

**REPORT ON
NORTHWESTERN LEHIGH SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2011**

NORTHWESTERN LEHIGH SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2011

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INTRODUCTORY SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have performed the Single Audit of the Northwestern Lehigh School District for the fiscal year ended June 30, 2011, and have enclosed the Single Audit reporting package.

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

1. An audit of the basic financial statements, and our opinion thereon;
2. A review of compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with Governmental Auditing Standards, and our report thereon;
3. An examination of the Schedule of Expenditures of Federal Awards, and our report thereon; and,
4. An opinion on compliance with requirements applicable to each major program and a review of internal control over compliance in accordance with OMB Circular A-133, and our report thereon.

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

Respectfully submitted,

Gorman & Associates, P.C.

December 14, 2011



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, 2011, and have issued our report thereon dated December 14, 2011.

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 3, 2011.

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

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

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

We have requested certain representations from management that are included in the management representation letter provided to us on December 14, 2011. 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 2010-11 basic financial statements.

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

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

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

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

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

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

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

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

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

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

RECOMMENDATIONS

Athletics

During our review of the game receipts for athletic programs, we discovered paperwork to support the collection of \$386 in game receipts; however, the deposit was for only \$336. After further investigation, we discovered this missing money was included with another deposit from money collected from booster clubs. During our discussion with the athletic director, we discovered the district is selling equipment to the athletes. During this past year approximately \$3,000 was sold and collected.

We discovered there is no back-up to support the sale or what was sold. As such, we are recommending the athletic director prepare an invoice of what product or equipment is sold, including a description and price on the invoice. This invoice should be signed by the parent and/or student and attached to each deposit slip when the money is collected and deposited into the bank. Finally, we suggest these receipts be recorded under a revenue account.

OTHER INFORMATION

New Accounting Principles

As you may remember, this year's financial statements are prepared using revised fund balance categories and governmental fund definitions required by GASB Statement No. 54. These new categories and definitions are explained in the notes to the basic financial statements.

Since Statement No. 54 was issued, the Governmental Accounting Standards Board has issued nine new statements on governmental accounting principles that can potentially have a future effect on the District. GASB Statements 55 and 56 were effective immediately upon issuance and pertain to removing accounting literature from auditing standards and incorporating them under accounting literature. These new standards deal with the hierarchy of generally accepted accounting principles, related party transactions, subsequent events, and going concern issues.

GASB Statements 57, 59, and 61 pertain to corrections from previous issued standards dealing with Other Post Employment Benefits with agent employers, who belong to a agent multiple employer OPEB Plan, corrections associated with financial instruments, and clarifications dealing with component units and joint ventures. There are presently no transactions of the District that are affected by these corrections.

GASB Statement No. 58 was issued to help governments to properly report and account for filing Chapter 9 bankruptcy under the U.S. Bankruptcy Code. This Chapter of the Bankruptcy Code allows governments to file for bankruptcy protection from creditors by filing a petition.

GASB Statement 60 was issued to address the accounting and reporting issues involved in Service Concession Arrangements. Without getting into the specifics of the criteria needed for this Statement to affect governments, these arrangements occur when one government allows a third party operator to use a government's facilities to generate income. We cannot foresee this statement affecting the District in the future.

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

GASB Statement 62 was issued to incorporate previous accounting guidance found in the Financial Accounting Standards Board's statements in existence prior to September 1989, which governments are allowed to use as an election. You will notice in this year's financial statements this guidance being used as a result of a change in accounting principles that is described in the notes to the basic financial statements.

Last, but certainly not least, the newest GASB Statement No. 63, was issued in June 2011. This statement has far reaching changes in reporting the government-wide financial statements for all governments in the future. The effective date of this standard will be the 2012-13 fiscal year. This Statement will change the Statement of Net Assets on the government-wide financial statements to the Statement of *Net Position*. More importantly, it adds two new elements to what most people know as the Balance Sheet, deferred inflows of resources and deferred outflows of resources.

Deferred Outflows of Resources is a consumption of net assets by the government that is applicable to a future reporting period. Deferred Inflows of Resources is an acquisition of net assets by the government that is applicable to a future reporting period.

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

The Governmental Accounting Standards Board is presently having controversial discussions on changing the measurement focus for governmental funds, which determines when a government recognizes revenues and expenditures, along with discussions on changing the reporting of pension liabilities on governmental financial statements. As an ongoing service to our clients, we constantly stay abreast on these and other potential changes that can be positive or detrimental to you.

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 District.

Respectively submitted,



Gorman & Associates, P.C.

December 14, 2011

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



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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Northwestern Lehigh School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Northwestern Lehigh School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles, generally accepted in the United States of America.

As discussed in Note 2-F to the financial statements, Northwestern Lehigh School District implemented GASB Statement No. 54 this fiscal year. The new accounting principle is associated with revised classifications of fund balance for governmental funds and revised definitions of government funds.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2011, on our consideration of the Northwestern Lehigh School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Northwestern Lehigh School District

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

Respectfully submitted,

Spencer & Associates, P.C.

December 14, 2011

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, 2011

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, 2011, the District's net assets equal \$28,511,939, for an increase of \$ 4,533,975 (or 18.90%).
- The governmental net assets equal \$28,290,023, for an increase of \$4,556,260 (or 19.2%).
- The business-type net assets equal \$221,916, for a decrease of \$22,285 (or - 9.1%).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Northwestern Lehigh School District as a financial whole, an entire operating entity, and the major individual funds. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements: the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

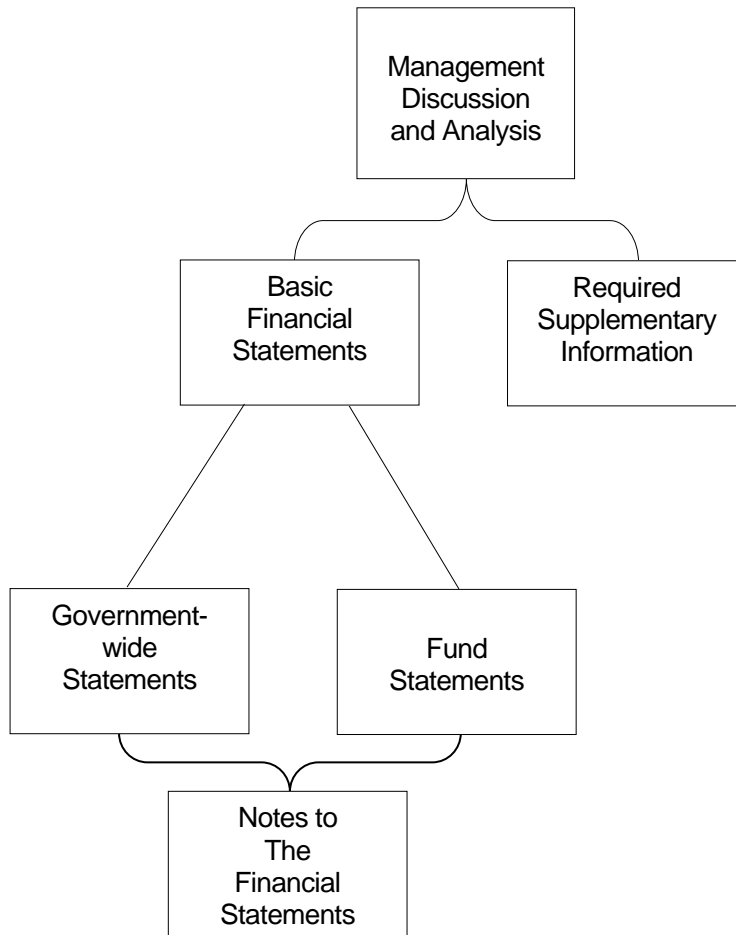
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short-term as well as what remains for future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

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

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

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

Figure A-1
Required Components of
Northwestern Lehigh School District's
Financial Report



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

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's financial operations they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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

	FUND STATEMENTS			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business - Food Services and Tiger Concessions	Instances in which the District is the trustee or agent to someone else's resources- Scholarship Funds and Agency Funds
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement of Net Assets Statement of Revenues, Expenses and Changes in Net Assets Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

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

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

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

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

- Governmental activities - All of the District's basic services are included here, such as instruction, administration, and community services. Property taxes, state and federal subsidies, and grants finance most of these activities.
- Business-type activities - The District conducts food service and stadium concession (Tiger Concessions) operations and charges fees to staff, students, and visitors to cover the costs.

Fund Statements

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

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

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 Concessions Funds are the District's proprietary funds and are the same as the business-type activities reported in the government-wide statements, but provide additional detail and information, such as cash flows.

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

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

OVERALL FINANCIAL HIGHLIGHTS

Governmental Activities

General Fund – The District received \$111,974 less in General Fund revenue and other financing sources than originally budgeted. This negative variance is primarily attributed to the state revenues. In total, there were net positive budget variances in total expenditures and other financing uses amounting to \$3,847,506. The District budgeted for an anticipated legislated increase in the retirement contribution rate which was reduced by the legislators subsequent to final budget adoption. 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, 2011, the District has committed and assigned \$7,940,805 and \$1,860,598, respectively fund balance for proposed future PSERS contributions, variable rate debt increases, future textbook purchases, and increases in medical insurance. As of June 30, 2011, the district has an unassigned fund balance of \$2,730,030.

Business-Type Activities

Food Service Fund – The Food Service operations experienced net loss of 34,334 during the 2010-2011 fiscal year, which included capital contributions of \$10,000 and depreciation expense of \$30,563.

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

Government-wide Statements

Statement of Net Assets

The following table reflects the Condensed Statement of Net Assets.

	<u>2011</u>			<u>2010</u>		
	Govern- mental Activities	Business- Type Activities	Total (1)	Govern- mental Activities	Business- Type Activities	Total (1)
Current & Other Assets	\$ 19,183,800	\$ 66,254	\$ 19,205,653	\$ 18,888,457	\$ 86,873	\$ 18,932,064
Non-Current Assets	<u>66,238,157</u>	<u>233,471</u>	<u>66,471,628</u>	<u>64,618,647</u>	<u>243,321</u>	<u>64,861,968</u>
Total Assets	<u>\$ 85,421,957</u>	<u>\$ 299,725</u>	<u>\$ 85,677,281</u>	<u>\$ 83,507,104</u>	<u>\$ 329,194</u>	<u>\$ 83,794,032</u>
Current Liabilities	4,660,257	71,731	4,687,587	5,481,303	78,716	5,517,753
Non-Current Liabilities	<u>52,471,677</u>	<u>6,078</u>	<u>52,477,755</u>	<u>54,292,038</u>	<u>6,277</u>	<u>54,298,315</u>
Total Liabilities	57,131,934	77,809	57,165,342	59,773,341	84,993	59,816,068
Net Assets:						
Invested in Capital Assets, net of related debt	14,663,780	233,471	14,897,251	13,745,795	243,321	13,989,116
Restricted	-	-	-	221,186	-	221,186
Unrestricted	<u>13,626,243</u>	<u>(11,555)</u>	<u>13,614,688</u>	<u>9,766,782</u>	<u>880</u>	<u>9,767,662</u>
Total Net Assets	<u>28,290,023</u>	<u>221,916</u>	<u>28,511,939</u>	<u>23,733,763</u>	<u>244,201</u>	<u>23,977,964</u>
Total Liabilities and Net Assets	<u>\$ 85,421,957</u>	<u>\$ 299,725</u>	<u>\$ 85,677,281</u>	<u>\$ 83,507,104</u>	<u>\$ 329,194</u>	<u>\$ 83,794,032</u>

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

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

The Changes in Net Assets takes the information from the Statement of Activities and rearranges it slightly to present the total revenues and expenses and increases (decreases) in net assets for the year.

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

Statement of Activities

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

	<u>2011</u>			<u>2010</u>		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
REVENUES						
<i>Program revenues:</i>						
Charges for services	\$ 99,347	\$ 568,892	\$ 668,239	\$ 129,894	\$ 596,908	\$ 726,802
Operating grants & contributions	5,855,207	265,618	6,120,825	5,403,303	279,037	5,682,340
Capital grants & contributions	600,527	-	600,527	565,356	-	565,356
<i>General revenues:</i>			-			-
Property taxes	22,107,825	-	22,107,825	21,361,065	-	21,361,065
Other taxes	2,401,562	-	2,401,562	2,235,024	-	2,235,024
Grants, subsidies & contributions, not restricted	5,290,976	-	5,290,976	444,367	-	444,367
Investment earnings	249,311	578	249,889	208,193	580	208,773
Other	62,875	-	62,875	-	-	-
Gain (Loss) on sale of capital assets	978	-	978	(297)	-	(297)
Extraordinary items	-	-	-	-	-	-
TOTAL REVENUES	36,668,608	835,088	37,503,696	35,839,706	876,525	36,716,231
EXPENSES						
Instruction	18,537,467	-	18,537,467	18,094,450	-	18,094,450
Instructional student support	2,183,391	-	2,183,391	2,242,811	-	2,242,811
Admin. & Fin'l support services	2,689,302	-	2,689,302	2,731,512	-	2,731,512
Oper. & Maint. of plant svcs.	3,643,669	-	3,643,669	3,611,293	-	3,611,293
Pupil Transportation	1,943,911	-	1,943,911	2,017,450	-	2,017,450
Student activities	634,975	-	634,975	556,015	-	556,015
Community services	5,000	-	5,000	5,000	-	5,000
Debt Service	1,881,209	-	1,881,209	2,019,785	-	2,019,785
Unallocated depreciation expense	583,424	-	583,424	583,786	-	583,786
Proprietary Funds	-	867,373	867,373	-	942,278	942,278
TOTAL EXPENSES	32,102,348	867,373	32,969,721	31,862,102	942,278	32,804,380
Income (Loss) Before Contributions	4,566,260	(32,285)	4,533,975	3,977,604	(65,753)	3,911,851
Transfers In (Out)	(10,000)	10,000	-	(10,000)	10,000	-
Change in Net Assets	4,556,260	(22,285)	4,533,975	3,967,604	(55,753)	3,911,851
Total Net Assets - Beginning	23,733,763	244,201	23,977,964	19,766,159	299,954	20,066,113
Total Net Assets - Ending	\$ 28,290,023	\$ 221,916	\$ 28,511,939	\$ 23,733,763	\$ 244,201	\$ 23,977,964

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

THE DISTRICT FUNDS

Governmental Funds

As of June 30, 2011, the governmental funds reported a combined fund balance of \$15,940,761, which increased from the prior year of \$1,008,866 (or 6.8%). 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 \$3,298,462, which decreased from prior year by \$2,520,636 (or 43.3%). The General Fund experienced a \$3,531,376 net increase in fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

As of June 30, 2011, the District had \$65,826,298 invested in a broad range of capital assets including land, buildings, furniture and equipment, which represents a net increase (additions less retirements and depreciation) of \$1,658,642 or 2.6% 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, 2011, the District had \$53,485,000 in debt (bonds and notes) outstanding compared to \$55,380,000 as of June 30, 2010. This represents a decrease of \$1,895,000 or 3.4%. Other obligations include accrued vacation pay and sick leave for specific employees of the District.

