134</u>	<u>49,217</u>	<u>-</u>	<u>37,388,351</u>
EXPENDITURES				
Instruction	20,087,951	-	-	20,087,951
Support Services	11,194,137	173,082	147,738	11,514,957
Operation of Non-Instructional Services	767,293	-	-	767,293
Capital Outlay	25,630	641,922	-	667,552
Debt Service	<u>3,295,471</u>	<u>-</u>	<u>1,029</u>	<u>3,296,500</u>
TOTAL EXPENDITURES	<u>35,370,482</u>	<u>815,004</u>	<u>148,767</u>	<u>36,334,253</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,968,652</u>	<u>(765,787)</u>	<u>(148,767)</u>	<u>1,054,098</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	9,325,000	9,325,000
Bond Premium	-	-	41,738	41,738
Interfund Transfers In	-	436,700	147,975	584,675
Sale/Compensation for Fixed Assets	-	-	-	-
Payment to bond refunding escrow agent	-	-	(9,361,831)	(9,361,831)
Bond Discount	-	-	-	-
Refunds of Prior Year Receipts	-	-	-	-
Operating Transfers Out	<u>(584,675)</u>	<u>-</u>	<u>-</u>	<u>(584,675)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(584,675)</u>	<u>436,700</u>	<u>152,882</u>	<u>4,907</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,383,977	(329,087)	4,115	1,059,005
FUND BALANCES - BEGINNING	<u>16,928,790</u>	<u>2,500,348</u>	<u>1,029</u>	<u>19,430,167</u>
FUND BALANCES - ENDING	<u>\$ 18,312,767</u>	<u>\$ 2,171,261</u>	<u>\$ 5,144</u>	<u>\$ 20,489,172</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, 2014**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,059,005

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	\$ 1,756,185	
less - capital outlays	<u>1,057,217</u>	(698,968)

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.

(224)

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

205,893

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

2,195,000

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.

(91,052)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING

2,669,654

**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, 2014**

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING
(CONT'D)** **\$ 2,669,654**

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. 9,349

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. 83,070

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. (4,907)

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. (59,176)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 2,697,990**

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, 2014**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 7,091	\$ 39,568	\$ 46,659
Investments	-	-	-
Due from other funds	-	325	325
Due From Other Governments	-	-	-
Other Receivables	633	-	633
Inventories	11,528	-	11,528
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	19,252	39,893	59,145
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	54,378	-	54,378
Machinery & Equipment (net)	85,332	33,184	118,516
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	139,710	33,184	172,894
TOTAL ASSETS	158,962	73,077	232,039
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 158,962	\$ 73,077	\$ 232,039
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 13,554	\$ 3,464	\$ 17,018
Due to Other Governments	-	-	-
Accounts Payable	-	-	-
Current Portion of Long-Term Debt	-	-	-
Accrued Salaries and Benefits	84	-	84
Payroll Deductions and Withholdings	-	-	-
Prepayments	19,457	1,830	21,287
TOTAL CURRENT LIABILITIES	33,095	5,294	38,389
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	1,516	-	1,516
Other Retirement Benefits	-	-	-
TOTAL NON-CURRENT LIABILITIES	1,516	-	1,516
TOTAL LIABILITIES	34,611	5,294	39,905
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	34,611	5,294	39,905
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	139,710	24,192	163,902
Restricted for Legal Purposes	-	-	-
Unrestricted	(15,359)	43,591	28,232
TOTAL FUND NET POSITION	124,351	67,783	192,134
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 158,962	\$ 73,077	\$ 232,039

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, 2014

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Food Service Revenue	\$ 493,970	\$ 18,378	\$ 512,348
Charges for Services	-	-	-
Other Operating Revenues	11,769	5,190	16,959
TOTAL OPERATING REVENUES	<u>505,739</u>	<u>23,568</u>	<u>529,307</u>
OPERATING EXPENSES:			
Salaries	288,457	2,783	291,240
Employee benefits	91,692	681	92,373
Purchased Professional and Technical Services	71	-	71
Purchased Property Service	23,895	428	24,323
Other Purchased Services	1,108	-	1,108
Supplies	374,736	10,810	385,546
Depreciation	26,210	2,617	28,827
Dues and Fees	-	-	-
Claims and Judgments	-	-	-
Other Operating Expenses	464	9,600	10,064
TOTAL OPERATING EXPENSES	<u>806,633</u>	<u>26,919</u>	<u>833,552</u>
OPERATING INCOME (LOSS)	<u>(300,894)</u>	<u>(3,351)</u>	<u>(304,245)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Earnings on investments	99	105	204
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	-	-	-
Revenue from Local Government Units	-	-	-
State Sources	53,145	326	53,471
Federal Sources	226,811	-	226,811
Interest Expenses	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>280,055</u>	<u>431</u>	<u>280,486</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(20,839)</u>	<u>(2,920)</u>	<u>(23,759)</u>
Capital contributions	-	-	-
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	<u>(20,839)</u>	<u>(2,920)</u>	<u>(23,759)</u>
FUND NET POSITION - BEGINNING	<u>145,190</u>	<u>70,703</u>	<u>215,893</u>
FUND NET POSITION - ENDING	<u>\$ 124,351</u>	<u>\$ 67,783</u>	<u>\$ 192,134</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, 2014**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 933,822	\$ 18,651	\$ 952,473
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	17,918	5,190	23,108
Cash Payments to Employees for Services	(380,126)	(3,464)	(383,590)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(827,289)	(17,325)	(844,614)
Cash Payments to Other Operating Expenses	(464)	(9,600)	(10,064)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(256,139)</u>	<u>(6,548)</u>	<u>(262,687)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	53,895	326	54,221
Federal Sources	204,821	-	204,821
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	<u>258,716</u>	<u>326</u>	<u>259,042</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facilities Acquisition/Const./Improvement Svcs.	-	(10,271)	(10,271)
Capital Contributions	-	-	-
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(10,271)</u>	<u>(10,271)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	100	105	205
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Withdrawals from Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>100</u>	<u>105</u>	<u>205</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,677	(16,388)	(13,711)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,414</u>	<u>55,956</u>	<u>60,370</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,091</u>	<u>\$ 39,568</u>	<u>\$ 46,659</u>

Northwestern Lehigh School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2014

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

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING INCOME (LOSS)	\$ (300,894)	\$ (3,351)	(304,245)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	26,210	2,617	28,827
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	27,297	-	27,297
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	(429)	-	(429)
(Increase) Decrease in Advances to Other Funds	443,616	273	443,889
(Increase) Decrease in Inventories	1,586	-	1,586
(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	23	-	23
Increase (Decrease) in Advances from Other Funds	(461,063)	(5,907)	(466,970)
Increase (Decrease) in Prepayment from Students	4,701	(180)	4,521
TOTAL ADJUSTMENTS	<u>44,755</u>	<u>(3,197)</u>	<u>41,558</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (256,139)</u>	<u>\$ (6,548)</u>	<u>\$ (262,687)</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, 2014

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 135,623	\$ -	\$ 114,654
Investments	-	-	-
Due from Other Funds	-	-	1
Other Receivables	-	-	-
Prepaid Expenses	-	-	1,290
Other Current Assets	-	-	-
TOTAL ASSETS	\$ 135,623	\$ -	\$ 115,945
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 135,623	\$ -	\$ 115,945
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 3,857
Intergovernmental Payable	-	-	-
Due to Other Funds	-	-	2,242
Due to Student Clubs	-	-	94,570
Other Current Liabilities	-	-	15,276
TOTAL LIABILITIES	-	-	115,945
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	115,945
NET POSITION			
Restricted	-	-	-
Unrestricted	135,623	-	-
TOTAL NET POSITION	\$ 135,623	\$ -	\$ -

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, 2014**

	PRIVATE- PURPOSE TRUST FUND	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
ADDITIONS		
Contributions	\$ 11,160	\$ -
Transfers from other funds	-	-
Investment Earnings:		
Interest and Dividends	549	-
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	11,709	-
 DEDUCTIONS		
Transfers to other funds	-	-
Administrative charges	-	-
Scholarships	13,425	-
TOTAL DEDUCTIONS	13,425	-
 CHANGES IN NET POSITION	 (1,716)	-
 NET POSITION - BEGINNING OF YEAR	 137,339	-
 NET POSITION - END OF YEAR	 \$ 135,623	 \$ -

