

**REPORT ON  
NORTHWESTERN LEHIGH SCHOOL DISTRICT  
SINGLE AUDIT REPORT  
FISCAL YEAR ENDED JUNE 30, 2016**

NORTHWESTERN LEHIGH SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2016

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**Single Audit Report**

**For the Fiscal Year Ended June 30, 2016**

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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, 2016, and have enclosed the Single Audit reporting package.

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

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

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

Respectfully submitted,

*Gorman & Associates, P.C.*

December 9, 2016



# 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, 2016, and have issued our report thereon dated December 9, 2016.

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 15, 2016.

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 Reports on Other Post-Employment Benefits, and Net Pension Liability. 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 information from management that are included in the management representation letter provided to us on December 9, 2016. 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 2015-16 basic financial statements.

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

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

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

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

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

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

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

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

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

***CONTROL DEFICIENCIES***

General Fund - Opening Balances/Fund Balance

Upon our arrival to perform our audit procedures, we discovered the accounting system was out of balance by \$3,571.60, meaning debits and credits didn't balance between the detail expenditures, expenditure control accounts, and accounts payable accounts. After further investigation, it was discovered management did not post the final double entry journal entries in their system at year end. In addition, the opening fund balance accounts did not match the prior audited financial statements by the amount of \$45,143.55. The result of this error was due to the fact that management made two adjusting journal entries at year end, attempting to restrict fund balance for revenue items received in the 2015-16 fiscal year and left unspent at year end.

We would like to remind management to realize that items received in a particular year are to be recognized as revenue in the year they are received and depending on the regulations surrounding the revenue, they can then make a classification of fund balance either restricted or assigned, but the entry merely moves funds from one fund balance category to another, not from fund balance to revenues..

General Fund – Accounts Payable

During our review of the accounts payable balance at year end, management informed us that the accounts payable balance had issues in reconciling to the correct balance. After working with management, we discovered some of the prior year payables were not reversed. The balance was off by approximately \$78,000 and has been appropriately corrected.

We would like to suggest management contact us to determine the items that should be reversed in the new fiscal year. We will gladly lend assistance.

General Fund – Cash

Unfortunately, the following issue was in last year's management letter and has not been fully corrected. During our review of the year end cash reconciliation, we discovered the reconciliation was performed, but the reconciled amount did not match the balance reflected in the computer system by fund. The difficulty involves using one sweep account for the food service fund and the general fund and properly allocating the appropriate balance to each fund. In total, the balances match.

During our review of the PLGIT procurement card account, we discovered this account was not properly reconciled. This occurred because the money wired into the account to pay off the credit card balances was recorded at June 30<sup>th</sup>, but the actual transfer did not occur until July 7<sup>th</sup>. As such, both cash and accounts payable were understated by over \$22,000.

General Fund – Athletic Donations

During our testing of contributions and donations in the General Fund, we discovered a few athletic deposits that did not have adequate backup to support the deposit. When receiving athletic donations, the athletic director needs to maintain a log of who is making the donations, which he did for one deposit, and copy the checks received.

General Fund – Contra's

During our audit testing, we discovered management was applying receipts against expenditure accounts, which has the affect over understating expenditures and understating revenues. What we refer to as contra's should only occur in very limited circumstances, e.g. insurance proceeds received in the same year as the repair or replacement occurred, e-rate reimbursements, co-payments from retirees, and jury duty fees.

**RECOMMENDATIONS**

Student Activity Clubs

While testing disbursements made in the Middle School activity clubs, we discovered none of the invoices paid reflected approval from a student representative. It is important to remember the student club members are to elect student officers for each club. Those officers and the faculty advisor should sign off on payments made in the respective Club.

Although we recognize the level of maturity with middle school students do not match high school students, management should make every effort to follow the Commonwealth's guidelines on student activity clubs.

General Fund - Cash

In addition, since your bank account represents a repurchase agreement with New Tripoli Bank, there is confusion with management as to the proper handling of the outstanding checks occurring at year end, which has not cleared the bank. Since the bank checking account is cleared to zero by the bank, the repurchase amount invested in overnight U.S. Treasury Securities represents an investment for accounting principles. The outstanding checks should be the negative balance of the bank account at year end. We then transfer those outstanding checks to accounts payable during our audit, since accounting principles does not allow showing negative cash.

In the future, management should record the investment with the amount that the bank invested, on your behalf, overnight in Treasury Securities, and the normal cash account should equal your outstanding checks at year end prior to our audit.