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

ECONOMIC CONSIDERATIONS

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

On April 21, 2010, the association and the School signed a Collective Bargaining Agreement that expires June 30, 2012. Beginning January 2012 the District is entering into contract negotiations with the professional employees.

During 2010-2011 the District stayed within the adjusted ECI/SAWW and did not utilize any exceptions.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money the District receives. If you have questions about this report or wish to request additional financial information, please contact Leslie Frisbie, Business Administrator, at Northwestern Lehigh School District, 6493 Route 309, New Tripoli, PA 18066, (610) 298-8661.

BASIC FINANCIAL STATEMENTS

Northwestern Lehigh School District
Statement of Net Assets
As of June 30, 2011

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 14,753,363	\$ 42,705	\$ 14,796,068
Investments	2,700,000	-	2,700,000
Receivables, net	708,785	-	708,785
Internal Balances	44,147	254	- (1)
Due from Component Unit	-	-	-
Due From Other Governments	461,376	10,953	472,329
Other Receivables	135,554	-	135,554
Inventories	268,851	9,620	278,471
Prepaid Expenses	110,053	2,722	112,775
Other Current Assets	1,671	-	1,671
TOTAL CURRENT ASSETS	19,183,800	66,254	19,205,653
NON-CURRENT ASSETS			
Restricted Cash and Cash Equivalents	22,756	-	22,756
Land	406,148	-	406,148
Site Improvements (net of depreciation)	278,832	-	278,832
Building and Bldg. Improvements (net of depreciation)	19,690,572	73,570	19,764,142
Furniture and Equipment (net of depreciation)	939,053	159,901	1,098,954
Construction in Progress	44,278,222	-	44,278,222
Bond Issue Costs (net of amortization)	622,574	-	622,574
TOTAL NON-CURRENT ASSETS	66,238,157	233,471	66,471,628
TOTAL ASSETS	\$ 85,421,957	\$ 299,725	\$ 85,677,281
LIABILITIES			
CURRENT LIABILITIES:			
Internal Balances	\$ 254	\$ 44,147	\$ - (1)
Due to other governments	230,396	-	230,396
Due to Primary Government	-	-	-
Accounts Payable	123,524	-	123,524
Warrants Payable	48,145	-	48,145
Current Portion of Long-Term Obligations	1,945,719	-	1,945,719
Accrued Salaries and Benefits	1,796,217	12,582	1,808,799
Payroll Deductions and Withholdings	-	-	-
Deferred Revenue	-	15,002	15,002
Other Current Liabilities	516,002	-	516,002
TOTAL CURRENT LIABILITIES	4,660,257	71,731	4,687,587
NON-CURRENT LIABILITIES:			
Bonds and Notes Payable	51,335,562	-	51,335,562
Extended Term Financing Agreements Payable	-	-	-
Lease Purchase Obligations	-	-	-
Long-Term Portion of Compensated Absences	564,570	2,963	567,533
Other Retirement Benefits	66,964	3,115	70,079
Net OPEB Obligation	504,581	-	504,581
TOTAL LIABILITIES	57,131,934	77,809	57,165,342
NET ASSETS			
Invested in capital assets, net of related debt	14,663,780	233,471	14,897,251
RESTRICTED FOR:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	-	-	-
Other Restrictions	-	-	-
Unrestricted (deficit)	13,626,243	(11,555)	13,614,688
TOTAL NET ASSETS	28,290,023	221,916	28,511,939
TOTAL LIABILITIES AND NET ASSETS	\$ 85,421,957	\$ 299,725	\$ 85,677,281

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, 2011

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 18,537,467	\$ 26,942	\$ 4,423,717	\$ -	\$ (14,086,808)	\$ -	\$ (14,086,808)
Instructional Student Support	2,183,391	-	157,194	-	(2,026,197)	-	(2,026,197)
Admin. & Fin'l Support Services	2,689,302	-	107,761	-	(2,581,541)	-	(2,581,541)
Oper. & Maint. Of Plant Svcs.	3,643,669	-	79,329	-	(3,564,340)	-	(3,564,340)
Pupil Transportation	1,943,911	-	1,063,134	-	(880,777)	-	(880,777)
Student activities	634,975	72,405	24,072	-	(538,498)	-	(538,498)
Community Services	5,000	-	-	-	(5,000)	-	(5,000)
Interest on Long-Term Debt	1,881,209	-	-	600,527	(1,280,682)	-	(1,280,682)
Unallocated Depreciation Expense	583,424	-	-	-	(583,424)	-	(583,424)
TOTAL GOVERNMENTAL ACTIVITIES	32,102,348	99,347	5,855,207	600,527	(25,547,267)	-	(25,547,267)
BUSINESS-TYPE ACTIVITIES:							
Food Services	855,902	551,007	260,256	-	-	(44,639)	(44,639)
Other Enterprise Funds	11,471	17,885	5,362	-	-	11,776	11,776
TOTAL PRIMARY GOVERNMENT	\$ 32,969,721	\$ 668,239	\$ 6,120,825	\$ 600,527	\$ (25,547,267)	\$ (32,863)	\$ (25,580,130)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 22,107,825	\$ -	\$ 22,107,825
Taxes levied for specific purposes					2,401,562	-	2,401,562
Grants, subsidies, & contributions not restricted					5,290,976	-	5,290,976
Investment Earnings					249,311	578	249,889
Miscellaneous Income					62,875	-	62,875
Special item - Gain (Loss) on sale of capital assets					978	-	978
Extraordinary Items					-	-	-
Transfers					(10,000)	10,000	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					30,103,527	10,578	30,114,105
CHANGE IN NET ASSETS					4,556,260	(22,285)	4,533,975
NET ASSETS - BEGINNING					23,733,763	244,201	23,977,964
NET ASSETS - ENDING					\$ 28,290,023	\$ 221,916	\$ 28,511,939

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

**Northwestern Lehigh School District
Balance Sheet
Governmental Funds
As of June 30, 2011**

	<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	\$ 13,140,831	\$ 1,612,532	\$ -	\$ 14,753,363
Restricted Cash	22,756			22,756
Investments	1,000,000	1,700,000	-	2,700,000
Taxes Receivable, net	684,235	-	-	684,235
Due from other funds	51,780	-	-	51,780
Due from Other Governments	461,376	-	-	461,376
Due from Component Unit	-	-	-	-
Other Receivables	125,536	4,054	-	129,590
Inventories	-	-	-	-
Prepaid Expenditures	110,053	-	-	110,053
Other Current Assets	-	-	-	-
TOTAL ASSETS	<u>\$ 15,596,567</u>	<u>\$ 3,316,586</u>	<u>\$ -</u>	<u>\$ 18,913,153</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Due to Other Funds	\$ 254	\$ -	\$ -	\$ 254
Due to Other Governments	230,396	-	-	230,396
Accounts Payable	105,399	18,124	-	123,523
Warrants Payable	48,145	-	-	48,145
Current Portion of Long-Term Debt	60,719	-	-	60,719
Accrued Salaries and Benefits	1,796,217	-	-	1,796,217
Payroll Deductions and Withholdings	5,630	-	-	5,630
Deferred Revenues	684,235	-	-	684,235
Other Current Liabilities	23,273	-	-	23,273
TOTAL LIABILITIES	<u>2,954,268</u>	<u>18,124</u>	<u>-</u>	<u>2,972,392</u>
<u>FUND BALANCES:</u>				
Nonspendable Fund Balance	110,053	-	-	110,053
Restricted Fund Balance	813	3,298,462	-	3,299,275
Committed Fund Balance	7,940,805	-	-	7,940,805
Assigned Fund Balance	1,860,598	-	-	1,860,598
Unassigned Fund Balance	2,730,030	-	-	2,730,030
TOTAL FUND BALANCES	<u>12,642,299</u>	<u>3,298,462</u>	<u>-</u>	<u>15,940,761</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,596,567</u>	<u>\$ 3,316,586</u>	<u>\$ -</u>	<u>\$ 18,913,153</u>

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

**Northwestern Lehigh School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
As of June 30, 2011**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 15,940,761

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$80,354,967 and the accumulated depreciation is \$14,762,140. 65,592,827

Additional receivables established that do not meet the availability criteria reflected in the fund financial statements. This amount represents the difference between the prior year receivables and the current year receivables established under the accrual basis of accounting. -

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 708,785

The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net assets uses the consumption method of inventory. 268,852

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	\$ (52,597,988)	
Accrued interest on the bonds	(487,099)	
Accounts Payable	-	
Compensated absences	(564,570)	
Other Retirement Benefits	(66,964)	
Net OPEB Obligation	(504,581)	<u>(54,221,202)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 28,290,023**

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, 2011

	<u>GENERAL</u>	<u>CAPITAL PROJECT</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 25,608,661	\$ 52,034	\$ -	\$ 25,660,695
State Sources	9,670,702	-	-	9,670,702
Federal Sources	1,290,624	-	-	1,290,624
TOTAL REVENUES	<u>36,569,987</u>	<u>52,034</u>	<u>-</u>	<u>36,622,021</u>
EXPENDITURES				
Instruction	18,594,844	-	-	18,594,844
Support Services	10,146,621	1,840	-	10,148,461
Operation of Non-Instructional Services	632,059	-	-	632,059
Capital Outlay	-	2,570,830	-	2,570,830
Debt Service	3,657,082	-	1,874	3,658,956
TOTAL EXPENDITURES	<u>33,030,606</u>	<u>2,572,670</u>	<u>1,874</u>	<u>35,605,150</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,539,381</u>	<u>(2,520,636)</u>	<u>(1,874)</u>	<u>1,016,871</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	-	-
Bond Premium	-	-	-	-
Interfund Transfers In	-	-	-	-
Sale/Compensation for Fixed Assets	1,995	-	-	1,995
Payment to bond refunding escrow agent	-	-	-	-
Refunds of Prior Year Receipts	-	-	-	-
Operating Transfers Out	(10,000)	-	-	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(8,005)</u>	<u>-</u>	<u>-</u>	<u>(8,005)</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	3,531,376	(2,520,636)	(1,874)	1,008,866
FUND BALANCES - BEGINNING	<u>9,110,923</u>	<u>5,819,098</u>	<u>1,874</u>	<u>14,931,895</u>
FUND BALANCES - ENDING	<u>\$ 12,642,299</u>	<u>\$ 3,298,462</u>	<u>\$ -</u>	<u>\$ 15,940,761</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, 2011**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,008,866

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	\$ 836,920	
less - capital outlays	<u>2,505,412</u>	1,668,492

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

-

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of fixed assets sold.

-

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

44,590

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

1,895,000

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.

10,237

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING

4,627,185

**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, 2011**

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

\$ 4,627,185

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.

(117,254)

In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, the amount shown here represents the difference between earned revenues and revenues that are earned, but not available.

-

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

-

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.

46,329

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 4,556,260

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

**Northwestern Lehigh School District
Statement of Net Assets
Proprietary Funds
As of June 30, 2011**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 6,035	\$ 36,670	\$ 42,705
Investments	-	-	-
Due from other funds	-	254	254
Due From Other Governments	10,953	-	10,953
Other Receivables	-	-	-
Inventories	9,620	-	9,620
Prepaid expenses	2,722	-	2,722
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	29,330	36,924	66,254
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	73,570	-	73,570
Machinery & Equipment (net)	135,709	24,192	159,901
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	209,279	24,192	233,471
TOTAL ASSETS	\$ 238,609	\$ 61,116	\$ 299,725
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 39,387	\$ 4,760	\$ 44,147
Due to Other Governments	-	-	-
Accounts Payable	-	-	-
Current Portion of Long-Term Debt	-	-	-
Accrued Salaries and Benefits	12,582	-	12,582
Payroll Deductions and Withholdings	-	-	-
Deferred Revenue	13,452	1,550	15,002
TOTAL CURRENT LIABILITIES	65,421	6,310	71,731
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	2,963	-	2,963
Other Retirement Benefits	3,115	-	3,115
TOTAL NON-CURRENT LIABILITIES	6,078	-	6,078
TOTAL LIABILITIES	71,499	6,310	77,809
<u>NET ASSETS</u>			
Invested in capital assets, with no related debt Restricted for Legal Purposes	209,279	24,192	233,471
Unrestricted	(42,169)	30,614	(11,555)
TOTAL NET ASSETS	167,110	54,806	221,916
TOTAL LIABILITIES AND NET ASSETS	\$ 238,609	\$ 61,116	\$ 299,725

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

Northwestern Lehigh School District
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING REVENUES:			
Food Service Revenue	\$ 544,824	\$ 12,575	\$ 557,399
Charges for Services	-	-	-
Other Operating Revenues	6,183	5,310	11,493
TOTAL OPERATING REVENUES	551,007	17,885	568,892
OPERATING EXPENSES:			
Salaries	286,053	1,792	287,845
Employee benefits	123,784	234	124,018
Purchased Professional and Technical Services	-	-	-
Purchased Property Service	19,831	-	19,831
Other Purchased Services	2,700	-	2,700
Supplies	392,634	8,523	401,157
Depreciation	30,563	922	31,485
Dues and Fees	-	-	-
Claims and Judgments	-	-	-
Other Operating Expenses	337	-	337
TOTAL OPERATING EXPENSES	855,902	11,471	867,373
OPERATING INCOME (LOSS)	(304,895)	6,414	(298,481)
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Earnings on investments	305	273	578
Contributions and Donations	-	5,250	5,250
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	40,584	112	40,696
Federal Sources	219,672	-	219,672
Interest Expenses	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	260,561	5,635	266,196
INCOME (LOSS) BEFORE CONTRIBUTIONS	(44,334)	12,049	(32,285)
Capital contributions	-	-	-
Transfers in (out)	10,000	-	10,000
CHANGES IN NET ASSETS	(34,334)	12,049	(22,285)
TOTAL NET ASSETS - BEGINNING	201,444	42,757	244,201
TOTAL NET ASSETS - ENDING	\$ 167,110	\$ 54,806	\$ 221,916

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, 2011**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 546,745	\$ 12,463	\$ 559,208
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	9,761	5,310	15,071
Cash Payments to Employees for Services	(413,205)	(2,026)	(415,231)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(368,064)	(13,112)	(381,176)
Cash Payments to Other Operating Expenses	(337)	-	(337)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(225,100)</u>	<u>2,635</u>	<u>(222,465)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	5,250	5,250
State Sources	41,397	112	41,509
Federal Sources	172,519	-	172,519
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	10,000	-	10,000
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	<u>223,916</u>	<u>5,362</u>	<u>229,278</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facilities Acquisition/Const./Improvement Svcs.	-	(21,636)	(21,636)
Capital Contributions	-	-	-
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(21,636)</u>	<u>(21,636)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	305	273	578
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>305</u>	<u>273</u>	<u>578</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(879)	(13,366)	(14,245)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,914</u>	<u>50,036</u>	<u>56,950</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,035</u>	<u>\$ 36,670</u>	<u>\$ 42,705</u>