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, 2014

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
REVENUES						
Local Sources	\$ 25,711,734	\$ 25,711,734	\$ 26,289,844	\$ 578,110	\$ -	\$ 26,289,844
State Sources	10,911,636	10,911,636	10,839,519	(72,117)	-	10,839,519
Federal Sources	222,447	222,447	209,771	(12,676)	-	209,771
TOTAL REVENUES	36,845,817	36,845,817	37,339,134	493,317	-	37,339,134
EXPENDITURES						
Regular Instruction	14,305,278	14,227,684	14,076,119	151,565	-	14,076,119
Special Programs	4,624,334	4,732,615	4,672,582	60,033	-	4,672,582
Vocational Programs	1,079,454	1,079,454	1,050,300	29,154	-	1,050,300
Other Instructional Programs	5,015	7,565	6,361	1,204	-	6,361
Non-Public School Programs	-	3,800	3,800	-	-	3,800
Adult Education Programs	7,515	7,515	3,135	4,380	-	3,135
Community/Junior College Ed. Programs	275,565	275,654	275,654	-	-	275,654
Pupil Personnel Services	1,172,457	1,176,420	1,135,316	41,104	-	1,135,316
Instructional Staff Services	883,791	966,782	965,062	1,720	-	965,062
Administrative Services	2,050,741	2,127,822	1,811,888	315,934	-	1,811,888
Pupil Health	296,513	296,513	290,147	6,366	-	290,147
Business Services	731,241	725,070	651,442	73,628	-	651,442
Operation & Maintenance of Plant Services	3,914,473	3,917,672	3,503,831	413,841	-	3,503,831
Student Transportation Services	2,250,595	2,250,595	2,214,283	36,312	-	2,214,283
Central Support Services	506,662	603,330	584,891	18,439	-	584,891
Other Support Services	38,000	38,000	37,277	723	-	37,277
Student Activities	773,904	782,904	764,793	18,111	-	764,793
Community Services	5,000	5,000	2,500	2,500	-	2,500
Facilities, Acquisition and Construction	-	25,630	25,630	-	-	25,630
Debt Service	3,590,181	3,464,215	3,295,471	168,744	-	3,295,471
TOTAL EXPENDITURES	36,510,719	36,714,240	35,370,482	1,343,758	-	35,370,482
Excess (deficiency) of revenues over expenditures	335,098	131,577	1,968,652	1,837,075	-	1,968,652
OTHER FINANCING SOURCES (USES)						
Proceeds From Extended Term Financing	-	-	-	-	-	-
Interfund Transfers In	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	-	-	-	-	-	-
Fund Transfers Out	(388,196)	(584,675)	(584,675)	-	-	(584,675)
Budgetary Reserve	(400,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(788,196)	(584,675)	(584,675)	-	-	(584,675)
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(453,098)	(453,098)	1,383,977	1,837,075	-	1,383,977
FUND BALANCE - JULY 1, 2013	14,901,622	14,901,622	16,928,790	2,027,168	-	16,928,790
FUND BALANCE - JUNE 30, 2014	\$ 14,448,524	\$ 14,448,524	\$ 18,312,767	\$ 3,864,243	\$ -	\$ 18,312,767

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, 2014**

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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 2013-14 was \$1,050,000.

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 2013-14 was \$275,654.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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, 2014**

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

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

B. Fund Accounting

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

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

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establish that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The restricted or committed proceeds of specific revenue sources should be expected to 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, 2014**

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 outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet, along with deferred outflows of resources or deferred inflows of resources required to be reported. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include 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, 2014**

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

D. Basis of Accounting

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

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

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

E. Budgetary Process

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

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, 2014**

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 2013-14 budget transfers.

F. Use of Estimates

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

G. Assets, Liabilities, and Net 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 \$201 balance at year end.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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, 2014, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

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

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

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. A physical inventory taken at June 30, 2014, shows \$189,769 in the governmental activities column and \$11,528 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, 2014; 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, 2014, consist of:

Purchased Food	\$ 4,846
Purchased Supplies	3,074
Donated Commodities	<u>3,608</u>
TOTAL	<u>\$ 11,528</u>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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:

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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

Long-Term Obligations

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

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

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2014, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis.

Net Position

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

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

Fund Balance Categories

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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.

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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 \$49,654,098 difference are:

Bonds and Notes payable	\$ 48,270,000
Less: Issuance discount (to be amortized as interest expense)	(67,108)
Add: Issuance premium (to be amortized as a contra to interest expense)	67,379
Accrued interest payable	312,923
Other Retirement Benefits	17,652
Compensated absences	478,883
Net OPEB Obligations	574,369
 Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	 <u>\$ 49,654,098</u>

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

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

The amounts shown in the columns on the following page represent:

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

	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	\$ 22,317,208	\$ 205,895	\$ -	\$ -	\$ 22,523,103
Taxes levied for specific purposes	3,193,682	-	-	-	3,193,682
Interest and investment earnings	143,700	83,069	-	-	226,769
Miscellaneous	126,250	-	-	-	126,250
Contributions and Donations	97,190	-	-	-	97,190
Charges for Services	113,126	-	-	-	113,126
Grants, subsidies & contributions not restricted	6,084,983	-	-	-	6,084,983
Transfers In	-	-	-	-	-
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating and Capital grants and contributions	4,754,536	-	-	-	4,754,536
FEDERAL SOURCES:					
Operating and Capital grants and contributions	557,678	-	-	-	557,678
SPECIAL AND EXTRAORDINARY ITEMS:					
Bond Premium	41,739	-	-	(41,739)	-
Proceeds from Bond/Note Issues	9,325,000	-	-	(9,325,000)	-
Gain or (Loss) on disposal of assets	-	-	(224)	-	(224)
TOTAL REVENUES	46,755,092	288,964	(224)	(9,366,739)	37,677,093
EXPENDITURES/EXPENSES					
Instruction	20,087,951	(12,005)	23,501	-	20,099,447
Instructional Student Support	2,390,525	3,208	1,870	-	2,395,603
Admin. & Fin'l Support Services	3,233,237	21,941	(27,936)	-	3,227,242
Oper. & Maint. of Plant Svcs.	3,506,830	64,160	16,553	-	3,587,543
Pupil Transportation	2,387,365	75,982	(70,109)	-	2,393,238
Student activities	764,793	(3,053)	(12,302)	-	749,438
Community Services	2,500	-	1,351	-	3,851
Capital Outlay	664,552	-	(664,552)	-	-
Debt Service	12,658,331	-	-	(11,566,179)	1,092,152
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	1,430,589	-	1,430,589
TOTAL EXPENDITURES/EXPENSES	45,696,084	150,233	698,965	(11,566,179)	34,979,103
NET CHANGE FOR THE YEAR	\$ 1,059,008	\$ 138,731	\$ (699,189)	\$ 2,199,440	\$ 2,697,990

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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, 2014.

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, 2014. 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, 2014, \$22,589,641 of the District's bank balance of \$22,844,785 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		<u>22,589,641</u>
TOTAL	\$	<u>22,589,641</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$	22,589,641
Plus: Insured Amount		255,144
Less: Outstanding Checks		<u>(32,058)</u>
Carrying Amount - Bank balances		22,812,727
Plus: Petty Cash		1,025
Deposits in Investment Pool Considered Cash Equivalent		232
Less: Certificates of Deposit considered Investment by School Code		<u>(20,700,000)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	\$	<u>2,113,984</u>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

Investments

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

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

As of June 30, 2014, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Pa. Local Government Investment Trust		\$ 201
Certificates of Deposit		20,700,000
PA School District Liquid Asset Fund		31
TOTAL		<u>\$ 20,700,232</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, 2014, the District's investments in the PA School District Liquid Asset Fund and PA Local Government Investment Trust were rated AAA by Standard & Poor's

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. Of the District's investments, 99.69% 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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

Reconciliation to Financial Statements

Total Investments Above	\$ 20,700,232
Less: Deposits in Investment Pool Considered Cash Equivalents	(232)
Total Investments Per Financial Statements	<u>\$ 20,700,000</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 \$1,455,289,500. In accordance with Act 1 of 2006, the District received \$666,586 in property tax reduction funds for the 2013-14 fiscal year. The tax rate for the year was \$15.963 per \$100 of assessed valuation or 15.963 mills.

The property tax calendar is:

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

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

Receivables

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

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	1,333,423	-	-	-	-	1,333,423
Accounts	9,797	-	633	-	-	10,430
Intergovernmental	981,764	-	-	-	-	981,764
GROSS RECEIVABLES	2,324,984	-	633	-	-	2,325,617
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	<u>\$ 2,324,984</u>	<u>\$ -</u>	<u>\$ 633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,325,617</u>

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 1,134,280	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	11,809
TOTAL	\$ 1,134,280	\$ 11,809

Capital Assets

Capital asset balances and activity for the year ending June 30, 2014 were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 406,148	\$ -	\$ -	\$ 406,148
Construction in Progress	152,332	598,333	(750,665)	-
Total Capital Assets not being depreciated	558,480	598,333	(750,665)	406,148
Capital Assets being depreciated:				
Site Improvements	1,464,419	43,588	-	1,508,007
Buildings and Bldg. Improvements	75,105,181	773,295	(2,240)	75,876,236
Furniture and Equipment	5,082,045	392,666	(128,450)	5,346,261
TOTAL CAPITAL ASSETS BEING DEPRECIATED	81,651,645	1,209,549	(130,690)	82,730,504
Less accumulated depreciation for:				
Site Improvements	(755,947)	(50,174)	-	(806,121)
Buildings and Bldg. Improvements	(13,270,558)	(1,378,149)	2,016	(14,646,691)
Furniture and Equipment	(3,535,694)	(327,862)	128,450	(3,735,106)
TOTAL ACCUMULATED DEPRECIATION	(17,562,199)	(1,756,185)	130,466	(19,187,918)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	64,089,446	(546,636)	(224)	63,542,586
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 64,647,926	\$ 51,697	\$ (750,889)	\$ 63,948,734
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Buildings and Bldg. Improvements	\$ 127,948	\$ -	\$ -	\$ 127,948
Furniture and Equipment	560,183	10,270	-	570,453
Less accumulated depreciation	(496,680)	(28,827)	-	(525,507)
BUSINESS-TYPES ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 191,451	\$ (18,557)	\$ -	\$ 172,894

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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

Regular Instruction	\$ 93,571
Special Instruction	862
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Pupil Personnel Services	-
Instructional Support Svcs.	-
School Library Services	1,871
Administrative Services	-
Health Services	-
Business Services	105
Operation & Maintenance of Plant Svcs.	28,073
Pupil Transportation	173,662
Central Services	23,299
Other Support Services	-
School Sponsored Athletics	2,802
Community Services	1,351
Depreciation - unallocated	1,430,589
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$ 1,756,185

The District's governmental-type activities disposed of \$130,690 of equipment during the year with accumulated depreciation of \$130,466, resulting in a loss on disposal of \$224. 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, 2014**

Long-term construction commitments

The District had no long-term construction commitments.