**OTHER INFORMATION**

In prior years, we included in this section future Governmental Accounting Standards Board Statements that will affect the School District in future years. This year and future years, we are showing this in the Notes to the Basic Financial Statements.

GASB Projects

*Leases*

Although there is no official standard at this date, we are aware that the Governmental Accounting Standards Board (GASB) is working on a project that will change the reporting in future years on all capital and operating leases. Under present accounting principles, only capital leases are required to be reported on the financial statements; however, once this project is completed all operating leases will also be recorded onto the financial statements as an asset and liability.

*Fiduciary Activities*

The GASB is working on a new standard dealing with fiduciary activities. Although, we do not expect most changes to affect the District, one, in particular, can affect the current reporting of student clubs and/or organizations. Based on their last communication, they are contemplating showing a Statement of Changes in Net Position for Activity Funds.

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

Respectively submitted,



December 9, 2016

***REPORT DISTRIBUTION LIST***

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

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

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

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

## FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Northwestern Lehigh School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Northwestern Lehigh School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2-G to the financial statements, effective July 1, 2015, the Northwestern Lehigh School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application, Governmental Accounting Standards Board Statement No. 73, Accounting and Financial Reporting Amendments to Certain Provisions of GASB Statement No. 68, Governmental Accounting Standards Board Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, and Governmental Accounting Standards Board Statement No. 79, Certain External Investment Pools and Pool Participants. Our opinion is not modified with respect to these pronouncements.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11-18, the Schedule of Funding Progress, Schedule on District's Proportionate Share of Net Pension Liability, and the Schedule on District Contributions-Pension on pages 75-77, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northwestern Lehigh School District's basic financial statements. The *combining and individual fund statements and schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## Northwestern Lehigh School District

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The *combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards*, are the responsibility of management and were derived from and related to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, *the combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards*, are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of the Northwestern Lehigh School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwestern Lehigh School District's internal control over financial reporting and compliance.

Respectfully submitted,



December 9, 2016

**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, 2016**

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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, 2016, the District's net position equaled (\$10,613,930), for an increase of \$1,333,047.
- The governmental net position equaled \$9,960,182, for an increase of \$1,344,455.
- The business-type net position equaled (\$653,748), for a decrease of (\$11,408).

***USING THIS ANNUAL REPORT***

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

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

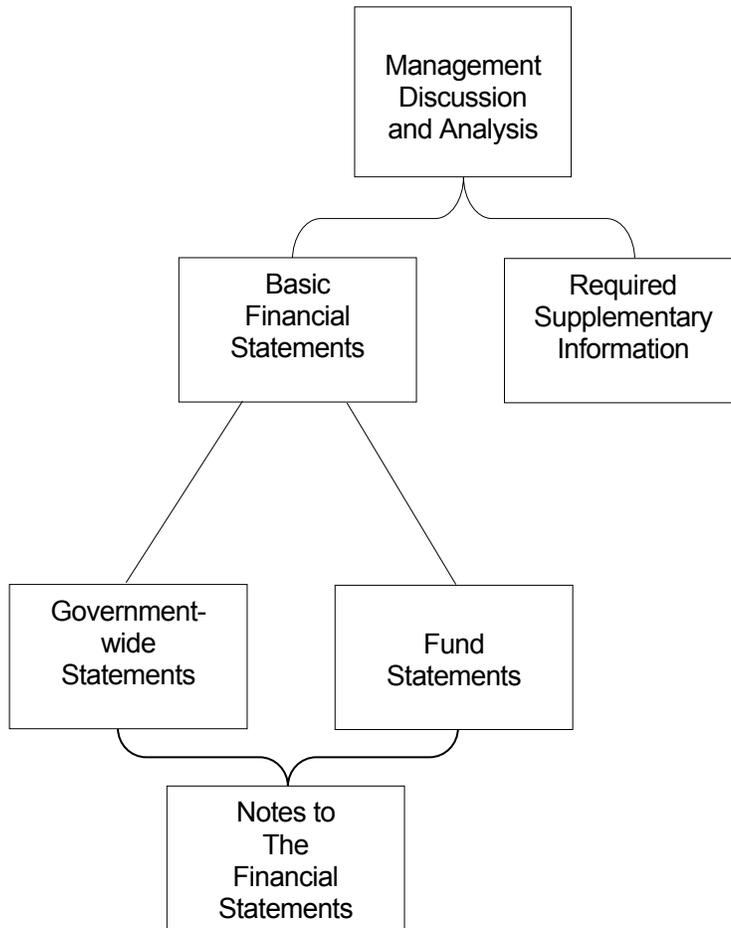
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short-term as well as what remains for future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