**Northwestern Lehigh School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2011**

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

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING INCOME (LOSS)	\$ (304,895)	\$ 6,414	(298,481)
	-----	-----	-----
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	30,563	922	31,485
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	48,314	-	48,314
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	1,838	-	1,838
(Increase) Decrease in Advances from Other Funds	2,734	(112)	2,622
(Increase) Decrease in Inventories	748	-	748
(Increase) Decrease in Prepaid Expenses	927	-	927
(Increase) Decrease in Other Current Assets	-	-	-
Increase (Decrease) in Accounts Payable	-	(6,865)	(6,865)
Increase (Decrease) in Accrued Salaries and Benefits	(3,368)	-	(3,368)
Increase (Decrease) in Advances to Other Funds	(2,737)	2,026	(711)
Increase (Decrease) in Deferred Revenue	776	250	1,026
TOTAL ADJUSTMENTS	<u>79,795</u>	<u>(3,779)</u>	<u>76,016</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (225,100)</u>	<u>\$ 2,635</u>	<u>\$ (222,465)</u>

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

**Northwestern Lehigh School District
Statement of Net Assets
Fiduciary Funds
As of June 30, 2011**

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 131,897	\$ -	\$ 124,338
Investments	-	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	979
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	<u>\$ 131,897</u>	<u>\$ -</u>	<u>\$ 125,317</u>
 LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 9,411
Intergovernmental Payable	-	-	-
Due to Other Funds	-	-	7,633
Due to Student Clubs	-	-	107,934
Other Current Liabilities	-	-	339
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>125,317</u>
 NET ASSETS			
Restricted	-	-	-
Unrestricted	<u>131,897</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ 131,897</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Northwestern Lehigh School District
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011**

	<u>PRIVATE- PURPOSE TRUST FUND</u>	<u>PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS</u>
ADDITIONS		
Contributions	\$ 9,465	\$ -
Transfers from other funds	-	-
Investment Earnings:		
Interest and Dividends	1,231	-
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	<u>10,696</u>	<u>-</u>
	-----	-----
 DEDUCTIONS		
Transfers to other funds	-	-
Administrative charges	-	-
Scholarships	<u>10,425</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>10,425</u>	<u>-</u>
 CHANGE IN NET ASSETS	 271	 -
 NET ASSETS - BEGINNING OF YEAR	 <u>131,626</u>	 <u>-</u>
 NET ASSETS - END OF YEAR	 <u>\$ 131,897</u>	 <u>\$ -</u>

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

Northwestern Lehigh School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -
General Fund
For the Year Ended June 30, 2011

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
REVENUES						
Local Sources	\$ 25,593,290	\$ 25,593,290	\$ 25,608,661	\$ 15,371	\$ -	\$ 25,608,661
State Sources	10,236,964	10,236,964	9,670,702	(566,262)	-	9,670,702
Federal Sources	851,707	851,707	1,290,624	438,917	-	1,290,624
TOTAL REVENUES	36,681,961	36,681,961	36,569,987	(111,974)	-	36,569,987
EXPENDITURES						
Regular Instruction	13,365,416	13,734,707	12,615,004	1,119,703	-	12,615,004
Special Programs	4,808,149	4,836,357	4,669,933	166,424	-	4,669,933
Vocational Programs	1,041,563	1,041,563	1,007,999	33,564	-	1,007,999
Other Instructional Programs	14,179	15,454	9,583	5,871	-	9,583
Non-Public School Programs	-	-	-	-	-	-
Adult Education Programs	7,971	7,971	5,990	1,981	-	5,990
Community/Junior College Ed. Programs	279,192	290,567	286,335	4,232	-	286,335
Pupil Personnel Services	1,248,431	1,248,072	1,088,607	159,465	-	1,088,607
Instructional Staff Services	756,713	868,305	821,155	47,150	-	821,155
Administrative Services	2,176,740	2,180,200	1,695,961	484,239	-	1,695,961
Pupil Health	267,108	268,671	255,832	12,839	-	255,832
Business Services	609,577	609,577	557,597	51,980	-	557,597
Operation & Maintenance of Plant Services	3,894,163	3,937,848	3,411,640	526,208	-	3,411,640
Student Transportation Services	2,117,040	2,150,526	1,836,130	314,396	-	1,836,130
Central Support Services	461,217	531,876	441,986	89,890	-	441,986
Other Support Services	38,000	38,000	37,713	287	-	37,713
Student Activities	673,144	676,956	627,059	49,897	-	627,059
Community Services	6,084	6,084	5,000	1,084	-	5,000
Facilities, Acquisition and Construction	-	-	-	-	-	-
Debt Service	4,435,378	4,435,378	3,657,082	778,296	-	3,657,082
TOTAL EXPENDITURES	36,200,065	36,878,112	33,030,606	3,847,506	-	33,030,606
Excess (deficiency) of revenues over expenditures	481,896	(196,151)	3,539,381	3,735,532	-	3,539,381
OTHER FINANCING SOURCES (USES)						
Proceeds From Extended Term Financing	-	-	-	-	-	-
Interfund Transfers In	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	-	-	1,995	1,995	-	1,995
Fund Transfers Out	(332,000)	(53,953)	(10,000)	43,953	-	(10,000)
Budgetary Reserve	(400,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(732,000)	(53,953)	(8,005)	45,948	-	(8,005)
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(250,104)	(250,104)	3,531,376	3,781,480	-	3,531,376
FUND BALANCE - JULY 1, 2010	4,641,420	4,641,420	9,110,923	4,469,503	-	9,110,923
FUND BALANCE - JUNE 30, 2011	\$ 4,391,316	\$ 4,391,316	\$ 12,642,299	\$ 8,250,983	\$ -	\$ 12,642,299

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, 2011**

Note 1 - Description of the School District and Reporting Entity

School District

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

The Northwestern Lehigh School District is a unit established, organized, and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out, on the local level, the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the same (Article II; Act 150, July 8, 1968).

As specified under the School Law Code of the Commonwealth of Pennsylvania, this and all other school districts of the state "shall be and hereby are vested as, bodies corporate, with all necessary powers to carry out the provisions of this act" (Article II, Section 211).

Board of School Directors

The public school system of the Commonwealth shall be administered by a board of school directors, to be elected or appointed, as hereinafter provided. At each election of school directors, each qualified voter shall be entitled to cast one vote for each school director to be elected.

The Northwestern Lehigh School District is governed by a board of nine School Directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any schools herein provided, or to pay any school indebtedness which the school district is required to pay, or to pay any indebtedness that may at any time hereafter be created by the school district, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

Administration

The Superintendent of Schools shall be the executive officer of the Board of School Directors and, in that capacity shall administer the School District in conformity with Board policies and the School Laws of Pennsylvania. The Superintendent shall be directly responsible to, and therefore appointed by, the Board of School Directors. The Superintendent shall be responsible for the overall administration, supervision, and operation of the School District.

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

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 2010-11 was \$1,007,999.

On dissolution of the Lehigh Career and Technical Institute, the net assets of LCTI will be shared on a pro-rata basis of each participating district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have an equity interest in LCTI as defined by GASB Statement No. 14, except for a residual interest in the net assets of LCTI upon dissolution that should not be reported on the basic financial statements. Complete financial statements for the LCTI can be obtained from the LCTI's administrative office at 2300 Main Street, Schnecksville, PA.

Lehigh-Carbon Community College

The District is a participating member of the Lehigh-Carbon Community College (LCCC). The LCCC is run by a Board of Trustees elected by the participating member districts' boards of directors. No participating district appoints a majority of the Board of Trustees. A vote of two-thirds of all member districts shall be required for approval of the LCCC's annual operating budget. The amount of the annual operating costs of the LCCC shall be apportioned among the member districts on the basis of the number of full-time equivalent students enrolled in LCCC and residing in the respective geographical areas of each of the member districts. The District's share of LCCC's operating costs for 2010-11 was \$286,335.

Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011

On dissolution of the Lehigh-Carbon Community College, the net assets of LCCC will be shared on a pro-rata basis of each member district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board.

However, the District does not have an equity interest in LCCC as defined by GASB Statement No. 14, except for a residual interest in the net assets of LCCC upon dissolution that should not be reported on the basic financial statements. Complete financial statements for the LCCC can be obtained from the LCCC's administrative office at 2300 Main Street Schnecksville, PA.

Jointly Governed Organizations

The School District is a participating member of the Carbon-Lehigh Intermediate Unit (CLIU). The CLIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The boards of directors of the participating districts must approve the CLIU's annual operating budget. However, the CLIU is self-sustaining by providing services for fees to participating districts. The District has no on-going financial interest or responsibility in the CLIU. The CLIU contracts with participating districts to supply special education services, computer services, and acts as a conduit for certain federal programs.

Note 2 - Summary of significant accounting policies

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. *Basis of Presentation*

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for two business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular program. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, 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, 2011**

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

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

B. Fund Accounting

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

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

General Fund

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

Special Revenue Funds

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

Under this new definition, effective for this year, 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, 2011**

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. Because of a change in accounting principles, it is being restated as a Capital Projects Fund. The Municipal Code restricts how the resources are spent within this fund.

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

Enterprise Funds

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

Food Service Fund

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

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

C. Measurement Focus

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

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

Like the government-wide statements, all enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The Statement of revenues, expenses, and changes in fund

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its enterprise activities.

D. Basis of Accounting

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

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

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

E. Budgetary Process

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

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

Accelerated Budget Process Option

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

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

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

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 2010-11 budget transfers.

F. Change in Accounting Principles

During this past fiscal year, the District was required to implement the provisions of GASB Statement No. 54 on Fund Balance Classifications and Definitions. The revised definition for Special Revenue Funds and Capital Project funds has caused one previous governmental fund to be reclassified. The new definitions for governmental funds used by the District can be found in Note 1-B to the financial statements.

In past years, the Capital Reserve Fund, was previously categorized as a Special Revenue fund, and is now being reclassified as a Capital Project Fund because of this change in accounting principle. As a result, the prior year Combined Capital Project Fund's fund balance of \$4,189,871 is increased by \$1,629,227.

Since this fund is a governmental fund, there is no change in the prior year's governmental activities net asset balances.

G. Use of Estimates

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

H. Assets, Liabilities, and Net Assets

Cash and Cash Equivalents

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

Restricted Cash

There is a restricted debt service account with the PA Local Governmental Investment Trust that has a \$22,756 balance at year end.

Investments

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

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

Receivables and Payables

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

Property Tax Levy

Property taxes, which were levied during the fiscal year ended June 30, 2011, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

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

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

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. A physical inventory taken at June 30, 2011, shows \$268,851 in the governmental activities column and \$9,620 in the business-type activities column of the government-wide statement of net assets.

Inventory type items in governmental funds utilize the purchase method; that is, they are charged to expenditures when purchased. There is no inventory shown as of June 30, 2011; therefore, there is no nonspendable fund balance.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

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, 2011, consist of:

Purchased Food	\$	4,069
Purchased Supplies		3,820
Donated Commodities		1,731
TOTAL	\$	9,620

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 assets, but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

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

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

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

Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are

Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011

earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

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

Long-Term Obligations

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

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

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2011, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

Fund Balance Categories

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific

Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011

purposes for which amounts in those funds can be spent. Below are the potential categories of fund balance the government may use with their definitions, the actual categories used is explained in Note 7 to the financial statements:

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

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

Assigned Fund Balance

This category includes all remaining amounts that are reported in governmental funds, except the general fund, that are not classified in one of the above-mentioned categories. In the general fund, this category represents the District's intent to use resources for a specific purpose, which does not require formal action by the governing body. The District's policy dictates the business manager is responsible to make these assignments.

Unassigned Fund Balance

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

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

Contributions of Capital

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, 2011**

Note 3 - Reconciliation of government-wide and fund financial statements

A. *Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.*

The governmental fund balance sheet includes a reconciliation between "fund balance -total governmental funds" and "net assets - governmental activities" as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$54,221,202 difference are:

Bonds and Notes payable	\$ 53,485,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(251,081)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(622,574)
Less: Issuance discount (to be amortized as interest expense)	(57,510)
Add: Issuance premium (to be amortized as a contra to interest expense)	44,153
Accrued interest payable	487,099
Other Retirement Benefits	66,964
Compensated absences	564,570
Net OPEB Obligations	504,581
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	\$ 54,221,202

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

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.

	TOTAL GOVERN- MENTAL FUNDS	LONG- TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANS- ACTIONS	TOTAL FOR STATEMENT OF ACTIVITIES
<u>REVENUES AND OTHER SOURCES</u>					
LOCAL SOURCES:					
Property Taxes	\$ 22,063,696	\$ 44,129	\$ -	\$ -	\$ 22,107,825
Taxes levied for specific purposes	2,401,100	462	-	-	2,401,562
Interest and investment earnings	249,311	-	-	-	249,311
Miscellaneous	55,343	-	-	-	55,343
Contributions and Donations	7,532	-	-	-	7,532
Charges for Services	99,347	-	-	-	99,347
Grants, subsidies & contributions not restricted	5,290,976	-	-	-	5,290,976
Transfers In	-	-	-	-	-
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating and Capital grants and contributions	4,381,646	-	-	-	4,381,646
FEDERAL SOURCES:					
Operating and Capital grants and contributions	2,074,088	-	-	-	2,074,088
SPECIAL AND EXTRAORDINARY ITEMS:					
Bond Premium	-	-	-	-	-
Proceeds from Bond/Note Issues	-	-	-	-	-
Gain or (Loss) on disposal of assets	978	-	-	-	978
TOTAL REVENUES	36,624,017	44,591	-	-	36,668,608
<u>EXPENDITURES/EXPENSES</u>					
Instruction	18,594,844	(6,487)	(50,890)	-	18,537,467
Instructional Student Support	2,165,594	14,772	3,025	-	2,183,391
Admin. & Fin'l Support Services	2,733,257	4,202	(48,157)	-	2,689,302
Oper. & Maint. of Plant Svcs.	3,652,485	(10,204)	1,388	-	3,643,669
Pupil Transportation	1,836,130	(60,397)	168,178	-	1,943,911
Student activities	627,059	1,549	6,367	-	634,975
Community Services	5,000	-	-	-	5,000
Capital Outlay	2,331,825	-	(2,331,825)	-	-
Debt Service	3,658,956	-	-	(1,777,747)	1,881,209
Transfers Out	10,000	-	-	-	10,000
Depreciation - unallocated	-	-	583,424	-	583,424
TOTAL EXPENDITURES/EXPENSES	35,615,150	(56,565)	(1,668,490)	(1,777,747)	32,112,348
NET CHANGE FOR THE YEAR	\$ 1,008,867	\$ 101,156	\$ 1,668,490	\$ 1,777,747	\$ 4,556,260

Note 4 - Stewardship, Compliance, and Accountability

A. Compliance with finance related legal and contractual provisions

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

B. Deficit fund balance or net assets of individual funds

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

No individual fund contains a deficit fund balance or net assets at June 30, 2011.