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2014:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 617,533	\$ 326
Capital Projects (Capital Reserve) Fund	\$ -	\$ 598,273
Enterprise (Tiger Conc.) Fund	325	3,464
Enterprise (Food Service) Fund	-	13,554
Agency (Payroll) Fund	1	919
Agency (Activity) Fund	-	1,323
TOTAL	\$ 617,859	\$ 617,859

Interfund Transfers

The District did make the following transfers during the fiscal year ended June 30, 2014:

Fund	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 584,675
Agency (Activity) Fund	-	-
Capital Project (Capital Reserve) Fund	436,700	-
Debt Service (2014 Bond) Fund	147,975	-
TOTAL	\$ 584,675	\$ 584,675

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2014, were:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
General Obligation Debt:					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 50,208,513	\$ 9,422,413	\$ 11,360,655	\$ 48,270,271	\$ 2,045,000
Other than capital projects	-	-	-	-	-
Capital Leases	-	-	-	-	-
Total general obligation debt	<u>50,208,513</u>	<u>9,422,413</u>	<u>11,360,655</u>	<u>48,270,271</u>	<u>2,045,000</u>
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	153,323	80,791	-	234,114	31,520
Sick pay	333,664	-	22,038	311,626	35,337
Retirement Severance - Yrs. of Service	14,537	3,115	-	17,652	-
Net OPEB Obligation	<u>556,312</u>	<u>18,057</u>	<u>-</u>	<u>574,369</u>	<u>-</u>
Total other liabilities	<u>1,057,836</u>	<u>101,963</u>	<u>22,038</u>	<u>1,137,761</u>	<u>66,857</u>
TOTAL GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 51,266,349</u>	<u>\$ 9,524,376</u>	<u>\$ 11,382,693</u>	<u>\$ 49,408,032</u>	<u>\$ 2,111,857</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	\$ 1,485	\$ 31	\$ -	\$ 1,516	\$ -
Sick pay	-	-	-	-	-
Retirement Severance - Yrs. of Service	-	-	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	<u>\$ 1,485</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ 1,516</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	\$ 1,092,152	\$ 1,101,500
Capital leases		
Short-term borrowings	-	-
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	<u>\$ 1,092,152</u>	<u>\$ 1,101,500</u>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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, 2014, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2014-15	\$ 1,060,000	\$ 17,225
Unamortized Premium	<u>30</u>	
TOTAL OUTSTANDING	<u>\$ 1,060,030</u>	

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%. This issue was fully paid off during this fiscal year.

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 note matures from August 1, 2008 to August 1, 2023. Interest is calculated on a variable weekly rate plus fifty-five hundredths (.55%) per annum. The outstanding debt service requirements at June 30, 2014, using the variable rate of 1.30% are:

FISCAL YEAR	PRINCIPAL	INTEREST
2014-15	\$ 100,000	\$ 97,273
2015-16	700,000	98,229
2016-17	800,000	87,782
2017-18	800,000	77,382
2018-19	800,000	45,532
2019-24	<u>4,900,000</u>	<u>172,757</u>
	8,100,000	<u>\$ 578,955</u>
Unamortized Discount	<u>-</u>	
TOTAL OUTSTANDING	<u>\$ 8,100,000</u>	

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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.

On February 4, 2014, the District refunded the Series A of 2008 (\$9,155,000), with interest rates ranging from 3.1% to 4.85%, with new debt in the amount of \$9,325,000, with interest rates ranging from 0.5% to 4.06%.

SOURCES

Gross Proceeds of Bonds	\$	9,325,000
Plus: Accrued Interest		-
Premium		41,739
Contributed Cash		147,975
Less: Original Issue Discount		<u>(80,475)</u>

TOTAL SOURCES **\$ 9,434,239**

USES

Escrow Deposit	\$	9,361,832
Issuance Costs		67,263
Sinking Fund Deposit		<u>5,144</u>
TOTAL USES	\$	<u>9,434,239</u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows		\$ 14,382,424
Cash Flows From New Debt:		
New Debt Service Cash Flow	\$	13,157,140
Less: Excess Funds Deposited in Sinking Fund		<u>(5,144)</u>
Net cash Flows From New Debt		<u>13,151,996</u>
Net Difference in Cash Flows		<u>\$ 1,230,428</u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows	\$	10,352,478
Present Value of New debt Service Cash Flows	\$	9,328,239
Less: Excess Funds Deposited in Sinking Fund		<u>(5,144)</u>
TOTAL		<u>9,323,095</u>
ECONOMIC GAIN (LOSS)	\$	<u>1,029,383</u>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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 1.3% rate at year end. The outstanding debt service requirements at June 30, 2014, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2014-15	\$ 80,000	\$ 102,735
2015-16	80,000	110,924
2016-17	125,000	109,193
2017-18	125,000	107,568
2018-19	140,000	105,813
2019-24	765,000	500,836
2024-29	5,920,000	277,347
2029-30	1,330,000	6,232
SUB-TOTAL	8,565,000	\$ 1,320,648
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 8,565,000	

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, 2014, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2014-15	790,000	55,050
2015-16	1,045,000	31,350
SUB-TOTAL	1,835,000	\$ 86,400
Unamortized Premium	13,760	
TOTAL OUTSTANDING	\$ 1,848,760	

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, 2014, are:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

FISCAL YEAR	PRINCIPAL	INTEREST
2014-15	\$ 5,000	\$ 275,717
2015-16	5,000	275,618
2016-17	5,000	275,518
2017-18	530,000	275,417
2018-19	625,000	264,817
2019-24	3,325,000	1,114,448
2024-29	3,805,000	642,840
2029-31	<u>1,685,000</u>	<u>85,530</u>
SUB-TOTAL	9,985,000	\$ 3,209,905
Unamortized Discount	<u>(67,108)</u>	
TOTAL OUTSTANDING	<u>\$ 9,917,892</u>	

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, 2014, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2014-15	\$ 5,000	\$ 213,795
2015-16	5,000	213,695
2016-17	725,000	213,595
2017-18	515,000	199,095
2018-19	540,000	188,795
2019-24	2,570,000	787,875
2024-29	3,445,000	477,720
2029-31	<u>1,595,000</u>	<u>67,860</u>
SUB-TOTAL	9,400,000	\$ 2,362,430
Unamortized Premium	<u>11,851</u>	
TOTAL OUTSTANDING	<u>\$ 9,411,851</u>	

General Obligation Bonds – Series of 2014

On February 4, 2014, the District issued \$9,325,000 of General Obligation Bonds – Series of 2014. The proceeds of the Bonds will be used to (1) provide funds for the refunding of the GOB Series of 2008, and to (2) provide funds for the refunding of the GOB A Series of 2008, and (3) to pay the issuance costs of the issue. In accordance with the Local Governmental Debt Act, a sinking fund has been established with the paying agent. The Bonds mature from February 15, 2015 to February 15, 2033. Interest rates are variable and estimated with a total indebtedness of \$3,832,140. The outstanding debt service requirements at June 30, 2014, are:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

FISCAL YEAR	PRINCIPAL	INTEREST
2014-15	\$ 5,000	\$ 306,108
2015-16	240,000	297,006
2016-17	345,000	292,206
2017-18	440,000	285,307
2018-19	440,000	276,506
2019-24	2,370,000	1,231,400
2024-29	2,740,000	861,006
2029-33	2,745,000	282,600
SUB-TOTAL	9,325,000	\$ 3,832,139
Unamortized Premium	41,738	
TOTAL OUTSTANDING	\$ 9,366,738	

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, 2014**

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.N. SERIES A OF 2007	G.O.B. SERIES OF 2009	G.O.B. SERIES OF 2010	G.O.B. SERIES OF 2012	G.O.B. SERIES OF 2013	G.O.B. SERIES OF 2014	TOTAL PRINCIPAL PAYMENTS
2014-15	\$ 1,060,000	\$ 100,000	\$ 80,000	\$ 790,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 2,045,000
2015-16	-	700,000	80,000	1,045,000	5,000	5,000	240,000	2,075,000
2016-17	-	800,000	125,000	-	5,000	725,000	345,000	2,000,000
2017-18	-	800,000	125,000	-	530,000	515,000	440,000	2,410,000
2018-19	-	800,000	140,000	-	625,000	540,000	440,000	2,545,000
2019-24	-	4,900,000	765,000	-	3,325,000	2,570,000	2,370,000	13,930,000
2024-29	-	-	5,920,000	-	3,805,000	3,445,000	2,740,000	15,910,000
2029-33	-	-	1,330,000	-	1,685,000	1,595,000	2,745,000	7,355,000
TOTAL PRINCIPAL	1,060,000	8,100,000	8,565,000	1,835,000	9,985,000	9,400,000	9,325,000	48,270,000
LESS-PAYABLE WITHIN ONE YEAR	1,060,000	100,000	80,000	790,000	5,000	5,000	5,000	2,045,000
LONG-TERM PRINCIPAL AFTER ONE YEAR	\$ -	\$ 8,000,000	\$ 8,485,000	\$ 1,045,000	\$ 9,980,000	\$ 9,395,000	\$ 9,320,000	\$ 46,225,000

FISCAL YEAR	G.O.B. SERIES 2003	G.O.N. SERIES A OF 2007	G.O.B. SERIES OF 2009	G.O.B. SERIES OF 2010	G.O.B. SERIES OF 2012	G.O.B. SERIES OF 2013	G.O.B. SERIES OF 2014	TOTAL DEBT SERVICE PAYMENTS
2014-15	\$ 1,077,225	\$ 197,273	\$ 182,735	\$ 845,050	\$ 280,717	\$ 218,795	\$ 311,108	\$ 3,112,903
2015-16	-	798,229	190,924	1,076,350	280,618	218,695	537,006	3,101,822
2016-17	-	887,782	234,193	-	280,518	938,595	637,206	2,978,294
2017-18	-	877,382	232,568	-	805,417	714,095	725,307	3,354,769
2018-19	-	845,532	245,813	-	889,817	728,795	716,506	3,426,463
2019-24	-	5,072,757	1,265,836	-	4,439,448	3,357,875	3,601,400	17,737,316
2024-29	-	-	6,197,347	-	4,447,840	3,922,720	3,601,006	18,168,913
2029-33	-	-	1,336,232	-	1,770,530	1,662,860	3,027,600	7,797,222
TOTAL	\$ 1,077,225	\$ 8,678,955	\$ 9,885,648	\$ 1,921,400	\$ 13,194,905	\$ 11,762,430	\$ 13,157,139	\$ 59,677,702

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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 \$35,337. 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 \$276,289 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, 2014, that will use currently available financial resources is \$31,520, 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, 2014, of \$202,594, 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 \$1,516 as a long-term liability

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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.psers.state.pa.us.