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

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

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



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

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

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

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

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

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**OVERVIEW OF FINANCIAL STATEMENTS**

*Government-wide Statements*

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

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

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

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

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

*Fund Statements*

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

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

**Proprietary Funds** - These funds are used to account for the District's activities that are similar to business operations in the private sector, or where the reporting is on determining net income, financial position, or changes in financial position. These funds have a significant portion of funding through user charges. When the District charges customers for services, these services are generally reported in proprietary funds. The Food Service and Tiger Concession Funds are the

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

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

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

**OVERALL FINANCIAL HIGHLIGHTS**

*Governmental Activities*

General Fund – The District received \$688,308 more in General Fund revenue and other financing sources than originally budgeted. This positive variance is primarily attributed to the local revenues. In total, there were net positive budget variances in total expenditures and other financing uses amounting to \$1,548,075.

The District budgeted for a planned transfer to Capital Reserve for future anticipated capital projects as well as funded a district wide energy savings contract which was completed during 2015-16.

As of June 30, 2016, the District has committed and assigned \$10,172,664 and \$5,421,609, respectively for Other Post-Employment Benefits (OPEB), proposed future PSERS contributions, capital projects, energy stabilization, variable rate debt increases, future textbook purchases, millage rate stabilization and increases in medical insurance. As of June 30, 2016, the district has an unassigned fund balance of \$2,070,423.

*Business-Type Activities*

*Food Service Fund* – The Food Service operations experienced net loss of \$35,382 during the 2015-2016 fiscal year, with depreciation expense of \$25,217.

**Government-wide Statements**

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

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

*Statement of Net Position*

*The following table reflects the Condensed Statement of Net Position*

|   | <b>2016</b>                        |  |                      | <b>2015</b>                        |  |                      |
|---|------------------------------------|--|----------------------|------------------------------------|--|----------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-<br/>Type<br/>Activities</b> | <b>Total (1)</b>     | <b>Governmental<br/>Activities</b> | <b>Business-<br/>Type<br/>Activities</b> | <b>Total (1)</b>     |
| Current & Other Assets  | \$ 26,014,386                      | \$ 196,627                               | \$ 26,211,013        | \$ 27,541,349                      | \$ 715,751                               | \$ 26,970,208        |
| Non-Current Assets  | 64,988,258                         | 175,133                                  | 65,163,391           | 62,825,431                         | 173,291                                  | 62,998,722           |
| Deferred Outflows of Resources  | 5,579,985                          | 80,319                                   | 5,660,304            | 4,411,084                          | 58,844                                   | 4,469,928            |
| <b>Total Assets &amp; Deferred Outflows of<br/>Resources</b>                    | <b>\$ 96,582,629</b>               | <b>\$ 452,079</b>                        | <b>\$ 97,034,708</b> | <b>\$ 94,777,864</b>               | <b>\$ 947,886</b>                        | <b>\$ 94,438,858</b> |
| Current Liabilities   | \$ 7,133,487                       | \$ 148,359                               | \$ 7,281,846         | \$ 6,998,584                       | \$ 664,569                               | \$ 6,376,261         |
| Non-Current Liabilities   | 98,988,105                         | 945,891                                  | 99,933,996           | 95,413,691                         | 863,091                                  | 96,276,782           |
| Deferred Inflows of Resources   | 421,219                            | 11,577                                   | 432,796              | 3,670,226                          | 62,566                                   | 3,732,792            |
| <b>Total Liabilities &amp; Deferred Inflows<br/>of Resources</b>                | <b>106,542,811</b>                 | <b>1,105,827</b>                         | <b>107,648,638</b>   | <b>106,082,501</b>                 | <b>1,590,226</b>                         | <b>106,385,835</b>   |
| <b>Net Position:</b>  |                                    |  |                      |                                    |  |                      |
| Net Investment in Capital Assets  | 21,454,978                         | 175,133                                  | 21,630,111           | 18,531,396                         | 173,291                                  | 18,704,687           |
| Restricted  | 2,088,220                          | -  | 2,088,220            | 771,517                            | -  | 771,517              |
| Unrestricted  | (33,503,380)                       | (828,881)                                | (32,244,041)         | (30,607,550)                       | (815,631)                                | (31,423,181)         |
| <b>Total Net Position</b>   | <b>(9,960,182)</b>                 | <b>(653,748)</b>                         | <b>(10,613,930)</b>  | <b>(11,304,637)</b>                | <b>(642,340)</b>                         | <b>(11,946,977)</b>  |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources, &amp; Net Position</b> | <b>\$ 96,582,629</b>               | <b>\$ 452,079</b>                        | <b>\$ 97,034,708</b> | <b>\$ 94,777,864</b>               | <b>\$ 947,886</b>                        | <b>\$ 94,438,858</b> |