C. Excess of expenditures over appropriations in individual funds

No individual fund, 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, 2011. 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, 2011, \$18,010,757 of the District's bank balance of \$18,308,516 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		18,010,757
TOTAL	\$	18,010,757

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$	18,010,757
Plus: Insured Amount		297,759
Less: Outstanding Checks		(557,019)
Carrying Amount - Bank balances		17,751,497
Plus: Petty Cash		775
Deposits in Investment Pool Considered Cash Equivalent		22,787
Less: Certificates of Deposit considered Investment by School Code		(2,700,000)
TOTAL CASH PER FINANCIAL STATEMENTS	\$	15,075,059

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

Investments

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

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

As of June 30, 2011, the District had the following investments:

<u><i>Investment</i></u>	<u><i>Maturities</i></u>	<u><i>Fair Value</i></u>
Pa. Local Government Investment Trust		\$ 22,756
Certificates of Deposit		2,700,000
PA School District Liquid Asset Fund		31
TOTAL		\$ 2,722,787

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, 2011, 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, 99.2% are in Certificates of Deposit with New Tripoli Bank. The governmental activities investments are all in Certificates of Deposit at New Tripoli Bank. The General Fund has 97.8% in Certificates of Deposit at New Tripoli Bank. All of the Capital Project Funds investments are in Certificates of Deposit at new Tripoli Bank.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investment subject to custodial credit risk, except for \$2,450,000 of Certificates of Deposit at New Tripoli Bank that are only collateralized with securities held in street name.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

Reconciliation to Financial Statements

Total Investments Above	\$ 2,722,787
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(22,787)</u>
Total Investments Per Financial Statements	<u>\$ 2,700,000</u>

Property Taxes

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$450,697,100. In accordance with Act 1 of 2006, the District received \$666,002 in property tax reduction funds for the 2010-11 fiscal year. The tax rate for the year was \$5.066 per \$100 of assessed valuation or 50.66 mills.

The property tax calendar is:

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

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

Receivables

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

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ 2,230	\$ 4,054	\$ -	\$ -	\$ -	\$ 6,284
Taxes	684,235	-	-	-	-	684,235
Accounts	123,306	-	-	-	979	124,285
Intergovernmental	461,376	-	10,953	-	-	472,329
GROSS RECEIVABLES	1,271,147	4,054	10,953	-	979	1,287,133
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 1,271,147	\$ 4,054	\$ 10,953	\$ -	\$ 979	\$ 1,287,133

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were:

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Delinquent Property Taxes - General Fund	\$ 684,235	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 684,235	\$ -

Capital Assets

Capital asset balances and activity for the year ending June 30, 2011 were:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 406,148	\$ -	\$ -	\$ 406,148
Construction in Progress	42,406,288	2,331,826	(459,892)	44,278,222
Total Capital Assets not being depreciated	42,812,436	2,331,826	(459,892)	44,684,370
Capital Assets being depreciated:				
Site Improvements	970,870	-	-	970,870
Buildings and Bldg. Improvements	30,171,230	459,892	-	30,631,122
Furniture and Equipment	3,934,669	173,586	(39,650)	4,068,605
TOTAL CAPITAL ASSETS BEING DEPRECIATED	35,076,769	633,478	(39,650)	35,670,597
Less accumulated depreciation for:				
Site Improvements	(670,249)	(21,789)	-	(692,038)
Buildings and Bldg. Improvements	(10,380,889)	(559,661)	-	(10,940,550)
Furniture and Equipment	(2,913,732)	(255,470)	39,650	(3,129,552)
TOTAL ACCUMULATED DEPRECIATION	(13,964,870)	(836,920)	39,650	(14,762,140)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	21,111,899	(203,442)	-	20,908,457
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 63,924,335	\$ 2,128,384	\$ (459,892)	\$ 65,592,827
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Buildings and Bldg. Improvements	\$ 127,948	\$ -	\$ -	\$ 127,948
Furniture and Equipment	526,080	21,636	-	547,716
Less accumulated depreciation	(410,707)	(31,486)	-	(442,193)
BUSINESS-TYPES ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 243,321	\$ (9,850)	\$ -	\$ 233,471

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

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

Regular Instruction	\$ 30,800
Special Instruction	670
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Pupil Personnel Services	-
Instructional Support Svcs.	1,258
School Library Services	1,643
Administrative Services	-
Health Services	125
Business Services	105
Operation & Maintenance of Plant Svcs.	17,303
Pupil Transportation	188,340
Central Services	6,886
Other Support Services	-
School Sponsored Athletics	6,366
Community Services	-
Depreciation - unallocated	583,424
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 836,920</u>

The District's governmental-type activities disposed of \$39,650 of equipment during the year with accumulated depreciation of \$39,650, resulting in a gain on disposal of \$978. 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, 2011**

Long-term construction commitments

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

	<u>CONTRACT AMOUNT</u>	<u>EXPENDED TO 6/30/11</u>	<u>OUTSTANDING COMMITMENTS</u>
<u>WEISENBERG ELEMENTARY SCHOOL</u>			
General Construction - ER Stuebner	\$ 10,752,722	\$ 10,752,722	\$ -
Professional Services- Cowan Associates	105,860	94,345	11,515
Plumbing Construction - Jay R. Reynolds	1,040,781	1,006,288	34,493
Sargent Enterprise	<u>178,000</u>	<u>140,320</u>	<u>37,680</u>
TOTAL	<u>12,077,363</u>	<u>11,993,675</u>	<u>83,688</u>
<u>NORTHWESTERN LEHIGH ELEMENTARY SCHOOL</u>			
General Construction - Brucker	5,911,910	5,911,910	-
Professional Services- Cowan Associates	74,132	37,058	37,074
Plumbing Construction - JBM Mechanical	468,487	445,063	23,424
Mechanical Construction - JBM Mechanical	<u>2,218,327</u>	<u>2,218,327</u>	<u>-</u>
TOTAL	<u>8,672,856</u>	<u>8,612,357</u>	<u>60,498</u>
<u>DISTRICT WIDE RENOVATIONS</u>			
General Construction - Penn Builders, Inc	6,125,341	6,105,341	20,000
Electrical Construction - Wind Gap Electric	1,852,899	1,744,850	108,048
Professional Services- Cowan Associates	46,343	46,343	-
HVAC Construction - Dual Temp Company, Inc	3,321,410	3,321,410	-
Sargent Enterprise	72,416	65,174	7,242
MKSD - Architect Contract	<u>673,085</u>	<u>669,046</u>	<u>4,039</u>
TOTAL	<u>12,091,494</u>	<u>11,952,165</u>	<u>139,329</u>
<u>MS SIDEWALK REPLACEMENT</u>			
L&A General Concrete	<u>109,515</u>	<u>-</u>	<u>109,515</u>
TOTAL	<u>109,515</u>	<u>-</u>	<u>109,515</u>
GRAND TOTAL	<u>\$ 32,951,228</u>	<u>\$ 32,558,197</u>	<u>\$ 393,030</u>

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2011:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 51,780	\$ 254
Enterprise (Tiger Conc.) Fund	254	4,760
Enterprise (Food Service) Fund	-	39,387
Agency (Payroll) Fund	-	4,571
Agency (Activity) Fund	-	3,062
TOTAL	\$ 52,034	\$ 52,034

Interfund Transfers

The District also made the following interfund transfers during the fiscal year ended June 30, 2011:

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 10,000
Enterprise (Food Service) Fund	10,000	-
TOTAL	\$ 10,000	\$ 10,000

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2011, were:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<u>GOVERNMENTAL ACTIVITIES</u>					
General Obligation Debt:					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 55,040,686	\$ 91,206	\$ 1,911,330	\$ 53,220,562	\$ 1,885,000
Other than capital projects	-	-	-	-	-
Capital Leases	-	-	-	-	-
Total general obligation debt	55,040,686	91,206	1,911,330	53,220,562	1,885,000
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	225,979	-	10,827	215,152	16,724
Sick pay	464,773	-	55,458	409,315	43,173
Retirement Severance - Yrs. of Service	96,862	-	29,076	67,786	822
Net OPEB Obligation	434,403	70,178	-	504,581	-
Total other liabilities	1,222,017	70,178	95,361	1,196,834	60,719
TOTAL GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 56,262,703	\$ 161,384	\$ 2,006,691	\$ 54,417,396	\$ 1,945,719
<u>BUSINESS-TYPE ACTIVITIES:</u>					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	\$ -	\$ 1,406	\$ -	\$ 1,406	\$ -
Sick pay	2,124	-	567	1,557	-
Retirement Severance - Yrs. of Service	4,153	-	1,038	3,115	-
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	\$ 6,277	\$ 1,406	\$ 1,605	\$ 6,078	\$ -

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

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	\$ 1,881,209	\$ 1,761,639
Capital leases		
Short-term borrowings	-	-
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	<u>\$ 1,881,209</u>	<u>\$ 1,761,639</u>

General Obligation Bonds - Series of 2003

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

The outstanding debt service requirements at June 30, 2011, are:

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2011-12	\$ 1,510,000	\$ 154,640
2012-13	1,560,000	108,956
2013-14	1,610,000	59,808
2014-15	<u>1,060,000</u>	<u>17,225</u>
SUB-TOTAL	5,740,000	<u>\$ 340,629</u>
Unamortized Premium	589	
Unamortized Deferred Amt.	<u>(125,619)</u>	
TOTAL OUTSTANDING	<u>\$ 5,614,970</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. The outstanding debt service requirements at June 30, 2011, are:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 5,000	\$ 410,600
2012-13	5,000	410,405
2013-14	5,000	410,208
2014-15	5,000	410,008
2015-16	5,000	409,805
2016-21	2,605,000	1,843,000
2021-26	3,185,000	1,254,512
2026-31	<u>3,920,000</u>	<u>517,367</u>
SUB-TOTAL	9,735,000	\$ 5,665,905
Unamortized Discount	-	
Unamortized Deferred Chgs.	-	
TOTAL OUTSTANDING	<u>\$ 9,735,000</u>	

General Obligation Note – Series A of 2007

On October 31, 2007, the District issued \$8,500,000 of General Obligation Note – Series A of 2007. The proceeds will be used to carry out the current refunding of the District's outstanding General Obligation Note – Series of 2006 and to pay the cost and expenses. In conjunction with this issue, the District issued a Series A of 2008 credit note held by U.S. Bank facility, acting as the loan credit facility. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from August 1, to August 1, 2023. Interest is calculated on a variable weekly rate plus fifty-five hundredths (.55%) per annum. The outstanding debt service requirements at June 30, 2011 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 100,000	\$ 8,424
2012-13	100,000	5,419
2013-14	100,000	9,111
2014-15	100,000	8,977
2015-16	700,000	8,866
2016-21	4,200,000	29,004
2021-24	<u>3,100,000</u>	<u>5,241</u>
	8,400,000	<u>\$ 75,042</u>
Unamortized Discount	-	
Unamortized Deferred Chgs.	-	
TOTAL OUTSTANDING	<u>\$ 8,400,000</u>	

General Obligation Bonds – Series of 2008

On February 15, 2008, the District issued \$9,400,000 of General Obligation Bonds – Series of 2008. The proceeds will be used to carry out the current refunding of the District's remaining outstanding General Obligation Note – Series A of 2006, the current refunding of General Obligation Note – Series of 2008, and to pay the costs of the issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

has been established with the paying agent. The Bonds mature from March 15, 2008 to March 15, 2026. Interest rates range from 3.25% to 4.10% with total interest indebtedness of \$6,107,052.

The outstanding debt service requirements at June 30, 2011 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 5,000	\$ 354,090
2012-13	5,000	353,940
2013-14	5,000	353,778
2014-15	5,000	353,615
2015-16	5,000	353,452
2016-21	2,420,000	1,608,637
2021-26	2,900,000	1,146,255
2026-31	3,900,000	490,189
SUB-TOTAL	9,245,000	\$ 5,013,956
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 9,245,000	

General Obligation Bonds – Series A of 2008

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

The outstanding debt service requirements at June 30, 2011 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 5,000	\$ 413,965
2012-13	5,000	413,815
2013-14	5,000	413,661
2014-15	5,000	413,507
2015-16	260,000	413,347
2016-21	1,970,000	1,875,304
2021-26	2,430,000	1,414,890
2026-31	3,050,000	798,300
2031-33	1,435,000	105,246
SUB-TOTAL	9,165,000	\$ 6,262,035
Unamortized Discount	(57,510)	
TOTAL OUTSTANDING	\$ 9,107,490	

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

General Obligation Bonds – Series of 2009

On December 15, 2009, the District issued \$8,770,000 of General Obligation Bonds – Series of 2009. The proceeds of the Bonds will be used to (1) provide funds for the refunding of the General Obligation Note - Series of 2009. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from October 1, 2010 to October 1, 2029. Interest rates are variable and estimated with a 0.09% rate at year end. The outstanding debt service requirements at June 30, 2011, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 60,000	\$ 5,944
2012-13	65,000	7,814
2013-14	75,000	7,751
2014-15	80,000	7,681
2015-16	80,000	7,630
2016-21	680,000	36,414
2021-26	2,705,000	31,359
2026-30	<u>5,020,000</u>	<u>9,303</u>
SUB-TOTAL	8,765,000	<u>\$ 113,896</u>
Unamortized Discount	(72,439)	
Unamortized Deferred Chgs.	-	
TOTAL OUTSTANDING	<u>\$ 8,692,561</u>	

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, 2011, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 200,000	\$ 66,050
2012-13	200,000	62,050
2013-14	200,000	59,050
2014-15	790,000	55,050
2015-16	<u>1,045,000</u>	<u>31,350</u>
SUB-TOTAL	2,435,000	<u>\$ 273,550</u>
Unamortized Premium	43,564	
Unamortized Deferred Chgs.	(53,023)	
TOTAL OUTSTANDING	<u>\$ 2,425,541</u>	

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

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, 2011**

Combined Long-Term Debt

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

Combined Long-Term Debt

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

<u>FISCAL YEAR</u>	<u>G.O.B. SERIES 2003</u>	<u>G.O.B. SERIES A OF 2007</u>	<u>G.O.N. SERIES A OF 2007</u>	<u>G.O.B. SERIES OF 2008</u>	<u>G.O.B. SERIES A OF 2008</u>	<u>G.O.B. SERIES OF 2009</u>	<u>G.O.B. SERIES OF 2010</u>	<u>TOTAL PRINCIPAL PAYMENTS</u>
2011-12	\$ 1,510,000	\$ 5,000	\$ 100,000	\$ 5,000	\$ 5,000	\$ 60,000	\$ 200,000	\$ 1,885,000
2012-13	1,560,000	5,000	100,000	5,000	5,000	65,000	200,000	1,940,000
2013-14	1,610,000	5,000	100,000	5,000	5,000	75,000	200,000	2,000,000
2014-15	1,060,000	5,000	100,000	5,000	5,000	80,000	790,000	2,045,000
2015-16	-	5,000	700,000	5,000	260,000	80,000	1,045,000	2,095,000
2016-21	-	2,605,000	4,200,000	2,420,000	1,970,000	680,000	-	11,875,000
2021-26	-	3,185,000	3,100,000	2,900,000	2,430,000	2,705,000	-	14,320,000
2026-31	-	3,920,000	-	3,900,000	3,050,000	5,020,000	-	15,890,000
2031-33	-	-	-	-	1,435,000	-	-	1,435,000
TOTAL PRINCIPAL	5,740,000	9,735,000	8,400,000	9,245,000	9,165,000	8,765,000	2,435,000	53,485,000
LESS-PAYABLE WITHIN ONE YEAR	1,510,000	5,000	100,000	5,000	5,000	60,000	200,000	1,885,000
LONG-TERM PRINCIPAL AFTER ONE YEAR	\$ 4,230,000	\$ 9,730,000	\$ 8,300,000	\$ 9,240,000	\$ 9,160,000	\$ 8,705,000	\$ 2,235,000	\$ 51,600,000