Funding Policy

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

Contribution Rates

Member Contributions: Active members, who joined the System prior to July 22, 1983, contributed at 5.25 percent (Membership Class T-C) or at 6.50 percent (Membership Class T-D) 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 T-C) or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2014, the rate of employer contribution was 16.93 percent of covered payroll. The 16.93 percent rate is comprised of a pension contribution rate of 16.00 percent for pension benefits and 0.93 percent for healthcare insurance premium assistance.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

The employer's current year covered payroll was \$16,472,090 and total payroll was \$16,747,521.

The total employee and employer contributions for this current year were \$1,224,780 and \$2,810,438, 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, 2014 of \$17,562, 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, 2014**

Summary of Plan Provisions																			
Group	Eligibility	Coverage And Premium Sharing	Duration																
<u>I. 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 style="text-align: center;"><u>Retired between July 1, 2012, and June 30, 2014</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Years of PSERS Service</th> <th style="text-align: right; border-bottom: 1px solid black;">Initial Account Balance</th> </tr> </thead> <tbody> <tr> <td>Less than 31 years</td> <td style="text-align: right;">\$ 12,000</td> </tr> <tr> <td>31 years up to 36 years</td> <td style="text-align: right;">\$ 9,000</td> </tr> <tr> <td>More than 36 years</td> <td style="text-align: right;">\$ 6,000</td> </tr> </tbody> </table> <p style="text-align: center;"><u>Retired after July 1, 2014</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Years of PSERS Service</th> <th style="text-align: right; border-bottom: 1px solid black;">Initial Account Balance</th> </tr> </thead> <tbody> <tr> <td>Less than 31 years</td> <td style="text-align: right;">\$ 11,000</td> </tr> <tr> <td>31 years up to 36 years</td> <td style="text-align: right;">\$ 8,000</td> </tr> <tr> <td>More than 36 years</td> <td style="text-align: right;">\$ 5,000</td> </tr> </tbody> </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, 2014**

Summary of Plan Provisions											
Group	Eligibility	Coverage And Premium Sharing	Duration								
<u>II. ADMINISTRATORS</u>											
<p>A) Current Superintendent and Assistant Superintendent</p>	<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. <p>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> <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>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 paying the full premium as determined for the purpose of COBRA.</p> <ul style="list-style-type: none"> ● Dependents: Family 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>								
<p>B) Current Business Administrator and Act 93 Administrators who retired prior to June 30, 2011</p>	<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 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 style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>Tier of Coverage</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><u>Sick Leave Conversion Rate</u></th> </tr> </thead> <tbody> <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> </tbody> </table> <p>If coverage for either the member or spouse extends beyond age 65, the participant will be required to switch to a Medicare Supplemental plan.</p> <p>If the member 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> <p>Dependents: Families Included</p>	<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	<p>Member may continue benefits until the later of Medicare age or the exhaustion of the sick leave conversion benefit.</p> <p>Benefits for the spouse will cease at the earlier of Medicare 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.</p>
<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, 2014**

<i>Summary of Plan Provisions</i>			
<i>Group</i>	<i>Eligibility</i>	<i>Coverage and Premium Sharing</i>	<i>Duration</i>
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>
<i>III. SUPPORT STAFF</i>	Act 110/43	Act 110/43	Act 110/43

Notes: Act 110/43 Benefit: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years regardless of age). Retired employees are allowed to continue coverage for themselves and their dependents in the employer' group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

PSERS Supplement: A retiree may receive a \$100 monthly medical reimbursement form PSERS if he (or she) meets one of the following qualifications at retirement:

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

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, 2014**

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		25,034
Adjustment to annual required contributio		<u>(34,153)</u>
Annual OPEB cost		315,556
Contributions made		<u>(297,499)</u>
Increase in net OPEB obligation		18,057
Net OPEB obligation - beginning of year		<u>556,312</u>
Net OPEB obligation - end of year	\$	<u><u>574,369</u></u>

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>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 315,556	94.3%	\$ 574,369
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

Funding status and Funding Progress. The funded status of the benefits as of June 30, 2014, was as follows:

	Healthcare Benefit Governmental Activity
Actuarial accrued liability (a)	\$ 2,973,312
Actuarial value of plan assets (b)	<u>-</u>
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 2,973,312</u>
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, 2014**

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	25 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	
	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 \$121,720, in nonspendable fund balance at June 30, 2014, comprised of prepaid expenditures.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

Restricted Fund Balance

The two Capital Project Funds have restrictions on the use of the resources at year end. The Capital Reserve Fund's \$950,110 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 \$1,221,151, in fund balance at year end within this fund is considered restricted.

The General Fund has \$17,954 restricted for unspent grants and continues from various sources.

Committed Fund Balance

The governing body (Board of School Directors) has committed \$12,941,937, of the General Fund's year end fund balance for the following purposes:

Future Retirement Rate increases	\$1,982,000
Other Post-Employment Benefits	\$3,230,619
Future Debt Service Rate increases	\$2,266,517
Millage Rate Stabilization	\$1,883,000
Increases in Healthcare	\$1,885,000
Energy Rate increases	\$1,694,801

Assigned Fund Balance

The General Fund has \$(1,020,000), assigned for future technology purchases (\$870,000), for purchases of textbooks, (\$575,000) for purchases of buses, and (\$1,179,601) to balance the 2014-15 budget. The 2014 Bond Fund has \$5,144 in fund balance assigned for the purpose of the fund.

Note 8 – Restricted Net Position

Net Investment in Capital Assets

The components of this restriction in the governmental activities column is total capital assets of \$63,948,734, unspent proceeds of \$1,221,151 with related debt of \$47,488,358, which includes unamortized bonds discounts, premiums, and deferred refunding charges. In addition, the governmental activities column has \$950,110 restricted for capital projects. The business-type activities column reflects \$172,894 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, 2014.

Litigation

In accordance with the solicitor's legal letter, there is no pending litigation involving contingent liabilities, as of June 30, 2014, 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, 2014**

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, 2014

	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 OUTFLOWS OF RESOURCES												
Cash	\$ 6,785	\$ 930	\$ 269	\$ 2,361	\$ 3,583	\$ 5,910	\$ 10,767	\$ 54,454	\$ 7,446	\$ 2,098	\$ 477	\$ 33
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Charges on Rfdgs.	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 6,785	\$ 930	\$ 269	\$ 2,361	\$ 3,583	\$ 5,910	\$ 10,767	\$ 54,454	\$ 7,446	\$ 2,098	\$ 477	\$ 33
LIABILITIES & DEFERRED INFLOWS OF RESOURCES												
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund Payables	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-	-	-	-
NET POSITION												
Held in Trust for future recipients	<u>\$ 6,785</u>	<u>\$ 930</u>	<u>\$ 269</u>	<u>\$ 2,361</u>	<u>\$ 3,583</u>	<u>\$ 5,910</u>	<u>\$ 10,767</u>	<u>\$ 54,454</u>	<u>\$ 7,446</u>	<u>\$ 2,098</u>	<u>\$ 477</u>	<u>\$ 33</u>

Combining Statement of Changes in Fiduciary Net Position
 Private Purpose Trust Funds
 For the Year Ended June 30, 2014

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,350	\$ -	\$ -	\$ 2,710	\$ -
Interfund Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
INVESTMENT EARNINGS:												
Interest and dividends	27	4	2	10	14	24	43	218	29	9	8	1
TOTAL ADDITIONS	27	4	2	10	14	24	43	4,568	29	9	2,718	1
DEDUCTIONS:												
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-
Awards	50	200	100	200	50	100	200	4,750	50	200	3,200	150
TOTAL DEDUCTIONS	50	200	100	200	50	100	200	4,750	50	200	3,200	150
CHANGES IN NET POSITION	(23)	(196)	(98)	(190)	(36)	(76)	(157)	(182)	(21)	(191)	(482)	(149)
NET POSITION - BEG. OF YR	6,808	1,126	367	2,551	3,619	5,986	10,924	54,636	7,467	2,289	959	182
NET POSITION - END OF YR	\$ 6,785	\$ 930	\$ 269	\$ 2,361	\$ 3,583	\$ 5,910	\$ 10,767	\$ 54,454	\$ 7,446	\$ 2,098	\$ 477	\$ 33

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	\$ 4,658	\$ 263	\$ 2,018	\$ 8,595	\$ 2	\$ 603	\$ 91	\$ 14,883	\$ 3	\$ 4,415	\$ 2,457	\$ 2,374	\$ 3	\$ 135,623
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
\$ 145	\$ 4,658	\$ 263	\$ 2,018	\$ 8,595	\$ 2	\$ 603	\$ 91	\$ 14,883	\$ 3	\$ 4,415	\$ 2,457	\$ 2,374	\$ 3	\$ 135,623
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
\$ 145	\$ 4,658	\$ 263	\$ 2,018	\$ 8,595	\$ 2	\$ 603	\$ 91	\$ 14,883	\$ 3	\$ 4,415	\$ 2,457	\$ 2,374	\$ 3	\$ 135,623