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

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

*Statement of Activities*

*The following table reflects the Condensed Statement of Activities*

|  | 2015-16                         |                                 |                        | 2014-15                         |                                 |                        |
|--|---------------------------------|---------------------------------|------------------------|---------------------------------|---------------------------------|------------------------|
|  | Govern-<br>mental<br>Activities | Business-<br>Type<br>Activities | Total                  | Govern-<br>mental<br>Activities | Business-<br>Type<br>Activities | Total                  |
| <b>REVENUES</b>                                      |                                 |                                 |                        |                                 |                                 |                        |
| <i>Program revenues:</i>                             |                                 |                                 |                        |                                 |                                 |                        |
| Charges for services                                 | \$ 146,453                      | \$ 522,207                      | \$ 668,660             | \$ 99,614                       | \$ 511,709                      | \$ 611,323             |
| Operating grants & contributions                     | 6,267,734                       | 347,383                         | 6,615,117              | 5,513,377                       | 298,741                         | 5,812,118              |
| Capital grants & contributions                       | 297,290                         | -                               | 297,290                | 302,160                         | -                               | 302,160                |
| <i>General revenues:</i>                             |                                 |                                 |                        |                                 |                                 |                        |
| Property taxes                                       | 23,333,919                      | -                               | 23,333,919             | 22,894,628                      | -                               | 22,894,628             |
| Other taxes  | 3,294,480                       | -                               | 3,294,480              | 3,000,919                       | -                               | 3,000,919              |
| Grants, subsidies & contributions,<br>not restricted | 6,180,869                       | -                               | 6,180,869              | 6,090,584                       | -                               | 6,090,584              |
| Investment earnings                                  | 330,944                         | 123                             | 331,067                | 360,318                         | 100                             | 360,418                |
| Other  | 421,156                         | -                               | 421,156                | 216,401                         | -                               | 216,401                |
| Gain (Loss) on sale of capital assets                | (885)                           | -                               | (885)                  | -                               | -                               | -                      |
| Extraordinary items                                  | -                               | -                               | -                      | -                               | -                               | -                      |
| <b>TOTAL REVENUES</b>                                | <b>40,271,960</b>               | <b>869,713</b>                  | <b>41,141,673</b>      | <b>38,478,001</b>               | <b>810,550</b>                  | <b>39,288,551</b>      |
| <b>EXPENSES</b>                                      |                                 |                                 |                        |                                 |                                 |                        |
| Instruction  | 23,028,928                      | -                               | 23,028,928             | 21,763,363                      | -                               | 21,763,363             |
| Instructional student support                        | 2,674,058                       | -                               | 2,674,058              | 2,548,615                       | -                               | 2,548,615              |
| Admin. & Fin'l support services                      | 3,582,636                       | -                               | 3,582,636              | 3,277,428                       | -                               | 3,277,428              |
| Oper. & Maint. of plant svcs.                        | 3,615,630                       | -                               | 3,615,630              | 3,851,502                       | -                               | 3,851,502              |
| Pupil Transportation                                 | 2,585,527                       | -                               | 2,585,527              | 2,693,490                       | -                               | 2,693,490              |
| Student activities                                   | 896,873                         | -                               | 896,873                | 879,947                         | -                               | 879,947                |
| Community services                                   | 6,351                           | -                               | 6,351                  | 8,851                           | -                               | 8,851                  |
| Debt Service   | 1,103,662                       | -                               | 1,103,662              | 1,146,030                       | -                               | 1,146,030              |
| Unallocated depreciation expense                     | 1,433,840                       | -                               | 1,433,840              | 1,439,881                       | -                               | 1,439,881              |
| Proprietary Funds                                    | -                               | 881,121                         | 881,121                | -                               | 834,492                         | 834,492                |
| <b>TOTAL EXPENSES</b>                                | <b>38,927,505</b>               | <b>881,121</b>                  | <b>39,808,626</b>      | <b>37,609,107</b>               | <b>834,492</b>                  | <b>38,443,599</b>      |
| Income (Loss) Before Contributions                   | 1,344,455                       | (11,408)                        | 1,333,047              | 868,894                         | (23,942)                        | 844,952                |
| Transfers In (Out)                                   | -                               | -                               | -                      | (30,250)                        | 30,250                          | -                      |
| Changes in Net Position                              | 1,344,455                       | (11,408)                        | 1,333,047              | 838,644                         | 6,308                           | 844,952                |
| Total Net Position - Beginning                       | (11,304,637)                    | (642,340)                       | (11,946,977)           | 36,972,841                      | 192,134                         | 37,164,975             |
| Prior Period Adjustment                              | -                               | -                               | -                      | (49,116,122)                    | (840,782)                       | (49,956,904)           |
| Total Net Position - Ending                          | <b>\$ (9,960,182)</b>           | <b>\$ (653,748)</b>             | <b>\$ (10,613,930)</b> | <b>\$ (11,304,637)</b>          | <b>\$ (642,340)</b>             | <b>\$ (11,946,977)</b> |