<u>FISCAL YEAR</u>	<u>G.O.B. SERIES 2003</u>	<u>G.O.B. SERIES A OF 2007</u>	<u>G.O.N. SERIES A OF 2007</u>	<u>G.O.B. SERIES OF 2008</u>	<u>G.O.B. SERIES A OF 2008</u>	<u>G.O.B. SERIES OF 2009</u>	<u>G.O.B. SERIES OF 2010</u>	<u>TOTAL DEBT SERVICE PAYMENTS</u>
2011-12	\$ 1,664,640	\$ 415,600	\$ 105,419	\$ 359,090	\$ 418,965	\$ 65,944	\$ 266,050	\$ 3,295,708
2012-13	1,668,956	415,405	109,111	358,940	418,815	72,814	262,050	3,306,091
2013-14	1,669,808	415,208	108,977	358,778	418,661	82,751	259,050	3,313,233
2014-15	1,077,225	415,008	108,866	358,615	418,507	87,681	845,050	3,310,952
2015-16	-	414,805	4,033,503	358,452	673,347	87,630	1,076,350	6,644,087
2016-21	-	4,448,000	4,009,166	4,028,637	3,845,304	716,414	-	17,047,521
2021-26	-	4,439,512	-	4,046,255	3,844,890	2,736,359	-	15,067,016
2026-31	-	4,437,367	-	4,390,189	3,848,300	5,029,303	-	17,705,159
2031-33	-	-	-	-	1,540,246	-	-	1,540,246
TOTAL	\$ 6,080,629	\$ 15,400,905	\$ 8,475,042	\$ 14,258,956	\$ 15,427,035	\$ 8,878,896	\$ 2,708,550	\$ 71,230,013

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

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 \$43,173. This amount is also recorded as a current liability in the governmental activities column of the government-wide statement of net assets. The remaining potential liability of \$366,142 has been established as a long-term liability in the governmental activities column of the government-wide statement of net assets. The Food Service Fund shows \$1,557 as a long-term liability for sick pay. This amount is also recorded as a long-term liability in the business-type activities column of the government-wide statement of net assets.

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

Vacation Leave

Unused vacation leave is paid upon an employee's termination, with the exception of mid-management employees; vacation pay is not cumulative and must be used within one year. Payment will only be made for unused vacation days in the current year. Mid-management employees with 5 years or more of service can carry over a maximum of 5 days to be credited to an "end of year employment bank" which will be paid at retirement. The District maintains records of each employee's accumulated vacation days. In accordance with GASB Statement No. 16, the portion of vacation pay earned at June 30, 2011, that will use currently available financial resources is \$16,724, including FICA tax and retirement contributions (net of reimbursement), which has been recorded in the General Fund and as a current liability in the governmental activities column of the government-wide statement of net assets. The remaining vacation pay earned at June 30, 2011, of \$198,428, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net assets. The Food Service Fund shows \$1,406 as a long-term liability

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

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

Defined benefit pension plans

Plan Description

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

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

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

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

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

Funding Policy

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

Contribution Rates

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

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2011, the rate of employer contribution was 5.64 percent of covered payroll. The 5.64 percent rate is comprised of a pension contribution rate of 5.00 percent for pension benefits and 0.64 percent for healthcare insurance premium assistance.

The employer's current year covered payroll was \$12,064,037 and total payroll was \$16,451,804.

The total employee and employer contributions for this current year were \$1,189,221 and \$910,720, respectively.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

Retirement Severance

Any administrator 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	PERCENTAGE OF BASE PAY
Less than 31 years	15%
31 years to less than 36 years	20%
36 or more years	25%

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 \$822, including FICA tax (net of reimbursement), which has been recorded in the general fund and as a current liability of long-term debt in the governmental activities column of the government-wide statement of net assets. A total of \$3,115, including FICA tax (net of reimbursement) is recorded in the food service fund and as a long-term liability in the business-type activities column of the government-wide statement of net assets. The remaining portion of the retirement severance earned at June 30, 2011 of \$66,964, including FICA tax (net of reimbursement) is recorded as a long-term liability in the governmental activities column of the government-wide statement of net assets.

Other Post Employment Benefits

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

Summary of Plan Provisions

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

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

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

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

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

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

Contribution Rates:	OPEB Benefit Actuarially Determined
Interest Rate	4.5%
Plan Members	316
Annual Required Contribution	\$ 354,216
Interest on net OPEB obligation	19,548
Adjustment to annual required contributio	<u>(26,669)</u>
Annual OPEB cost	347,095
Contributions made	<u>(276,917)</u>
Increase in net OPEB obligation	70,178
Net OPEB obligation - beginning of year	<u>434,403</u>
Net OPEB obligation - end of year	<u><u>\$ 504,581</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 three fiscal years ending June 30th, for the benefits were as follows:

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

Funding status and Funding Progress. The funded status of the benefits as of June 30, 2011, was as follows:

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

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

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

	Healthcare Benefit
Actuarial Valuation Date	7/1/2010
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar method over a 30 year period
Remaining amortization period	27 years
Asset Valuation Method	pay as you go basis
Actuarial Assumptions:	
Investment rate of return	4.5%
Projected salary increases	4.25% to 7.25%
Healthcare inflation rate	
	2011 7.0%
	2012 6.5%
	2013 6.0%
	2014 5.5%
	2015 5.0%
	2016 + 5.0%

Note 6 - Risk Management

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

Note 7 - Fund Balance Allocations

Nonspendable Fund Balance

The General Fund had \$110,053, in nonspendable fund balance at June 30, 2011, comprised of inventories on hand at year end.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2011**

Restricted Fund Balance

The two Capital Project Funds have restrictions on the use of the resources at year end. The Capital Reserve Fund's \$1,629,521 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 issue's restricts the proceeds shown in the Construction Funds for the purposes outlined in the bond resolutions. As such, the \$1,668,941, in fund balance at year end within this fund is considered restricted.

The General Fund has \$813 restricted for unspent grants received from the Educational Foundation.

Committed Fund Balance

The governing body (Board of School Directors) has committed \$7,940,805, of the General Fund's year end fund balance for the following purposes:

Future Retirement Rate increases	\$1,830,000
Other Post Employment Benefits	\$2,446,403
Future Debt Service Rate increases	\$1,311,552
Increases in Healthcare	\$1,535,000
Energy Rate increases	\$ 817,850

Assigned Fund Balance

The General Fund has \$1,860,598, assigned for future technology purchases (\$400,000), purchases of textbooks, (\$350,000), purchases of buses, (\$375,000), and (\$735,598) to balance the 2011-12 budget.

Note 8 - Restricted Net Assets

Invested in Capital Assets, Net of Related Debt

The components of this restriction in the governmental activities column is total capital assets of \$65,592,827, unspent proceeds of \$1,668,941, with related debt of \$52,597,988, which includes unamortized bonds discounts, premiums, issuance costs and deferred refunding charges. The business-type activities column reflects \$233,471 invested in capital assets with no related debt.

Note 9 – Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2011.

Litigation

In accordance with the solicitor's legal letter, there is no pending litigation involving contingent liabilities, as of June 30, 2011, 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, 2011**

Healthcare Benefit

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)
7/1/2010	\$ -	3,087,885	3,087,885	0.0%
7/1/2008	-	\$ 3,129,378	\$ 3,129,378	0.0%
7/1/2006	-	-	-	0.0%

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

Northwestern Lehigh School District
Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds
For the Year Ended June 30, 2011

	CARL BETZ SCHOLAR. FUND	CLASS OF 1996 SCHOLAR. FUND	STUDENT COUNCIL SCHOLAR. FUND	CLASS OF 2000 SCHOLAR. FUND	LAURETTA LEAR SCHOLAR. FUND	DAVID FALLINGER SCHOLAR. FUND	ROTH MARZ SCHOLAR. FUND	MORTON GENERAL SCHOLAR. FUND	STEPHEN KOHLER MEMORIAL SCHOLAR. FUND	CLASS OF 1990 SCHOLAR. FUND	WEISEN- BERG SCHOLAR. FUND	KEY CLUB SCHOLAR. FUND
ASSETS												
Cash	\$ 6,158	\$ 1,608	\$ 413	\$ 2,820	\$ 2,688	\$ 6,118	\$ 11,199	\$ 54,818	\$ 7,474	\$ 2,363	\$ 725	\$ 180
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 6,158	\$ 1,608	\$ 413	\$ 2,820	\$ 2,688	\$ 6,118	\$ 11,199	\$ 54,818	\$ 7,474	\$ 2,363	\$ 725	\$ 180
LIABILITIES												
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund Payables	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
NET ASSETS												
Held in Trust for future recipients	\$ 6,158	\$ 1,608	\$ 413	\$ 2,820	\$ 2,688	\$ 6,118	\$ 11,199	\$ 54,818	\$ 7,474	\$ 2,363	\$ 725	\$ 180

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the Year Ended June 30, 2011

	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	\$ -	\$ -	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ 3,701	\$ -	\$ -	\$ 1,897	\$ 250
Interfund Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
INVESTMENT EARNINGS:												
Interest and dividends	58	15	5	27	25	57	105	515	70	22	10	2
TOTAL ADDITIONS	58	15	205	27	25	57	105	4,216	70	22	1,907	252
DEDUCTIONS:												
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-
Awards	150	25	200	50	25	100	200	5,200	150	50	1,900	250
TOTAL DEDUCTIONS	150	25	200	50	25	100	200	5,200	150	50	1,900	250
CHANGES IN NET ASSETS	(92)	(10)	5	(23)	-	(43)	(95)	(984)	(80)	(28)	7	2
NET ASSETS - BEG. OF YR	6,250	1,618	408	2,843	2,688	6,161	11,294	55,802	7,554	2,391	718	178
NET ASSETS - END OF YR	\$ 6,158	\$ 1,608	\$ 413	\$ 2,820	\$ 2,688	\$ 6,118	\$ 11,199	\$ 54,818	\$ 7,474	\$ 2,363	\$ 725	\$ 180

CLASS OF 1998 SCHOLAR. FUND	JUSTIN HUMMEL SCHOLAR. FUND	CLASS OF 2003 SCHOLAR. FUND	CLASS OF 2006 SCHOLAR. FUND	LYNDSAY BLOSE SCHOLAR. FUND	NWLSD SCHOLAR. FUND	CLASS OF 2007 SCHOLAR. FUND	FISHER SCHOLAR. FUND	RESH SCHOLAR. FUND	KISTLER SCHOLAR. FUND	NEMES SCHOLAR. FUND	CLASS OF 2008 SCHOLAR. FUND	TOTAL
\$ 440	\$ 4,712	\$ 556	\$ 2,087	\$ 8,615	\$ 297	\$ 694	\$ 89	\$ 13,572	\$ 202	\$ 1,550	\$ 2,519	\$ 131,897
-	-	-	-	-	-	-	-	-	-	-	-	-
<u>\$ 440</u>	<u>\$ 4,712</u>	<u>\$ 556</u>	<u>\$ 2,087</u>	<u>\$ 8,615</u>	<u>\$ 297</u>	<u>\$ 694</u>	<u>\$ 89</u>	<u>\$ 13,572</u>	<u>\$ 202</u>	<u>\$ 1,550</u>	<u>\$ 2,519</u>	<u>\$ 131,897</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
<u>\$ 440</u>	<u>\$ 4,712</u>	<u>\$ 556</u>	<u>\$ 2,087</u>	<u>\$ 8,615</u>	<u>\$ 297</u>	<u>\$ 694</u>	<u>\$ 89</u>	<u>\$ 13,572</u>	<u>\$ 202</u>	<u>\$ 1,550</u>	<u>\$ 2,519</u>	<u>\$ 131,897</u>

CLASS OF 1998 SCHOLAR. FUND	JUSTIN HUMMEL SCHOLAR. FUND	CLASS OF 2003 SCHOLAR. FUND	CLASS OF 2006 SCHOLAR. FUND	LYNDSAY BLOSE SCHOLAR. FUND	NWLSD SCHOLAR. FUND	CLASS OF 2007 SCHOLAR. FUND	FISHER SCHOLAR. FUND	RESH SCHOLAR. FUND	KISTLER SCHOLAR. FUND	NEMES SCHOLAR. FUND	CLASS OF 2008 SCHOLAR. FUND	TOTAL
\$ 9	\$ -	\$ -	\$ -	\$ -	\$ 1,259	\$ -	\$ -	\$ 599	\$ -	\$ 1,550	\$ -	\$ 9,465
-	-	-	-	-	-	-	-	-	-	-	-	-
4	44	6	20	81	6	8	-	126	2	-	23	1,231
13	44	6	20	81	1,265	8	-	725	2	1,550	23	10,696
-	-	-	-	-	-	-	-	-	-	-	-	-
25	100	25	50	150	1,200	25	-	500	-	-	50	10,425
25	100	25	50	150	1,200	25	-	500	-	-	50	10,425
(12)	(56)	(19)	(30)	(69)	65	(17)	-	225	2	1,550	(27)	271
452	4,768	575	2,117	8,684	232	711	89	13,347	200	-	2,546	131,626
<u>\$ 440</u>	<u>\$ 4,712</u>	<u>\$ 556</u>	<u>\$ 2,087</u>	<u>\$ 8,615</u>	<u>\$ 297</u>	<u>\$ 694</u>	<u>\$ 89</u>	<u>\$ 13,572</u>	<u>\$ 202</u>	<u>\$ 1,550</u>	<u>\$ 2,519</u>	<u>\$ 131,897</u>

Northwestern Lehigh School District
Combining Statement of Net Assets - All Enterprise Funds
As of June 30, 2011

ASSETS	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
Cash	\$ 36,670	\$ 6,035	\$ 42,705
Investments	-	-	-
Due From Other Funds	254	-	254
Due From Other Governments	-	10,953	10,953
Other Receivables	-	-	-
Inventory	-	9,620	9,620
Prepaid Expenses	-	2,722	2,722
Building Improvements, net of Accum. depreciation	-	73,570	73,570
Equipment, net of Accum. Depreciation	24,192	135,709	159,901
TOTAL ASSETS	<u>\$ 61,116</u>	<u>\$ 238,609</u>	<u>\$ 299,725</u>
LIABILITIES AND NET ASSETS			
Due To Other Funds	\$ 4,760	\$ 39,387	\$ 44,147
Accounts Payable	-	-	-
Intergovernmental Payables	-	-	-
Accrued Salaries and Benefits	-	12,582	12,582
Accrued Compensated Absences	-	2,963	2,963
Other Retirement Benefits	-	3,115	3,115
Deferred Revenues	1,550	13,452	15,002
TOTAL LIABILITIES	<u>6,310</u>	<u>71,499</u>	<u>77,809</u>
Invested in capital assets, with no related debt	24,192	209,279	233,471
Unrestricted Net Assets	30,614	(42,169)	(11,555)
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 61,116</u>	<u>\$ 238,609</u>	<u>\$ 299,725</u>