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	\$ -	\$ -	\$ -	\$ -	\$ 3,200	\$ 11,160
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	18	2	8	34	-	2	1	57	-	18	10	10	-	549
-	18	2	8	34	-	2	1	957	-	18	10	10	3,200	11,709
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	25	200	-	50	-	-	-	500	-	100	-	100	3,200	13,425
-	25	200	-	50	-	-	-	500	-	100	-	100	3,200	13,425
-	(7)	(198)	8	(16)	-	2	1	457	-	(82)	10	(90)	-	(1,716)
145	4,665	461	2,010	8,611	2	601	90	14,426	3	4,497	2,447	2,464	3	137,339
\$ 145	\$ 4,658	\$ 263	\$ 2,018	\$ 8,595	\$ 2	\$ 603	\$ 91	\$ 14,883	\$ 3	\$ 4,415	\$ 2,457	\$ 2,374	\$ 3	\$ 135,623

Northwestern Lehigh School District
Combining Statement of Fund Net Position - All Enterprise Funds
As of June 30, 2014

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
ASSETS			
Cash	\$ 39,568	\$ 7,091	\$ 46,659
Investments	-	-	-
Due From Other Funds	325	-	325
Due From Other Governments	-	-	-
Other Receivables	-	633	633
Inventory	-	11,528	11,528
Prepaid Expenses	-	-	-
Building Improvements, net of Accum. depreciation	-	54,378	54,378
Equipment, net of Accum. Depreciation	33,184	85,332	118,516
TOTAL ASSETS	\$ 73,077	\$ 158,962	\$ 232,039
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 73,077	\$ 158,962	\$ 232,039
<u>LIABILITIES</u>			
Due To Other Funds	\$ 3,464	\$ 13,554	\$ 17,018
Accounts Payable	-	-	-
Intergovernmental Payables	-	-	-
Accrued Salaries and Benefits	-	84	84
Accrued Compensated Absences	-	1,516	1,516
Other Retirement Benefits	-	-	-
Prepayments	1,830	19,457	21,287
TOTAL LIABILITIES	5,294	34,611	39,905
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	5,294	34,611	39,905
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	33,184	139,710	172,894
Unrestricted	34,599	(15,359)	19,240
TOTAL FUND NET POSITION	67,783	124,351	192,134
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 73,077	\$ 158,962	\$ 232,039

Northwestern Lehigh School District
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - All Enterprise Funds
For the Year Ended June 30, 2014

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES			
Food Service Revenue	\$ 18,378	\$ 493,970	\$ 512,348
Other Operating Revenue	5,190	11,769	16,959
TOTAL OPERATING REVENUES	<u>23,568</u>	<u>505,739</u>	<u>529,307</u>
	-----	-----	-----
OPERATING EXPENSES			
Salaries	2,783	288,457	291,240
Employee Benefits	681	91,692	92,373
Professional Services	-	71	71
Purchased Property Services	428	23,895	24,323
Other Purchased Services	-	1,108	1,108
Supplies	10,810	374,736	385,546
Depreciation	2,617	26,210	28,827
Other Operating Expenses	9,600	464	10,064
TOTAL OPERATING EXPENSES	<u>26,919</u>	<u>806,633</u>	<u>833,552</u>
	-----	-----	-----
OPERATING PROFIT (LOSS)	(3,351)	(300,894)	(304,245)
	-----	-----	-----
NON-OPERATING REVENUES			
Earnings on Investments	105	99	204
Contributions/Donations	-	-	-
Revenue from Local Government Units	-	-	-
State Sources	326	53,145	53,471
Federal Sources	-	226,811	226,811
TOTAL NON-OPERATING REVENUES	<u>431</u>	<u>280,055</u>	<u>280,486</u>
	-----	-----	-----
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	(2,920)	(20,839)	(23,759)
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>
	-----	-----	-----
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(2,920)	(20,839)	(23,759)
Capital Contributions	-	-	-
Gain or Loss on Sale of Fixed Assets	-	-	-
	-----	-----	-----
CHANGES IN FUND NET POSITION	(2,920)	(20,839)	(23,759)
FUND NET POSITION - JULY 1, 2013	<u>70,703</u>	<u>145,190</u>	<u>215,893</u>
	-----	-----	-----
FUND NET POSITION - JUNE 30, 2014	<u>\$ 67,783</u>	<u>\$ 124,351</u>	<u>\$ 192,134</u>

Northwestern Lehigh School District
Combining Statement of Cash Flows - All Enterprise Funds
For the Year Ended June 30, 2014

	(NON-MAJOR)	(MAJOR)	
	TIGER	FOOD	
	CONCESSION	SERVICE	
	FUND	FUND	TOTAL
	_____	_____	_____
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from users	\$ 18,651	\$ 933,822	\$ 952,473
Cash received from assessments to other funds	-	-	-
Cash received from earnings on investments	-	-	-
Cash received from other operating revenue	5,190	17,918	23,108
Cash paid to employees	(3,464)	(380,126)	(383,590)
Cash payments to insurance claims	-	-	-
Cash paid to suppliers	(17,325)	(827,289)	(844,614)
Cash payments for other operating expenses	(9,600)	(464)	(10,064)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(6,548)	(256,139)	(262,687)
	-----	-----	-----
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Contributions	-	-	-
Local Sources	-	-	-
State Sources	326	53,895	54,221
Federal Sources	-	204,821	204,821
Interfund Transfers	-	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	326	258,716	259,042
	-----	-----	-----
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(10,271)	-	(10,271)
Capital Contributions	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(10,271)	-	(10,271)
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	105	100	205
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,388)	2,677	(13,711)
CASH AND CASH EQUIVALENTS - JULY 1, 2013	55,956	4,414	60,370
	-----	-----	-----
CASH AND CASH EQUIVALENTS - JUNE 30, 2014	\$ 39,568	\$ 7,091	\$ 46,659
	=====	=====	=====

**Northwestern Lehigh School District
Combining Statement of Cash Flows - All Enterprise Funds
For the Year Ended June 30, 2014**

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

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
	<u> </u>	<u> </u>	<u> </u>
OPERATING INCOME (LOSS)	\$ (3,351)	\$ (300,894)	\$ (304,245)
	-----	-----	-----
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Depreciation	2,617	26,210	28,827
Donated Commodities used	-	27,297	27,297
NET CHANGES IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	-	(429)	(429)
(Increase) Decrease in Interfund Receivable	273	443,616	443,889
(Increase) Decrease in Inventories	-	1,586	1,586
(Increase) Decrease in Prepaid Expenses	-	2,814	2,814
Increase (Decrease) in Interfund Payable	(5,907)	(461,063)	(466,970)
Increase (Decrease) in Accounts Payable	-	-	-
Increase (Decrease) in Accrued Salaries and Benefits	-	23	23
Increase (Decrease) in Prepayments	(180)	4,701	4,521
TOTAL ADJUSTMENTS	<u>(3,197)</u>	<u>44,755</u>	<u>41,558</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (6,548)</u>	<u>\$ (256,139)</u>	<u>\$ (262,687)</u>

**Northwestern Lehigh School District
Combining Balance Sheet
All Agency Funds
As of June 30, 2014**

ASSETS	ACTIVITY FUND	PAYROLL FUND	TOTAL
Cash	\$ 98,460	\$ 16,194	\$ 114,654
Due from Other Funds	-	1	1
Accounts Receivable	-	-	-
Prepaid Expenses	1,290	-	1,290
TOTAL ASSETS	<u>\$ 99,750</u>	<u>\$ 16,195</u>	<u>\$ 115,945</u>
LIABILITIES			
Accounts Payable	\$ 3,857	\$ -	\$ 3,857
Intergovernmental Payable	-	-	-
Due Student Organizations	94,570	-	94,570
Payroll Deductions	-	15,276	15,276
Interfund Payable	1,323	919	2,242
TOTAL LIABILITIES	<u>\$ 99,750</u>	<u>\$ 16,195</u>	<u>\$ 115,945</u>

**Northwestern Lehigh School District
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2014**

<u>ACTIVITY FUND</u>	<u>BALANCE 7/1/13</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE 6/30/14</u>
ASSETS:				
Cash	\$ 112,626	\$ 308,915	\$ 323,081	\$ 98,460
Interfund Receivable	-	-	-	-
Accounts Receivable	-	-	-	-
Prepaid Expenses	-	1,290	-	1,290
TOTAL ASSETS	<u>\$ 112,626</u>	<u>\$ 310,205</u>	<u>\$ 323,081</u>	<u>\$ 99,750</u>
LIABILITIES:				
Accounts Payable	\$ 10,922	\$ 3,857	\$ 10,922	\$ 3,857
Intergovernmental Payable	-	-	-	-
Interfund Payables	1,752	1,323	1,752	1,323
Due to Student Organizations	99,952	305,025	310,407	94,570
TOTAL LIABILITIES	<u>\$ 112,626</u>	<u>\$ 310,205</u>	<u>\$ 323,081</u>	<u>\$ 99,750</u>
 <u>PAYROLL FUND</u>				
ASSETS:				
Cash	\$ 29,309	\$ 16,400,645	\$ 16,413,760	\$ 16,194
Other Accounts Receivable	-	-	-	-
Interfund Receivable	1	1	1	1
TOTAL ASSETS	<u>\$ 29,310</u>	<u>\$ 16,400,646</u>	<u>\$ 16,413,761</u>	<u>\$ 16,195</u>
LIABILITIES:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Interfund Payable	5,584	919	5,584	919
Accrued Payroll Deductions	23,726	16,399,727	16,408,177	15,276
TOTAL LIABILITIES	<u>\$ 29,310</u>	<u>\$ 16,400,646</u>	<u>\$ 16,413,761</u>	<u>\$ 16,195</u>
 <u>ALL AGENCY FUNDS</u>				
ASSETS:				
Cash	\$ 141,935	\$ 16,709,560	\$ 16,736,841	\$ 114,654
Interfund Receivables	1	1	1	1
Accounts Receivable	-	-	-	-
Prepaid Expenses	-	1,290	-	1,290
TOTAL ASSETS	<u>\$ 141,936</u>	<u>\$ 16,710,851</u>	<u>\$ 16,736,842</u>	<u>\$ 115,945</u>
LIABILITIES:				
Accounts Payable	\$ 10,922	\$ 3,857	\$ 10,922	\$ 3,857
Intergovernmental Payable	-	-	-	-
Due to Student Organizations	99,952	305,025	310,407	94,570
Accrued Payroll Deductions	23,726	16,399,727	16,408,177	15,276
Interfund Payable	7,336	2,242	7,336	2,242
TOTAL LIABILITIES	<u>\$ 141,936</u>	<u>\$ 16,710,851</u>	<u>\$ 16,736,842</u>	<u>\$ 115,945</u>

Northwestern Lehigh School District
Combining Balance Sheet - All Capital Project Funds
As of June 30, 2014

	CAPITAL RESERVE FUND	2008A - 33 CONSTRUCTION FUND	2009 CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 548,383	\$ 460,385	\$ 91,178	\$ 1,099,946
Investments	1,000,000	300,000	400,000	1,700,000
Due from other funds	-	-	-	-
Accrued Interest Receivables	-	-	-	-
Prepaid Expenditures	-	-	-	-
Other Current Assets	-	-	-	-
TOTAL ASSETS	\$ 1,548,383	\$ 760,385	\$ 491,178	\$ 2,799,946
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 1,548,383	\$ 760,385	\$ 491,178	\$ 2,799,946
<u>LIABILITIES</u>				
Due to Other Funds	\$ 598,273	\$ -	\$ -	\$ 598,273
Accounts Payable	-	28,595	-	28,595
Intergovernmental Payables	-	1,817	-	1,817
Prepayments	-	-	-	-
Other Current Liabilities	-	-	-	-
TOTAL LIABILITIES	598,273	30,412	-	628,685
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned/Unavailable Revenue	-	-	-	-
	598,273	30,412	-	628,685
<u>FUND BALANCES:</u>				
Restricted Fund Balance	950,110	729,973	491,178	2,171,261
Assigned Fund Balance	-	-	-	-
TOTAL FUND BALANCES	950,110	729,973	491,178	2,171,261
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,548,383	\$ 760,385	\$ 491,178	\$ 2,799,946

Northwestern Lehigh School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2014

	CAPITAL RESERVE FUND	2008A - 33 CONSTRUCTION FUND	2009 CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES				
Local Sources	\$ 27,891	\$ 10,063	\$ 11,263	\$ 49,217
State Sources	-	-	-	-
Federal Sources	-	-	-	-
TOTAL REVENUES	<u>27,891</u>	<u>10,063</u>	<u>11,263</u>	<u>49,217</u>
EXPENDITURES				
Instruction	-	-	-	-
Support Services	173,082	-	-	173,082
Operation of Non-Instructional Services	-	-	-	-
Capital Outlay	598,333	43,589	-	641,922
Debt Service	-	-	-	-
TOTAL EXPENDITURES	<u>771,415</u>	<u>43,589</u>	<u>-</u>	<u>815,004</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(743,524)</u>	<u>(33,526)</u>	<u>11,263</u>	<u>(765,787)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	-	-
Bond Discount	-	-	-	-
Interfund Transfers In	436,700	-	-	436,700
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>436,700</u>	<u>-</u>	<u>-</u>	<u>436,700</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>(306,824)</u>	<u>(33,526)</u>	<u>11,263</u>	<u>(329,087)</u>
FUND BALANCES - BEGINNING	<u>1,256,934</u>	<u>763,499</u>	<u>479,915</u>	<u>2,500,348</u>
FUND BALANCES - ENDING	<u>\$ 950,110</u>	<u>\$ 729,973</u>	<u>\$ 491,178</u>	<u>\$ 2,171,261</u>

Northwestern Lehigh School District
Combining Balance Sheet - All Non-Major Governmental Funds
As of June 30, 2014

	2013 BOND FUND	2014 BOND FUND	TOTAL NON MAJOR FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ 5,144	\$ 5,144
Investments	-	-	-
Due from other funds	-	-	-
Accrued Interest Receivables	-	-	-
Prepaid Expenditures	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	\$ -	\$ 5,144	\$ 5,144
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ 5,144	\$ 5,144
<u>LIABILITIES</u>			
Due to Other Funds	\$ -	\$ -	\$ -
Accounts Payable	-	-	-
Intergovernmental Payables	-	-	-
Prepayments	-	-	-
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	-	-	-
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned/Unavailable Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCES:			
Restricted Fund Balance	-	5,144	5,144
Assigned Fund Balance	-	-	-
TOTAL FUND BALANCES	-	5,144	5,144
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ -	\$ 5,144	\$ 5,144

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, 2014

	2013 BOND FUND	2014 BOND FUND	TOTAL NON MAJOR FUNDS
REVENUES			
Local Sources	\$ -	\$ -	\$ -
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
	-----	-----	-----
EXPENDITURES			
Instruction	-	-	-
Support Services	-	147,738	147,738
Operation of Non-Instructional Services	-	-	-
Capital Outlay	-	-	-
Debt Service	1,029	-	1,029
TOTAL EXPENDITURES	<u>1,029</u>	<u>147,738</u>	<u>148,767</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,029)</u>	<u>(147,738)</u>	<u>(148,767)</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Refunding Bond Proceeds	-	9,325,000	9,325,000
Bond Discount	-	-	-
Interfund Transfers In	-	147,975	147,975
Sale/Compensation for Fixed Assets	-	-	-
Payment to bond refunding escrow agent	-	(9,361,831)	(9,361,831)
Bond Premium	-	41,738	41,738
Operating Transfers Out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>152,882</u>	<u>152,882</u>
SPECIAL/EXTRAORDINARY ITEMS			
Special Items	-	-	-
Extraordinary Items	-	-	-
NET CHANGE IN FUND BALANCES	<u>(1,029)</u>	<u>5,144</u>	<u>4,115</u>
FUND BALANCES - BEGINNING	<u>1,029</u>	<u>-</u>	<u>1,029</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 5,144</u>	<u>\$ 5,144</u>

**Northwestern Lehigh School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2014**

<u>CURRENT REAL ESTATE TAXES</u>	<u>HEIDELBERG TOWNSHIP</u>	<u>LOWHILL TOWNSHIP</u>	<u>LYNN TOWNSHIP</u>	<u>WEISENBERG TOWNSHIP</u>	<u>TOTALS</u>
Original Assessment	\$ 265,622,400	\$ 246,197,200	\$ 342,465,200	\$ 601,004,700	\$ 1,455,289,500
Millage Rate	0.015963	0.015963	0.015963	0.015963	0.015963
Total Assessed Tax Amount	4,240,159	3,930,072	5,466,808	9,593,900	23,230,939
Less: Act 1 Reduction	149,726	100,903	186,363	228,335	665,327
 TAX PER DUPLICATE	 4,090,433	 3,829,169	 5,280,445	 9,365,565	 22,565,612
PLUS - Additions	-	5,467	-	-	5,467
- Penalties	15,034	10,019	17,983	15,533	58,569
 TAXES TO BE COLLECTED	 4,105,467	 3,844,655	 5,298,428	 9,381,098	 22,629,648
LESS - Discounts	63,841	59,915	83,718	155,471	362,945
- Reductions	-	5,108	-	108,042	113,150
- Refunds	1,182	391	4,179	37,941	43,693
- Returned to County	182,209	136,602	211,599	271,034	801,444
- Exonerations	-	-	-	5,829	5,829
 NET CURRENT R. E. TAXES COLLECTED	 <u>\$ 3,858,235</u>	 <u>\$ 3,642,639</u>	 <u>\$ 4,998,932</u>	 <u>\$ 8,802,781</u>	 <u>\$ 21,302,587</u>
 INTERIM R. E. TAXES COLLECTED	 <u>\$ 18,332</u>	 <u>\$ 20,265</u>	 <u>\$ 39,599</u>	 <u>\$ 25,801</u>	 <u>\$ 103,997</u>

**Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2014**

REVENUES

LOCAL SOURCES:

Current Real Estate Taxes	\$ 21,302,587	
Interim Real Estate Taxes	103,997	
Public Utility	31,312	
Payment in Lieu of Taxes	5,733	
Current Per Capita Taxes - 511	-	
Current Per Capita Taxes - 679	-	
Occupational Privilege Tax	46,612	
Earned Income Tax	2,498,518	
Real Estate Transfer Tax	606,413	
Amusement Taxes	-	
Delinquent Real Estate Taxes	892,427	
Delinquent Interim Real Estate Taxes	18,197	
Delinquent Per Capita Taxes - 511	-	
Delinquent Per Capita Taxes - 679	-	
Delinquent Amusement Taxes	5,094	
Interest	94,481	
Admissions	63,441	
Fees	2,784	
Other Student Activity Income	20,641	
Revenue Received from I.S. - State	-	
I/U Services - Federal	347,907	
Other Revenue I.U. Sources	-	
Rentals	27,077	
Contributions	97,190	
Regular Day School Tuition	-	
Summer School	-	
Adult School	4,014	
Receipts from Other LEA's - Education	11,657	
Other Tuition From Patrons	-	
Transportaion Services Provided Other PA LEAs	10,589	
Miscellaneous	21,850	
Refunds of Prior Yr. Expenditures	77,323	
TOTAL LOCAL SOURCE REVENUE	77,323	\$ 26,289,844

STATE SOURCES:

Basic Subsidy - ESBE	5,418,397
Read to Succeed	-
Charter Schools	-
School Performance	-
Orphan Tuition	17,350
Homebound	-
Vocational Education	-
Special Education	1,276,343
SUB-TOTAL	6,712,090

**Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2014**

REVENUE (CONT'D)

SUB-TOTAL (CARRIED FORWARD)	\$	6,712,090	
Transportation		996,094	
Rentals		346,345	
Health Services		41,430	
State Property Tax Reduction Allocation		666,586	
Dual Enrollment		-	
Sewage		-	
PA Accountability Grant		85,745	
Project 720 HS		-	
DCED Pavilion		-	
FICA Revenue		614,841	
Retirement Revenue		1,376,388	
Classrooms for the Future		-	
TOTAL STATE SOURCE REVENUE		<u> </u>	\$ 10,839,519