Northwestern Lehigh School District
Combining Statement of Revenues, Expenses, and Changes
in Net Assets - All Enterprise Funds
For the Year Ended June 30, 2011

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
OPERATING REVENUES			
Food Service Revenue	\$ 12,575	\$ 544,824	\$ 557,399
Other Operating Revenue	<u>5,310</u>	<u>6,183</u>	<u>11,493</u>
TOTAL OPERATING REVENUES	17,885	551,007	568,892
	-----	-----	-----
OPERATING EXPENSES			
Salaries	1,792	286,053	287,845
Employee Benefits	234	123,784	124,018
Professional Services	-	-	-
Purchased Property Services	-	19,831	19,831
Other Purchased Services	-	2,700	2,700
Supplies	8,523	392,634	401,157
Depreciation	922	30,563	31,485
Other Operating Expenses	-	337	337
TOTAL OPERATING EXPENSES	<u>11,471</u>	<u>855,902</u>	<u>867,373</u>
	-----	-----	-----
OPERATING PROFIT (LOSS)	6,414	(304,895)	(298,481)
	-----	-----	-----
NON-OPERATING REVENUES			
Earnings on Investments	273	305	578
Contributions/Donations	5,250	-	5,250
State Sources	112	40,584	40,696
Federal Sources	-	219,672	219,672
TOTAL NON-OPERATING REVENUES	<u>5,635</u>	<u>260,561</u>	<u>266,196</u>
	-----	-----	-----
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	12,049	(44,334)	(32,285)
Interfund Transfers	<u>-</u>	<u>10,000</u>	<u>10,000</u>
	-----	-----	-----
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	12,049	(34,334)	(22,285)
Capital Contributions	-	-	-
Gain or Loss on Sale of Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>
	-----	-----	-----
CHANGES IN NET ASSETS	12,049	(34,334)	(22,285)
NET ASSETS - JULY 1, 2010	<u>42,757</u>	<u>201,444</u>	<u>244,201</u>
	-----	-----	-----
NET ASSETS - JUNE 30, 2011	<u>\$ 54,806</u>	<u>\$ 167,110</u>	<u>\$ 221,916</u>

Northwestern Lehigh School District
Combining Statement of Cash Flows - All Enterprise Funds
For the Year Ended June 30, 2011

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from users	\$ 12,463	\$ 546,745	\$ 559,208
Cash received from assessments to other funds	-	-	-
Cash received from earnings on investments	-	-	-
Cash received from other operating revenue	5,310	9,761	15,071
Cash paid to employees	(2,026)	(413,205)	(415,231)
Cash payments to insurance claims	-	-	-
Cash paid to suppliers	(13,112)	(368,064)	(381,176)
Cash payments for other operating expenses	-	(337)	(337)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,635</u>	<u>(225,100)</u>	<u>(222,465)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Contributions	5,250	-	5,250
State Sources	112	41,397	41,509
Federal Sources	-	172,519	172,519
Interfund Transfers	-	10,000	10,000
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>5,362</u>	<u>223,916</u>	<u>229,278</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(21,636)	-	(21,636)
Capital Contributions	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(21,636)</u>	<u>-</u>	<u>(21,636)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	<u>273</u>	<u>305</u>	<u>578</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,366)	(879)	(14,245)
CASH AND CASH EQUIVALENTS - JULY 1, 2010	<u>50,036</u>	<u>6,914</u>	<u>56,950</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2011	<u>\$ 36,670</u>	<u>\$ 6,035</u>	<u>\$ 42,705</u>

Northwestern Lehigh School District
Combining Statement of Cash Flows - All Enterprise Funds
For the Year Ended June 30, 2011

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)	\$ 6,414	\$ (304,895)	\$ (298,481)
	-----	-----	-----
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Depreciation	922	30,563	31,485
Donated Commodities used	-	48,314	48,314
NET CHANGES IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	-	1,838	1,838
(Increase) Decrease in Interfund Receivable	(112)	2,734	2,622
(Increase) Decrease in Inventories	-	748	748
(Increase) Decrease in Prepaid Expenses	-	927	927
Increase (Decrease) in Interfund Payable	2,026	(2,737)	(711)
Increase (Decrease) in Accounts Payable	(6,865)	-	(6,865)
Increase (Decrease) in Accrued Salaries and Benefits	-	(3,368)	(3,368)
Increase (Decrease) in Deferred Revenue	250	776	1,026
TOTAL ADJUSTMENTS	<u>(3,779)</u>	<u>79,795</u>	<u>76,016</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,635</u>	<u>\$ (225,100)</u>	<u>\$ (222,465)</u>

**Northwestern Lehigh School District
Combining Balance Sheet
All Agency Funds
As of June 30, 2011**

ASSETS	ACTIVITY FUND	PAYROLL FUND	TOTAL
Cash	\$ 119,195	\$ 5,143	\$ 124,338
Due from Other Funds	-	-	-
Accounts Receivable	979	-	979
Prepaid Expenses	-	-	-
TOTAL ASSETS	<u>\$ 120,174</u>	<u>\$ 5,143</u>	<u>\$ 125,317</u>
LIABILITIES			
Accounts Payable	\$ 9,178	\$ 233	\$ 9,411
Intergovernmental Payable	-	-	-
Due Student Organizations	107,934	-	107,934
Payroll Deductions	-	339	339
Interfund Payable	3,062	4,571	7,633
TOTAL LIABILITIES	<u>\$ 120,174</u>	<u>\$ 5,143</u>	<u>\$ 125,317</u>

**Northwestern Lehigh School District
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2011**

<u>ACTIVITY FUND</u>	<u>BALANCE 7/1/10</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE 6/30/11</u>
ASSETS:				
Cash	\$ 116,335	\$ 316,661	\$ 313,801	\$ 119,195
Interfund Receivable	-	-	-	-
Accounts Receivable	-	979	-	979
Prepaid Expenses	-	-	-	-
TOTAL ASSETS	<u>\$ 116,335</u>	<u>\$ 317,640</u>	<u>\$ 313,801</u>	<u>\$ 120,174</u>
LIABILITIES:				
Accounts Payable	\$ 8,449	\$ 9,178	\$ 8,449	\$ 9,178
Intergovernmental Payable	-	-	-	-
Interfund Payables	970	3,062	970	3,062
Due to Student Organizations	106,916	305,400	304,382	107,934
TOTAL LIABILITIES	<u>\$ 116,335</u>	<u>\$ 317,640</u>	<u>\$ 313,801</u>	<u>\$ 120,174</u>
 <u>PAYROLL FUND</u>				
ASSETS:				
Cash	\$ 4,753	\$ 17,295,735	\$ 17,295,345	\$ 5,143
Other Accounts Receivable	-	-	-	-
Interfund Receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 4,753</u>	<u>\$ 17,295,735</u>	<u>\$ 17,295,345</u>	<u>\$ 5,143</u>
LIABILITIES:				
Accounts Payable	\$ -	\$ 233	\$ -	\$ 233
Interfund Payable	4,294	4,571	4,294	4,571
Accrued Payroll Deductions	459	17,290,931	17,291,051	339
TOTAL LIABILITIES	<u>\$ 4,753</u>	<u>\$ 17,295,735</u>	<u>\$ 17,295,345</u>	<u>\$ 5,143</u>
 <u>ALL AGENCY FUNDS</u>				
ASSETS:				
Cash	\$ 121,088	\$ 17,612,396	\$ 17,609,146	\$ 124,338
Interfund Receivables	-	-	-	-
Accounts Receivable	-	979	-	979
Prepaid Expenses	-	-	-	-
TOTAL ASSETS	<u>\$ 121,088</u>	<u>\$ 17,613,375</u>	<u>\$ 17,609,146</u>	<u>\$ 125,317</u>
LIABILITIES:				
Accounts Payable	\$ 8,449	\$ 9,411	\$ 8,449	\$ 9,411
Intergovernmental Payable	-	-	-	-
Due to Student Organizations	106,916	305,400	304,382	107,934
Accrued Payroll Deductions	459	17,290,931	17,291,051	339
Interfund Payable	5,264	7,633	5,264	7,633
TOTAL LIABILITIES	<u>\$ 121,088</u>	<u>\$ 17,613,375</u>	<u>\$ 17,609,146</u>	<u>\$ 125,317</u>

Northwestern Lehigh School District
Combining Balance Sheet - All Capital Project Funds
As of June 30, 2011

	CAPITAL RESERVE FUND	2008A - 33 CONSTRUCTION FUND	2009 CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
ASSETS				
Cash and cash equivalents	\$ 633,324	\$ 570,995	\$ 408,213	\$ 1,612,532
Investments	1,000,000	300,000	400,000	1,700,000
Due from other funds	-	-	-	-
Accrued Interest Receivables	2,385	715	954	4,054
Prepaid Expenditures	-	-	-	-
Other Current Assets	-	-	-	-
	\$ 1,635,709	\$ 871,710	\$ 809,167	\$ 3,316,586
TOTAL ASSETS				
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Accounts Payable	6,188	-	11,936	18,124
Intergovernmental Payables	-	-	-	-
Deferred Revenues	-	-	-	-
Other Current Liabilities	-	-	-	-
TOTAL LIABILITIES	6,188	-	11,936	18,124
	-----	-----	-----	-----
FUND BALANCES:				
Restricted Fund Balance	1,629,521	871,710	797,231	3,298,462
Assigned Fund Balance	-	-	-	-
TOTAL FUND BALANCES	1,629,521	871,710	797,231	3,298,462
	\$ 1,635,709	\$ 871,710	\$ 809,167	\$ 3,316,586
TOTAL LIABILITIES AND FUND BALANCES				

Northwestern Lehigh School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2011

	CAPITAL RESERVE FUND	2008A - 33 CONSTRUCTION FUND	2009 CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES				
Local Sources	\$ 20,522	\$ 11,440	\$ 20,072	\$ 52,034
State Sources	-	-	-	-
Federal Sources	-	-	-	-
TOTAL REVENUES	<u>20,522</u>	<u>11,440</u>	<u>20,072</u>	<u>52,034</u>
EXPENDITURES				
Instruction	-	-	-	-
Support Services	1,840	-	-	1,840
Operation of Non-Instructional Services	-	-	-	-
Capital Outlay	18,388	270,314	2,282,128	2,570,830
Debt Service	-	-	-	-
TOTAL EXPENDITURES	<u>20,228</u>	<u>270,314</u>	<u>2,282,128</u>	<u>2,572,670</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>294</u>	<u>(258,874)</u>	<u>(2,262,056)</u>	<u>(2,520,636)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	-	-
Bond Discount	-	-	-	-
Interfund Transfers In	-	-	-	-
Sale/Compensation for Fixed Assets	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Refunds of Prior Year Receipts	-	-	-	-
Operating Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	294	(258,874)	(2,262,056)	(2,520,636)
FUND BALANCES - BEGINNING	<u>1,629,227</u>	<u>1,130,584</u>	<u>3,059,287</u>	<u>5,819,098</u>
FUND BALANCES - ENDING	<u>\$ 1,629,521</u>	<u>\$ 871,710</u>	<u>\$ 797,231</u>	<u>\$ 3,298,462</u>

**Northwestern Lehigh School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2011**

<u>CURRENT REAL ESTATE TAXES</u>	<u>HEIDELBERG TOWNSHIP</u>	<u>LOWHILL TOWNSHIP</u>	<u>LYNN TOWNSHIP</u>	<u>WEISENBERG TOWNSHIP</u>	<u>TOTALS</u>
Original Assessment	\$ 77,467,650	\$ 80,469,700	\$ 100,151,350	\$ 192,608,400	\$ 450,697,100
Millage Rate	0.05066	0.05066	0.05066	0.05066	0.05066
Total Assessed Tax Amount	3,924,510	4,076,595	5,073,667	9,757,541	22,832,313
Less: Act 1 Reduction	150,942	101,730	185,580	227,608	665,860
TAX PER DUPLICATE	3,773,568	3,974,865	4,888,087	9,529,933	22,166,453
PLUS - Additions	5,346	1,115	111	6,163	12,735
- Penalties	20,628	11,685	18,823	17,992	69,128
TAXES TO BE COLLECTED	3,799,542	3,987,665	4,907,021	9,554,088	22,248,316
LESS - Discounts	58,043	61,873	77,689	158,203	355,808
- Outstanding Additions	500	-	-	-	500
- Reductions	-	-	4,015	-	4,015
- Refunds	-	1,054	237	-	1,291
- Returned to County	166,519	138,382	156,242	215,043	676,186
- Exonerations	-	1,191	3,220	7,290	11,701
NET CURRENT R. E. TAXES COLLECTED	<u>\$ 3,574,480</u>	<u>\$ 3,785,165</u>	<u>\$ 4,665,618</u>	<u>\$ 9,173,552</u>	<u>\$ 21,198,815</u>
 INTERIM R. E. TAXES COLLECTED	 <u>\$ 17,931</u>	 <u>\$ 25,469</u>	 <u>\$ 22,504</u>	 <u>\$ 29,477</u>	 <u>\$ 95,381</u>

**Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2011**

REVENUES

LOCAL SOURCES:

Current Real Estate Taxes	\$ 21,198,815	
Interim Real Estate Taxes	95,381	
Public Utility	33,028	
Payment in Lieu of Taxes	5,707	
Current Per Capita Taxes - 511	-	
Current Per Capita Taxes - 679	-	
Occupational Privilege Tax	44,762	
Earned Income Tax	2,029,293	
Real Estate Transfer Tax	277,584	
Amusement Taxes	10,726	
Delinquent Real Estate Taxes	756,549	
Delinquent Interim Real Estate Taxes	12,951	
Delinquent Per Capita Taxes - 511	-	
Delinquent Per Capita Taxes - 679	-	
Delinquent Occupation Taxes	-	
Interest	197,393	
Admissions	52,242	
Fees	1,209	
Other Student Activity Income	18,954	
Revenue Received from I.S. - State	1,920	
I/U Services - Federal	783,464	
Other Revenue I.U. Sources	-	
Rentals	8,680	
Contributions	7,532	
Regular Day School Tuition	-	
Summer School	-	
Adult School	8,047	
Receipts from Other LEA's - Education	18,895	
Other Tuition From Patrons	-	
Miscellaneous	37,758	
Refunds of Prior Yr. Expenditures	7,771	
TOTAL LOCAL SOURCE REVENUE	25,608,661	\$ 25,608,661

STATE SOURCES:

Basic Subsidy - ESBE	4,624,974
Read to Succeed	-
Charter Schools	142,888
School Performance	-
Orphan Tuition	42,607
Homebound	-
Vocational Education	-
Special Education	1,276,343
SUB-TOTAL	6,086,812

**Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2011**

REVENUE (CONT'D)