FEDERAL SOURCES:

Title I	176,152	
Title II A	30,887	
Title I - ARRA	-	
State Fiscal Stabilization Fund - ARRA	-	
Education Jobs Grant	-	
Drug Free	-	
Medical Assistance Reimbursement	<u>2,732</u>	
TOTAL FEDERAL SOURCE REVENUE		<u>209,771</u>
TOTAL REVENUE		<u>37,339,134</u>

EXPENDITURES

Regular Programs - Elem./Secondary	13,887,882
Federally Funded Regular Programs	188,237
Special Education	-
Life Skills Support - Public	88,749
Deaf or Hearing Impaired Support	-
Blind or Visually Impaired Support	-
Speech & Language Impaired	170,599
Emotional Support - Public	513,286
Academic Support	-
Learning Support - Public	2,303,017
Gifted Support	151,361
Physical Support	-
Multi-Handicapped Support	-
Early Intervention Support	-
Other Support	<u>1,445,570</u>
SUB-TOTAL	18,748,701

Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2014

SUB-TOTAL (CARRIED FORWARD)	\$ 18,748,701
Home Economics	-
Business Education	-
Other Vocational Education Programs	1,050,300
Drivers Education	2,000
Homebound Instruction	1,812
Adjudicated/Court Placed Programs	2,549
Alternative Education Program	-
Additional Other Instructional Program	-
Non-Public School Programs	3,800
Adult Education	3,135
Community College Programs	275,654
Supervision of Pupil Personnel Services	342,916
Guidance Services	-
Counseling Services	630,081
Attendance Services	-
Psychological Services	162,319
Other Pupil Personnel Services	-
Support Services - Instructional Staff	-
Technology Support Services	-
Educational Television Services	4,079
Computer Assisted Instruction Services	98,175
School Library Services	550,589
Instructional & Curriculum Dev. Service	282,338
Instructional Staff Development Services	-
Instructional Staff Development	29,352
Instructional Staff Development - Non-certified	529
Other Instructional Staff Services	-
Board Services	69,166
Board Treasurer Services	-
Tax Assessment & Collection Service	89,677
Staff Relations	-
Legal Services	104,132
Office of the Superintendent Services	302,232
Community Relations Services	88
Office of the Principal Services	1,243,009
Other Administration Services	3,584
Medical Services	289,827
Dental Services	320
Nursing Services	-
Non-Public Health Services	-
Support Services - Business	651,442
SUB-TOTAL	24,941,806

**Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2014**

SUB-TOTAL (CARRIED FORWARD)	\$	24,941,806	
Operation and Maintenance of Plant Services		3,486,133	
Security Services		17,698	
Student Transportation Services		2,214,283	
Support Services - Central		-	
System-Wide Technology Services		327,985	
Recruitment and Placement Services		235,483	
Staff Development Services		9,125	
Non-Instructional Dev - Non Cert		12,298	
Other Support Services		37,277	
School Sponsored Student Activities		207,572	
School Sponsored Athletics		557,221	
Community Services		2,500	
Existing Site Improvement Services		-	
Building Acquisition and Construction Services		-	
Existing Building Improvement Services		25,630	
Debt Service		3,270,963	
Refund of Prior Yr. Receipts		24,508	
TOTAL EXPENDITURES		35,370,482	\$ 35,370,482
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			1,968,652
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Extended Term Financing		-	
Debt Service Fund Transfers		(147,975)	
Sale of Fixed Assets		-	
Special Revenue Fund Transfers		-	
Capital Projects Funds Transfers		(436,700)	
Debt Service Fund Transfers		-	
Food Service Fund Transfers		-	
Tiger Concession Fund Transfers		-	
Activity Fund Transfers		-	
TOTAL OTHER FINANCING SOURCES (USES)		(584,675)	
Special Items		-	
Extraordinary Items		-	(584,675)
NET CHANGE IN FUND BALANCE			1,383,977
FUND BALANCE - JULY 1, 2013			16,928,790
FUND BALANCE - JUNE 30, 2014			\$ 18,312,767

Northwestern Lehigh School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2014

REVENUES

Student Payments	\$ 485,614	
Adult Payments	5,021	
Kitchen Sales	3,335	
Miscellaneous	-	
Revenue from Local Government Units	-	
Federal Donated Commodities	27,183	
Federal Subsidies	199,628	
Other Unrestricted Federal Grant	-	
State Subsidies	53,145	
Other State Revenue	-	
Transfer from General Fund	-	
Interest	99	
Special Events	<u>11,769</u>	\$ 785,794

COST OF SALES

Beginning Inventory - July 1, 2013	13,228	
Purchases - Food and Milk	313,808	
- Donated Commodities	27,183	
- Supplies	32,045	
LESS: Ending Inventory - June 30, 2014	<u>(11,528)</u>	<u>374,736</u>

GROSS PROFIT

411,058

EXPENSES

Payroll	288,457	
Taxes and Benefits	91,692	
Professional Services	71	
Purchased Property Services	23,895	
Travel	635	
Advertising	-	
Tech Communications	400	
Printing & Binding	73	
Depreciation	26,210	
Equipment	-	
Dues & Fees	<u>464</u>	<u>431,897</u>

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS

(20,839)

Gain or Loss on Sale of Fixed Assets

-

Capital Contributions

-

CHANGES IN FUND NET POSITION

(20,839)

FUND NET POSITION - JULY 1, 2013

145,190

FUND NET POSITION - JUNE 30, 2014

\$ 124,351

**Northwestern Lehigh School District
Food Service Fund
Statement of Fund Net Position
As of June 30, 2014**

ASSETS & DEFERRED OUTFLOWS OF RESOURCES

Cash	\$ 7,091
Interfund Receivables	-
Subsidies Receivable	-
Other Receivable	633
Inventories	11,528
Prepaid Expenses	-
Building Improvements, net of Accum. Depreciation	54,378
Equipment, net of Accum. Depreciation	85,332
Deferred Outflow of Resources	-

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES

\$ 158,962

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION

Accounts Payable	-
Interfund Accounts Payable	13,554
Accrued Salaries and Benefits	84
Accrued Compensated Absences	1,516
Other Retirement Benefits	-
Prepayments	19,457
Deferred Inflow of Resources	-
FUND NET POSITION - JUNE 30, 2014	<u>124,351</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION

\$ 158,962

**Northwestern Lehigh School District
Tiger Concession Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2014**

REVENUES

Concession Stand Revenues	\$ 18,378	
Other Revenue	5,190	
Interest	105	
Contributions/Donations	-	
State Sources	326	
Transfer from the General Fund	-	\$ 23,999

COST OF SALES

Beginning Inventory - July 1, 2013	-	
Food	8,408	
Supplies	2,402	
Less: Ending Inventory - June 30, 2014	-	10,810

GROSS PROFIT 13,189

EXPENSES

Payroll	2,783	
Taxes and Benefits	681	
Other Professional Services	-	
Repairs and Maintenance	428	
Small Tools & Equipment	9,600	
Depreciation	2,617	16,109

CHANGES IN FUND NET POSITION (2,920)

FUND NET POSITION - JULY 1, 2013 70,703

FUND NET POSITION - JUNE 30, 2014 \$ 67,783

**Northwestern Lehigh School District
Payroll Fund
Statement of Additions and Deletions
For the Year Ended June 30, 2014**

CASH BALANCE - JULY 1, 2013		\$ 29,309
<u>ADDITIONS</u>		
Transfers From Other Funds	\$ 16,400,092	
Interest	553	16,400,645
TOTAL FUNDS AVAILABLE		<u>16,429,954</u>
<u>DELETIONS</u>		<u>16,413,760</u>
CASH BALANCE - JUNE 30, 2014		<u>\$ 16,194</u>

RECONCILIATION

Interfund Receivable	\$ 1	
Accounts Payable	-	
Misc. deductions	(5)	
Retro Retirement	-	
Occupational Tax	-	
Due to General Fund	919	
Fica	-	
Flex Spending	7,875	
Dependent Care	7,406	
TOTAL LIABILITIES		<u>\$ (16,194)</u>

**Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2014**

FUND BALANCE - JULY 1, 2013		\$ 1,256,934
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Interest	\$ 27,891	
Transfer from General Fund	436,700	464,591
TOTAL FUNDS AVAILABLE		<u>1,721,525</u>
<u>EXPENDITURES</u>		
INSTRUCTIONAL:		
Equipment	-	
SUPPORT SERVICES:		
Equipment	173,082	
CAPITAL OUTLAY:		
Rentals	-	
Professional Services	5,005	
Construction	593,268	
Land Improvements	-	
Fees	60	771,415
FUND BALANCE - JUNE 30, 2014		<u>\$ 950,110</u>

**Northwestern Lehigh School District
2008 A Construction Fund - 33
Statement of Revenues and Expenditures
For the Year Ended June 30, 2014**

FUND BALANCE - JULY 1, 2013		\$ 763,499
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Bond Issues	\$ -	
Interest	10,063	10,063
TOTAL FUNDS AVAILABLE		773,562
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	-	
Insurance	-	
Printing	-	
CAPITAL OUTLAY:		
Professional Services	14,981	
Advertising	1,258	
Construction	27,350	
Land Improvements	-	
Equipment	-	
Dues and Fees	-	
OTHER FINANCING USES:		
Transfer to 2009 Construction Fund	-	43,589
 FUND BALANCE - JUNE 30, 2014		 <u>\$ 729,973</u>

**Northwestern Lehigh School District
2009 Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2014**

FUND BALANCE - JULY 1, 2013 \$ 479,915

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Bond Issues	\$	-	
Refund of Prior Year Expenditures		-	
Interest		11,263	11,263
TOTAL FUNDS AVAILABLE		11,263	491,178

EXPENDITURES AND OTHER FINANCING USES

INSTRUCTIONAL SERVICES:

Equipment -

SUPPORT SERVICES:

Professional Services -

Advertising -

Equipment -

CAPITAL OUTLAY:

Professional Services -

Advertising -

Construction -

Insurance -

Land Improvements -

Equipment -

Dues and Fees -

OTHER FINANCING USES:

Bond Discount	-	-	
		-	-

FUND BALANCE - JUNE 30, 2014 **\$ 491,178**

**Northwestern Lehigh School District
2013 Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2014**

FUND BALANCE - JULY 1, 2013		\$ 1,029
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding Bond Issues	\$ -	
Bond Premium	-	
Transfer from General Fund	-	
Interest	-	-
TOTAL FUNDS AVAILABLE		1,029
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	-	
Insurance	-	
Printing	-	
OTHER FINANCING USES:		
Payment to Refunded Bonds Escrow Agent	-	
Bond Discount	-	
Debt Service - Interest	1,029	1,029
FUND BALANCE - JUNE 30, 2014		\$ -

**2014 Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2014**

FUND BALANCE - JULY 1, 2013		\$ -
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding Bond Issues	\$ 9,325,000	
Bond Premium	41,738	
Transfer from General Fund	147,975	
Interest	-	9,514,713
TOTAL FUNDS AVAILABLE		9,514,713
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	146,016	
Insurance	-	
Printing	1,722	
OTHER FINANCING USES:		
Payment to Refunded Bonds Escrow Agent	9,361,831	
Bond Discount	-	
Debt Service - Interest	-	9,509,569
FUND BALANCE - JUNE 30, 2014		\$ 5,144

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2003
For the Year Ended June 30, 2014**

<u>MATURITY DATE</u>	<u>INTEREST RATE PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2014-15	3.25%	\$ 17,225	\$ 1,060,000

**Schedule on General Obligation Notes - Series A of 2007
For the Year Ended June 30, 2014**

<u>MATURITY DATE</u>	<u>VARIABLE INTEREST RATE PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2014-15	1.300%	\$ 97,273	\$ 100,000
2015-16	1.300%	98,229	700,000
2016-17	1.300%	87,782	800,000
2017-18	1.300%	77,382	800,000
2018-19	1.300%	45,532	800,000
2019-20	1.300%	77,097	900,000
2020-21	1.300%	43,800	900,000
2021-22	1.300%	31,017	1,000,000
2022-23	1.300%	18,017	1,000,000
2023-24	1.300%	2,826	1,100,000
TOTAL OUTSTANDING		\$ 578,955	\$ 8,100,000

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2009
For the Year Ended June 30, 2014**

<u>MATURITY DATE</u>	<u>VARIABLE INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2014-15	1.300%	\$ 102,735	\$ 80,000
2015-16	1.300%	110,924	80,000
2016-17	1.300%	109,193	125,000
2017-18	1.300%	107,568	125,000
2018-19	1.300%	105,813	140,000
2019-20	1.300%	104,276	140,000
2020-21	1.300%	102,086	150,000
2021-22	1.300%	100,136	150,000
2022-23	1.300%	98,100	160,000
2023-24	1.300%	96,238	165,000
2024-25	1.300%	85,826	1,090,000
2025-26	1.300%	71,223	1,140,000
2026-27	1.300%	56,057	1,180,000
2027-28	1.300%	40,380	1,230,000
2028-29	1.300%	23,861	1,280,000
2029-30	1.300%	6,232	1,330,000
TOTAL OUTSTANDING		<u>\$ 1,320,648</u>	<u>\$ 8,565,000</u>

**Schedule on General Obligation Bonds - Series of 2010
For the Year Ended June 30, 2014**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2014-15	3.000%	\$ 55,050	\$ 790,000
2015-16	3.000%	31,350	1,045,000
TOTAL OUTSTANDING		<u>\$ 86,400</u>	<u>\$ 1,835,000</u>

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2012
For the Year Ended June 30, 2014**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		\$ 3,209,905	\$ 9,985,000

**Schedule on General Obligation Bonds - Series of 2013
For the Year Ended June 30, 2014**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		\$ 2,362,430	\$ 9,400,000

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2014
For the Year Ended June 30, 2014**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2014-15	0.50%	\$ 306,108	\$ 5,000
2015-16	0.54%	297,006	240,000
2016-17	0.73%	292,206	345,000
2017-18	1.08%	285,307	440,000
2018-19	1.52%	276,506	440,000
2019-20	2.00%	267,706	455,000
2020-21	2.37%	258,606	460,000
2021-22	2.67%	248,026	470,000
2022-23	2.87%	235,806	485,000
2023-24	3.01%	221,256	500,000
2024-25	3.11%	206,256	510,000
2025-26	3.26%	190,956	530,000
2026-27	3.45%	174,394	545,000
2027-28	3.71%	156,000	565,000
2028-29	3.75%	133,400	590,000
2029-30	3.85%	109,800	615,000
2030-31	3.95%	85,200	680,000
2031-32	4.00%	58,000	710,000
2032-33	4.00%	29,600	740,000
TOTAL OUTSTANDING		<u>\$ 3,832,139</u>	<u>\$ 9,325,000</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, 2014

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NO.	PASS THROUGH GRANTOR NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) 7/1/13	REVENUE	EXPEND.	ACCRUED OR (DEFERRED) 6/30/2014	FOOTNOTES
<u>U.S. DEPT. OF EDUCATION</u>											
<u>PASSED THROUGH THE PDE</u>											
ESEA - TITLE I - IMPROVING BASIC PROGRAMS	I	84.010	013-130305	7/1/12 - 9/30/13	\$ 198,346	\$ 12,676	\$ 12,676	\$ -	\$ -	\$ -	2
ESEA - TITLE I - IMPROVING BASIC PROGRAMS	I	84.010	013-140305A	7/1/13 - 9/30/14	\$ 176,152	141,391	-	176,152	176,152	34,761	
TOTAL TITLE I PROGRAM						154,067	12,676	176,152	176,152	34,761	
<u>PASSED THROUGH THE PDE</u>											
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-140305A	7/1/13 - 9/30/14	\$ 35,011	14,023	-	30,887	30,887	16,864	2
TOTAL TITLE IIA PROGRAM						14,023	-	30,887	30,887	16,864	
<u>PASSED THROUGH THE CARBON LEHIGH I.U.</u>											
IDEA - B	I	84.027	N/A	7/1/13 - 6/30/14	\$ 332,578	-	-	332,578	332,578	332,578	2 1
IDEA - SECTION 619	I	84.173	N/A	7/1/12 - 6/30/14	\$ 2,547	-	(1,448)	1,448	1,448	-	1
IDEA - SECTION 619	I	84.173	N/A	7/1/13 - 6/30/14	\$ 1,708	-	-	1,708	1,708	1,708	1
TOTAL IDEA CLUSTER						-	(1,448)	335,734	335,734	334,286	
TOTAL U. S. DEPARTMENT OF EDUCATION						168,090	11,228	542,773	542,773	385,911	
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>DEPARTMENT OF PUBLIC WELFARE</u>											
TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	7/1/13 - 6/30/14	N/A	2,732	-	2,732	2,732	-	2
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						2,732	-	2,732	2,732	-	
<u>U. S. DEPARTMENT OF AGRICULTURE</u>											
<u>PASSED THROUGH THE PA DEPT. OF EDUCATION:</u>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/12 - 6/30/13	N/A	9,512	9,512	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/13 - 6/30/14	N/A	185,273	-	185,273	185,273	-	
NATIONAL SCHOOL BREAKFAST	I	10.553	N/A	7/1/12 - 6/30/13	N/A	460	460	-	-	-	
NATIONAL SCHOOL BREAKFAST	I	10.553	N/A	7/1/13 - 6/30/14	N/A	14,356	-	14,356	14,356	-	
<u>PASSED THROUGH THE PA DEPT. OF AGRICULTURE:</u>											
U.S.D.A. COMMODITIES	I	10.555	N/A	7/1/13 - 6/30/14	N/A	27,183	(3,722)	27,297	27,297	(3,608)	2 3,4
TOTAL CHILD NUTRITION CLUSTER						236,784	6,250	226,926	226,926	(3,608)	
TOTAL U.S. DEPARTMENT OF AGRICULTURE						236,784	6,250	226,926	226,926	(3,608)	
TOTAL FEDERAL AWARDS						\$ 407,606	\$ 17,478	\$ 772,431	\$ 772,431	\$ 382,303	

SOURCE: D -DIRECT; I -INDIRECT

**Northwestern Lehigh School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

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 1.5% of its total general fund revenue in federal awards, and 28.9% of its total enterprise fund revenue.

Note 3 - Program Disclosure – Footnotes

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

<u>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Department of Education	\$ 409,509	\$ 406,668
Carbon-Lehigh I.U.	336,833	335,734
PA Department of Public Welfare	N/A	2,732
PA Department of Agriculture	N/A	27,297
Totals	\$ 746,342	\$ 772,431

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$27,183, in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2013-14 fiscal year, the District used \$27,297 in commodities and established a year-end inventory of \$3,608 at June 30, 2014.
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.

FINANCIAL STATEMENT RECONCILIATION

General Fund Federal Source Revenues	\$ 209,771
Federal Grants in Local Sources	347,907
Food Service Fund Federal Revenue	<u>226,811</u>
Total Federal Revenue, per financial statements	784,490
Less: Transportation Access Reimbursement	(12,174)
Change in Donated Commodities	<u>115</u>
Total Federal Revenue Reported on SEFA	<u>\$ 772,431</u>



**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, 2014, 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 21, 2014.

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. Accordingly, we do not express 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.

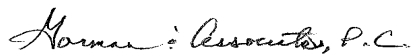
Compliance and Other Matters

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 21, 2014



**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, 2014*. 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, 2014.

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 21, 2014

**Northwestern Lehigh School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

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 43.5%

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, 2014**

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.