SUB-TOTAL (CARRIED FORWARD)	\$	6,086,812	
Transportation		997,493	
Rentals		600,527	
Health Services		43,428	
State Property Tax Reduction Allocation		666,002	
Dual Enrollment		11,375	
Sewage		-	
PA Accountability Grant		218,243	
Project 720 HS		-	
DCED Pavilion		-	
FICA Revenue		607,280	
Retirement Revenue		439,542	
Classrooms for the Future		-	
TOTAL STATE SOURCE REVENUE		<u> </u>	\$ 9,670,702

FEDERAL SOURCES:

Title I	176,931	
Title II A	55,377	
Title I - ARRA	27,143	
State Fiscal Stabilization Fund - ARRA	649,229	
Education Jobs Grant	379,017	
Drug Free	516	
Medical Assistance Reimbursement	<u>2,411</u>	
TOTAL FEDERAL SOURCE REVENUE		<u>1,290,624</u>
TOTAL REVENUE		<u>36,569,987</u>

EXPENDITURES

Regular Programs - Elem./Secondary	11,352,232
Federally Funded Regular Programs	1,262,772
Special Education	-
Life Skills Support - Public	133,002
Deaf or Hearing Impaired Support	-
Blind or Visually Impaired Support	-
Speech & Language Impaired	159,886
Emotional Support - Public	269,897
Academic Support	-
Learning Support - Public	2,472,065
Gifted Support	136,171
Physical Support	-
Multi-Handicapped Support	-
Early Intervention Support	-
Other Support	<u>1,498,912</u>
SUB-TOTAL	17,284,937

**Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2011**

SUB-TOTAL (CARRIED FORWARD)	\$ 17,284,937
Home Economics	-
Business Education	-
Other Vocational Education Programs	1,007,999
Drivers Education	2,150
Homebound Instruction	6,158
Adjudicated/Court Placed Programs	1,275
Alternative Education Program	-
Additional Other Instructional Program	-
Non-Public School Programs	-
Adult Education	5,990
Community College Programs	286,335
Supervision of Pupil Personnel Services	271,161
Guidance Services	-
Counseling Services	642,980
Attendance Services	-
Psychological Services	174,466
Other Pupil Personnel Services	-
Support Services - Instructional Staff	-
Technology Support Services	-
Educational Television Services	4,113
Computer Assisted Instruction Services	84,482
School Library Services	457,192
Instructional & Curriculum Dev. Service	241,233
Instructional Staff Development Services	-
Instructional Staff Development	34,135
Instructional Staff Development - Non-certified	-
Other Instructional Staff Services	-
Board Services	29,816
Board Treasurer Services	-
Tax Assessment & Collection Service	115,536
Staff Relations	-
Legal Services	65,931
Office of the Superintendent Services	266,329
Community Relations Services	4,578
Office of the Principal Services	1,213,771
Other Administration Services	-
Medical Services	255,544
Dental Services	288
Nursing Services	-
Non-Public Health Services	-
Support Services - Business	557,597
SUB-TOTAL	23,013,996

**Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2011**

SUB-TOTAL (CARRIED FORWARD)	\$ 23,013,996	
Operation and Maintenance of Plant Services	3,390,139	
Security Services	21,501	
Student Transportation Services	1,836,130	
Support Services - Central	-	
System-Wide Technology Services	252,787	
Recruitment and Placement Services	175,541	
Staff Development Services	5,259	
Non-Instructional Dev - Non Cert	8,399	
Other Support Services	37,713	
School Sponsored Student Activities	165,912	
School Sponsored Athletics	461,147	
Community Services	5,000	
Existing Site Improvement Services	-	
Building Acquisition and Construction Services	-	
Existing Building Improvement Services	-	
Debt Service	3,654,765	
Refund of Prior Yr. Receipts	2,317	
	2,317	
TOTAL EXPENDITURES		\$ 33,030,606
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		 3,539,381
 <u>OTHER FINANCING SOURCES (USES)</u>		
Proceeds from Extended Term Financing	-	
Debt Service Fund Transfers	-	
Transfer from Activity Funds	-	
Transfer from Tiger Concession Fund	-	
Sale of Fixed Assets	1,995	
Special Revenue Fund Transfers	-	
Capital Projects Funds Transfers	-	
Debt Service Fund Transfers	-	
Food Service Fund Transfers	(10,000)	
Tiger Concession Fund Transfers	-	
Activity Fund Transfers	-	
	-	
TOTAL OTHER FINANCING SOURCES (USES)		(8,005)
 Special Items	-	
Extraordinary Items	-	(8,005)
 NET CHANGE IN FUND BALANCE		 3,531,376
 FUND BALANCE - JULY 1, 2010		 9,110,923
 FUND BALANCE - JUNE 30, 2011		 \$ 12,642,299

**Northwestern Lehigh School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2011**

REVENUES

Student Payments	\$ 537,639	
Adult Payments	4,534	
Kitchen Sales	2,651	
Miscellaneous	-	
Federal Donated Commodities	47,050	
Federal Subsidies	172,622	
State Subsidies	40,584	
Transfer from General Fund	10,000	
Interest	305	
Special Events	<u>6,183</u>	\$ 821,568

COST OF SALES

Beginning Inventory - July 1, 2010	11,632	
Purchases - Food and Milk	313,936	
- Donated Commodities	47,050	
- Supplies	29,636	
LESS: Ending Inventory - June 30, 2011	<u>(9,620)</u>	<u>392,634</u>

GROSS PROFIT

428,934

EXPENSES

Payroll	286,053	
Taxes and Benefits	123,784	
Professional Services	-	
Purchased Property Services	19,831	
Travel	1,215	
Advertising	-	
Tech Communications	150	
Printing & Binding	1,335	
Depreciation	30,563	
Equipment	-	
Dues & Fees	<u>337</u>	<u>463,268</u>

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS

(34,334)

Gain or Loss on Sale of Fixed Assets

-

Capital Contributions

-

CHANGES IN NET ASSETS

(34,334)

NET ASSETS - JULY 1, 2010

201,444

NET ASSETS - JUNE 30, 2011

\$ 167,110

**Northwestern Lehigh School District
Food Service Fund
Statement of Net Assets
As of June 30, 2011**

ASSETS

Cash	\$ 6,035	
Interfund Receivables	-	
Subsidies Receivable	10,953	
Other Receivable	-	
Inventories	9,620	
Prepaid Expenses	2,722	
Building Improvements, net of Accum. Depreciation	73,570	
Equipment, net of Accum. Depreciation	<u>135,709</u>	
TOTAL ASSETS		<u>\$ 238,609</u>

LIABILITIES AND NET ASSETS

Accounts Payable	-	
Interfund Accounts Payable	39,387	
Accrued Salaries and Benefits	12,582	
Accrued Compensated Absences	2,963	
Other Retirement Benefits	3,115	
Deferred Revenue	13,452	
NET ASSETS - JUNE 30, 2011	<u>167,110</u>	
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 238,609</u>

**Northwestern Lehigh School District
Tiger Concession Fund
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2011**

REVENUES

Concession Stand Revenues	\$	12,575	
Other Revenue		5,310	
Interest		273	
Contributions/Donations		5,250	
State Sources		112	
Transfer from the General Fund		-	\$ 23,520

COST OF SALES

Beginning Inventory - July 1, 2010		-	
Food		6,108	
Supplies		2,415	
Less: Ending Inventory - June 30, 2011		-	8,523

GROSS PROFIT

14,997

EXPENSES

Payroll		1,792	
Taxes and Benefits		234	
Other Professional Services		-	
Repairs and Maintenance		-	
Small Tools		-	
Depreciation		922	
			2,948

CHANGES IN NET ASSETS

12,049

NET ASSETS - JULY 1, 2010

42,757

NET ASSETS - JUNE 30, 2011

\$ 54,806

**Northwestern Lehigh School District
Payroll Fund
Statement of Receipts and Disbursements
For the Year Ended June 30, 2011**

CASH BALANCE - JULY 1, 2010		\$ 4,753
<u>RECEIPTS</u>		
Transfers From Other Funds	\$ 17,295,233	
Interest	<u>502</u>	<u>17,295,735</u>
TOTAL FUNDS AVAILABLE		17,300,488
<u>DISBURSEMENTS</u>		<u>17,295,345</u>
CASH BALANCE - JUNE 30, 2011		<u>\$ 5,143</u>

RECONCILIATION

Due from Other Funds	\$ -	
Accounts Payable	233	
Misc. deductions	339	
Retro Retirement	-	
Occupational Tax	-	
Due to General Fund	4,571	
Fica	-	
Federal Income Tax	-	
Cancer Insurance	<u>-</u>	
TOTAL LIABILITIES		<u>\$ (5,143)</u>

**Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2011**

FUND BALANCE - JULY 1, 2010		\$ 1,629,227
<u>REVENUES</u>		
Interest	\$ 20,522	
Transfer from General Fund	<u>-</u>	<u>20,522</u>
TOTAL FUNDS AVAILABLE		1,649,749
<u>EXPENDITURES</u>		
INSTRUCTIONAL:		
Equipment	-	
SUPPORT SERVICES:		
Repairs and Maintenance	1,840	
CAPITAL OUTLAY:		
Rentals	-	
Professional Services	10,163	
Construction	8,225	
Equipment	-	
Fees	<u>-</u>	<u>20,228</u>
FUND BALANCE - JUNE 30, 2011		<u>\$ 1,629,521</u>

**Northwestern Lehigh School District
2008 A Construction Fund - 33
Statement of Revenues and Expenditures
For the Year Ended June 30, 2011**

FUND BALANCE - JULY 1, 2010		\$ 1,130,584
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Bond Issues	\$ -	
Interest	11,440	11,440
TOTAL FUNDS AVAILABLE		1,142,024
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	-	
Insurance	-	
Printing	-	
CAPITAL OUTLAY:		
Professional Services	12,529	
Advertising	1,171	
Construction	209,799	
Land Improvements	34,037	
Equipment	12,040	
Dues and Fees	738	
OTHER FINANCING USES:		
Transfer to 2009 Construction Fund	-	270,314
 FUND BALANCE - JUNE 30, 2011		 <u><u>\$ 871,710</u></u>

**Northwestern Lehigh School District
2009 Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2011**

FUND BALANCE - JULY 1, 2010 \$ 3,059,287

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Bond Issues	\$ -		
Refund of Prior Year Expenditures	118		
Interest	19,954		20,072
TOTAL FUNDS AVAILABLE			3,079,359

EXPENDITURES AND OTHER FINANCING USES

INSTRUCTIONAL SERVICES:

Equipment -

SUPPORT SERVICES:

Professional Services -

Advertising -

Equipment -

CAPITAL OUTLAY:

Professional Services 187,411

Advertising -

Construction 1,869,928

Insurance -

Land Improvements -

Equipment 224,789

Dues and Fees -

OTHER FINANCING USES:

Bond Discount - 2,282,128

FUND BALANCE - JUNE 30, 2011 **\$ 797,231**

**Northwestern Lehigh School District
2010 Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2011**

FUND BALANCE - JULY 1, 2010		\$ 1,874
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding Bond Issues	\$ -	
Bond Premium	-	
Interest	-	-
TOTAL FUNDS AVAILABLE	-	1,874
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	-	
Insurance	-	
Printing	-	
OTHER FINANCING USES:		
Payment to Refunded Bonds Escrow Agent	-	
Debt Service - Interest	1,874	1,874
	1,874	1,874
 FUND BALANCE - JUNE 30, 2011		 \$ <u><u>-</u></u>

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2003
For the Year Ended June 30, 2011**

<u>MATURITY DATE</u>	<u>INTEREST RATE PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
September 15, 2011	2.90%	\$ 88,268	\$ 1,510,000
March 15, 2012		66,372	
September 15, 2012	3.05%	66,373	1,560,000
March 15, 2013		42,583	
September 15, 2013	3.15%	42,583	1,610,000
March 15, 2014		17,225	
September 15, 2014	3.25%	17,225	1,060,000
March 15, 2015		-	-
TOTAL OUTSTANDING		\$ 340,629	\$ 5,740,000

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series A of 2007
For the Year Ended June 30, 2011**

<u>MATURITY DATE</u>	<u>INTEREST RATE PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
August 15, 2011		\$ 205,300	\$ -
February 15, 2012	3.900%	205,300	5,000
August 15, 2012		205,202	
February 15, 2013	3.950%	205,203	5,000
August 15, 2013		205,104	
February 15, 2014	4.000%	205,104	5,000
August 15, 2014		205,004	
February 15, 2015	4.050%	205,004	5,000
August 15, 2015		204,902	
February 15, 2016	4.100%	204,903	5,000
August 15, 2016		204,800	
February 15, 2017	4.100%	204,800	480,000
August 15, 2017		194,960	
February 15, 2018	4.100%	194,960	500,000
August 15, 2018		184,710	
February 15, 2019	4.100%	184,710	520,000
August 15, 2019		174,050	
February 15, 2020	4.100%	174,050	540,000
August 15, 2020		162,980	
February 15, 2021	4.100%	162,980	565,000
August 15, 2021		151,397	
February 15, 2022	4.250%	151,398	585,000
August 15, 2022		138,966	
February 15, 2023	4.250%	138,966	610,000
August 15, 2023		126,004	
February 15, 2024	4.250%	126,004	635,000
August 15, 2024		112,510	
February 15, 2025	4.250%	112,510	665,000
August 15, 2025		98,379	
February 15, 2026	4.250%	98,378	690,000
August 15, 2026		83,716	
February 15, 2027	4.250%	83,716	720,000
August 15, 2027		68,416	
February 15, 2028	4.250%	68,417	750,000
August 15, 2028		52,479	
February 15, 2029	4.250%	52,478	785,000
August 15, 2029		35,798	
February 15, 2030	4.300%	35,797	815,000
August 15, 2030		18,275	
February 15, 2031	4.300%	18,275	850,000
TOTAL OUTSTANDING		\$ 5,665,905	\$ 9,735,000

**Northwestern Lehigh School District
Schedule on General Obligation Notes - Series A of 2007
For the Year Ended June 30, 2011**

<u>MATURITY DATE</u>	<u>VARIABLE INTEREST RATE PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
August 1, 2011	0.110%	811	100,000
February 1, 2012		4,608	
August 1, 2012	0.110%	4,558	100,000
February 1, 2013		4,553	
August 1, 2013	0.110%	4,479	100,000
February 1, 2014		4,498	
August 1, 2014	0.110%	4,424	100,000
February 1, 2015		4,442	
August 1, 2015	0.110%	4,370	700,000
February 1, 2016		4,054	
August 1, 2016	0.110%	4,010	800,000
February 1, 2017		3,610	
August 1, 2017	0.110%	3,551	800,000
February 1, 2018		3,167	
August 1, 2018	0.110%	3,115	800,000
February 1, 2019		2,723	
August 1, 2019	0.110%	2,679	900,000
February 1, 2020		2,224	
August 1, 2020	0.110%	2,200	900,000
February 1, 2021		1,725	
August 1, 2021	0.110%	1,697	1,000,000
February 1, 2022		1,170	
August 1, 2022	0.110%	1,151	1,000,000
February 1, 2023		616	
August 1, 2023	0.110%	607	1,100,000
TOTAL OUTSTANDING		\$ 75,042	\$ 8,400,000

Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2008
For the Year Ended June 30, 2011

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
September 15, 2011		\$ 177,045	\$ -
March 15, 2012	3.00%	177,045	5,000
September 15, 2012		176,970	
March 15, 2013	3.25%	176,970	5,000
September 15, 2013		176,889	
March 15, 2014	3.25%	176,889	5,000
September 15, 2014		176,807	
March 15, 2015	3.25%	176,808	5,000
September 15, 2015		176,726	
March 15, 2016	3.25%	176,726	5,000
September 15, 2016		176,645	
March 15, 2017	3.30%	176,645	425,000
September 15, 2017		169,632	
March 15, 2018	3.40%	169,633	475,000
September 15, 2018		161,558	
March 15, 2019	3.50%	161,557	520,000
September 15, 2019		152,458	
March 15, 2020	3.55%	152,457	475,000
September 15, 2020		144,026	
March 15, 2021	3.65%	144,026	525,000
September 15, 2021		134,445	
March 15, 2022	3.70%	134,445	490,000
September 15, 2022		125,380	
March 15, 2023	3.75%	125,380	545,000
September 15, 2023		115,161	
March 15, 2024	3.80%	115,162	510,000
September 15, 2024		105,471	
March 15, 2025	3.85%	105,471	665,000
September 15, 2025		92,670	
March 15, 2026	3.90%	92,670	690,000
September 15, 2026		79,215	
March 15, 2027	4.00%	79,215	720,000
September 15, 2027		64,815	
March 15, 2028	4.00%	64,815	750,000
September 15, 2028		49,815	
March 15, 2029	4.10%	49,815	775,000
September 15, 2029		33,927	
March 15, 2030	4.10%	33,928	810,000
September 15, 2030		17,322	
March 15, 2031	4.10%	17,322	845,000
TOTAL OUTSTANDING		\$ 5,013,956	\$ 9,245,000

Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series A of 2008
For the Year Ended June 30, 2011

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
August 15, 2011		\$ 206,983	\$ -
February 15, 2012	3.000%	206,982	5,000
August 15, 2012		206,908	
February 15, 2013	3.500%	206,907	5,000
August 15, 2013		206,831	
February 15, 2014	3.100%	206,830	5,000
August 15, 2014		206,754	
February 15, 2015	3.200%	206,753	5,000
August 15, 2015		206,674	
February 15, 2016	3.450%	206,673	260,000
August 15, 2016		202,189	
February 15, 2017	3.650%	202,188	365,000
August 15, 2017		195,528	
February 15, 2018	3.850%	195,527	380,000
August 15, 2018		188,213	
February 15, 2019	4.100%	188,213	390,000
August 15, 2019		180,218	
February 15, 2020	4.250%	180,218	410,000
August 15, 2020		171,505	
February 15, 2021	4.350%	171,505	425,000
August 15, 2021		162,261	
February 15, 2022	4.400%	162,261	445,000
August 15, 2022		152,471	
February 15, 2023	4.500%	152,471	465,000
August 15, 2023		142,009	
February 15, 2024	4.600%	142,009	485,000
August 15, 2024		131,096	
February 15, 2025	4.550%	131,096	505,000
August 15, 2025		119,608	
February 15, 2026	4.650%	119,608	530,000
August 15, 2026		107,285	
February 15, 2027	4.650%	107,285	555,000
August 15, 2027		94,381	
February 15, 2028	4.750%	94,381	580,000
August 15, 2028		80,606	
February 15, 2029	4.750%	80,606	610,000
August 15, 2029		66,119	
February 15, 2030	4.800%	66,119	640,000
August 15, 2030		50,759	
February 15, 2031	4.800%	50,759	665,000
August 15, 2031		34,799	
February 15, 2032	4.850%	34,799	700,000
August 15, 2032		17,824	
February 15, 2033	4.850%	17,824	735,000
TOTAL OUTSTANDING		\$ 6,262,035	\$ 9,165,000

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2009
For the Year Ended June 30, 2011**

<u>MATURITY DATE</u>	<u>VARIABLE INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
October 1, 2011	0.090%	\$ 2,012	\$ 60,000
April 1, 2012		3,932	
October 1, 2012	0.090%	3,932	65,000
April 1, 2013		3,882	
October 1, 2013	0.090%	3,903	75,000
April 1, 2014		3,848	
October 1, 2014	0.090%	3,869	80,000
April 1, 2015		3,812	
October 1, 2015	0.090%	3,833	80,000
April 1, 2016		3,797	
October 1, 2016	0.090%	3,797	125,000
April 1, 2017		3,720	
October 1, 2017	0.090%	3,740	125,000
April 1, 2018		3,664	
October 1, 2018	0.090%	3,684	140,000
April 1, 2019		3,601	
October 1, 2019	0.090%	3,621	140,000
April 1, 2020		3,558	
October 1, 2020	0.090%	3,558	150,000
April 1, 2021		3,471	
October 1, 2021	0.090%	3,490	150,000
April 1, 2022		3,404	
October 1, 2022	0.090%	3,422	160,000
April 1, 2023		3,332	
October 1, 2023	0.090%	3,350	165,000
April 1, 2024		3,276	
October 1, 2024	0.090%	3,276	1,090,000
April 1, 2025		2,768	
October 1, 2025	0.090%	2,784	1,140,000
April 1, 2026		2,257	
October 1, 2026	0.090%	2,269	1,180,000
April 1, 2027		1,727	
October 1, 2027	0.090%	1,737	1,230,000
April 1, 2028		1,182	
October 1, 2028	0.090%	1,182	1,280,000
April 1, 2029		601	
October 1, 2029	0.090%	605	1,330,000
TOTAL OUTSTANDING		<u>\$ 113,896</u>	<u>\$ 8,765,000</u>

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2010
For the Year Ended June 30, 2011**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
August 15, 2011		\$ 33,025	\$ -
February 15, 2012	2.000%	33,025	200,000
August 15, 2012		31,025	
February 15, 2013	1.500%	31,025	200,000
August 15, 2013		29,525	
February 15, 2014	2.000%	29,525	200,000
August 15, 2014		27,525	
February 15, 2015	3.000%	27,525	790,000
August 15, 2015		15,675	
February 15, 2016	3.000%	15,675	1,045,000
TOTAL OUTSTANDING		\$ 273,550	\$ 2,435,000

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, 2011

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NO.	PASS THROUGH GRANTOR NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED)		ACCRUED OR (DEFERRED)		FOOTNOTES
							7/1/10	REVENUE	EXPEND.	6/30/2011	
U.S. DEPT. OF EDUCATION											
PASSED THROUGH THE PA											
DEPARTMENT OF EDUCATION											
ESEA - TITLE I - IMPROVING BASIC PROGRAMS	I	84.010	013-100305	7/1/09 - 9/30/10	\$ 178,329	\$ 11,851	\$ 11,851	\$ -	\$ -	\$ -	2
ESEA - TITLE I - IMPROVING BASIC PROGRAMS	I	84.010	013-110305	7/1/10 - 9/30/11	\$ 176,931	179,555	-	176,931	176,931	(2,624)	2
ESEA - TITLE I ACADEMIC ACHEIVEMENT	I	84.010	077-100305	7/1/09 - 9/30/10	\$ 1,800	1,800	1,800	-	-	-	2
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-090305	7/1/08 - 9/30/09	\$ 48,116	17,497	17,497	-	-	-	
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-100305	7/1/09 - 9/30/10	\$ 48,085	35,262	28,811	6,451	6,451	-	
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-110305	7/1/10 - 9/30/11	\$ 48,926	49,162	-	48,926	48,926	(236)	
DRUG FREE SCHOOLS	I	84.186	100-100305	7/1/09 - 9/30/10	\$ 5,804	771	255	516	516	-	
ARRA - ESEA - TITLE I - IMPROVING BASIC PROGRAMS	I	84.389	127-100305	7/1/09 - 9/30/10	\$ 96,642	11,231	(10,297)	27,144	27,144	5,616	2,6
ARRA - STATE FISCAL STABILIZATION FUND	I	84.394	126-100305	7/1/09 - 6/30/10	\$ 648,767	108,128	108,128	-	-	-	6
ARRA - STATE FISCAL STABILIZATION FUND	I	84.394	126-110305	7/1/10 - 6/30/11	\$ 649,229	586,985	-	649,229	649,229	62,244	6
ARRA - EDUCATION JOBS FUND	I	84.410	140-175519	8/10/10 - 6/30/11	\$ 379,017	379,017	-	379,017	379,017	-	6
PASSED THROUGH THE											
CARBON - LEHIGH I.U.											
IDEA - B	I	84.027	N/A	7/1/09 - 6/30/10	\$ 409,353	102,338	102,338	-	-	-	1,2
IDEA - B	I	84.027	N/A	7/1/10 - 6/30/11	\$ 381,768	309,221	-	381,768	381,768	72,547	1,2
ARRA - IDEA	I	84.391	N/A	7/1/09 - 9/30/11	\$ 529,595	318,417	(32,995)	398,089	398,089	46,677	1,2,6
TOTAL U. S. DEPARTMENT OF EDUCATION						<u>2,111,235</u>	<u>227,388</u>	<u>2,068,071</u>	<u>2,068,071</u>	<u>184,224</u>	
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES											
PASSED THROUGH THE PA.											
DEPARTMENT OF PUBLIC WELFARE											
TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	1/1/11 - 6/30/11	N/A	-	-	2,411	2,411	2,411	
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						<u>-</u>	<u>-</u>	<u>2,411</u>	<u>2,411</u>	<u>2,411</u>	
U. S. DEPARTMENT OF AGRICULTURE											
PASSED THROUGH THE PA DEPT.											
OF EDUCATION:											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/09 - 6/30/10	N/A	F 8,838	8,838	-	-	-	5
NATIONAL SCHOOL LUNCH	S	N/A	N/A	7/1/09 - 6/30/10	N/A	1,198	1,198	-	-	-	
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/10 - 6/30/11	N/A	F 150,988	-	159,998	159,998	9,010	5
NATIONAL SCHOOL LUNCH	S	N/A	N/A	7/1/10 - 6/30/11	N/A	19,746	-	20,881	20,881	1,135	
NATIONAL SCHOOL BREAKFAST	I	10.553	N/A	7/1/09 - 6/30/10	N/A	F 825	825	-	-	-	5
NATIONAL SCHOOL BREAKFAST	S	N/A	N/A	7/1/09 - 6/30/10	N/A	59	59	-	-	-	
NATIONAL SCHOOL BREAKFAST	I	10.553	N/A	7/1/10 - 6/30/11	N/A	F 11,868	-	12,624	12,624	756	5
NATIONAL SCHOOL BREAKFAST	S	N/A	N/A	7/1/10 - 6/30/11	N/A	839	-	892	892	53	
PASSED THROUGH THE PA DEPT.											
OF AGRICULTURE:											
U.S.D.A. COMMODITIES	I	10.550	N/A	7/1/10 - 6/30/11	N/A	<u>47,050</u>	<u>(2,995)</u>	<u>48,314</u>	<u>48,314</u>	<u>(1,731)</u>	3,4,5
TOTAL U.S. DEPARTMENT OF AGRICULTURE						<u>241,411</u>	<u>7,925</u>	<u>242,709</u>	<u>242,709</u>	<u>9,223</u>	
TOTAL AWARDS						<u>\$ 2,352,646</u>	<u>\$ 235,313</u>	<u>\$ 2,313,191</u>	<u>\$ 2,313,191</u>	<u>\$ 195,858</u>	
LESS - STATE SHARE						<u>(21,842)</u>	<u>(1,257)</u>	<u>(21,773)</u>	<u>(21,773)</u>	<u>(1,188)</u>	
TOTAL FEDERAL AWARDS						<u>\$ 2,330,804</u>	<u>\$ 234,056</u>	<u>\$ 2,291,418</u>	<u>\$ 2,291,418</u>	<u>\$ 194,670</u>	

SOURCE: D -DIRECT; I -INDIRECT; F -FEDERAL; S -STATE SHARE

Northwestern Lehigh School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

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 5.7% of its total general fund revenue in federal awards, and 26.7% of its total enterprise fund revenue.

Note 3 - Program Disclosure – Footnotes

1. The federal awards passed through the Carbon County 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 Title I grants using CFDA No.84.010, under the U.S. Department of Education heading, are part of a cluster program in accordance with OMB Circular A-133 Compliance Supplement with ARRA – Title I grants using CFDA No. 84.389, under the U.S. Department of Education heading. In addition, the IDEA grants using CFDA No. 84.027, under the U.S. Department of Education heading, are part of a cluster program in accordance with OMB Circular A-133 Compliance Supplement with ARRA – IDEA grants using CFDA No. 84.391, under the U.S. Department of Education heading.
3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$47,050, in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2009-10 fiscal-year, the District used \$48,314 in commodities and established a year-end inventory of \$1,731 at June 30, 2011.
4. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards, under the U.S. Department of Agriculture heading, represents the commodities used, versus the commodities received, which are recognized as revenue in the basic financial statements.
5. The National School Lunch , National School Breakfast, and Donated Commodities programs, under the U.S. Department of Agriculture heading, are considered a cluster program in accordance with OMB Circular A-133 Compliance Supplement.
6. The programs reporting this footnote are grants received using funds from the American Recovery and Reinvestment Act.

FINANCIAL STATEMENT RECONCILIATION	
General Fund Federal Source Revenues	\$ 1,290,624
Federal Grants in Local Sources	783,464
Food Service Fund Federal Revenue	219,672
Total Federal Revenue, per financial statements	2,293,760
Less - Medical Access	(3,606)
Change in Donated Commodities	1,264
Total Federal Revenue Reported on SEFA	\$ 2,291,418



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement for the General Fund of Northwestern Lehigh School District as of and for the year ended June 30, 2011, which collectively comprise Northwestern Lehigh School District's basic financial statements and have issued our report thereon dated December 14, 2011. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America, and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Northwestern Lehigh School District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Northwestern Lehigh School District in a separate letter dated December 14, 2011.

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

Respectfully submitted,

Herman & Associates, P.C.

December 14, 2011



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

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

Compliance

We have audited Northwestern Lehigh School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A -133 *Compliance Supplement* that could have a direct or material effect on Northwestern Lehigh School District's major federal programs for the year ended June 30, 2011. Northwestern Lehigh School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Northwestern Lehigh School District's management. Our responsibility is to express an opinion on Northwestern Lehigh School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A -133. Those standards and OMB Circular A -133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements, referred to above, that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about Northwestern Lehigh School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Northwestern Lehigh School District's compliance with those requirements.

In our opinion, Northwestern Lehigh School District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

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

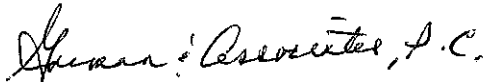
Northwestern Lehigh School District

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

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

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

Respectfully submitted,



December 14, 2011

**Northwestern Lehigh School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.391	IDEA - Cluster
84.394	State Fiscal Stabilization Fund
84.410	Education Job Funds

Percentage of programs tested to total awards 78.9%

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, 2011**

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.