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

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***THE DISTRICT FUNDS***

• *Governmental Funds*

As of June 30, 2016, the governmental funds reported a combined fund balance of \$20,071,916, which decreased from the prior year by \$1,517,221.

***CAPITAL ASSETS AND DEBT ADMINISTRATION***

• *Capital assets*

As of June 30, 2016, the District had \$65,127,938 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 \$2,129,218 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, 2016, the District had \$44,139,295 in debt (bonds and notes) outstanding compared to \$46,217,832 as of June 30, 2015. This represents a decrease of \$2,078,537. 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. The District expects earned income tax revenues to be consistent with prior year collections.

During 2015-2016 the District stayed within the adjusted ECI/SAWW and did not utilize any exceptions.

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

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

**BASIC FINANCIAL STATEMENTS**

**Northwestern Lehigh School District  
Statement of Net Position  
As of June 30, 2016**

|   | <b>PRIMARY GOVERNMENT</b>          |                                     |                      |
|---|------------------------------------|-------------------------------------|----------------------|
|   | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> | <b>TOTAL</b>         |
| <b>ASSETS</b>   |                                    |                                     |                      |
| <b>Current Assets:</b>  |                                    |                                     |                      |
| Cash and cash equivalents   | \$ 5,661,942                       | \$ 44,631                           | \$ 5,706,573         |
| Investments   | 17,000,000                         | -                                   | 17,000,000           |
| Receivables, net  | 1,247,528                          | -                                   | 1,247,528            |
| Internal Balances   | 124,024                            | 136,878                             | -                    |
| Due From Other Governments  | 1,481,094                          | -                                   | 1,481,094            |
| Other Receivables   | 49,165                             | 1,934                               | 51,099               |
| Inventories   | 151,158                            | 13,033                              | 164,191              |
| Prepaid Expenses  | 299,475                            | 151                                 | 299,626              |
| Other Current Assets  | -                                  | -                                   | -                    |
| <b>Total Current Assets</b>   | <b>26,014,386</b>                  | <b>196,627</b>                      | <b>25,950,111</b>    |
| <b>Non-Current Assets:</b>  |                                    |                                     |                      |
| Restricted Cash and Cash Equivalents  | 35,453                             | -                                   | 35,453               |
| Land  | 406,148                            | -                                   | 406,148              |
| Site Improvements (net of depreciation)   | 639,109                            | -                                   | 639,109              |
| Building and Bldg. Improvements (net of depreciation)                                 | 58,556,150                         | 41,583                              | 58,597,733           |
| Furniture and Equipment (net of depreciation)   | 1,496,411                          | 133,550                             | 1,629,961            |
| Construction in Progress  | 3,854,987                          | -                                   | 3,854,987            |
| <b>Total Non-Current Assets</b>   | <b>64,988,258</b>                  | <b>175,133</b>                      | <b>65,163,391</b>    |
| <b>Total Assets</b>   | <b>91,002,644</b>                  | <b>371,760</b>                      | <b>91,113,502</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |                                    |                                     |                      |
| Deferred Outflows of Resources - Change in Proportion of NPL                          | 713,316                            | 11,684                              | 725,000              |
| Deferred Outflows of Resources - Current Year Contributions                           | 4,224,153                          | 68,635                              | 4,292,788            |
| Deferred Outflows of Resources - Diff. between Proportionate Share vs Actual Pd.- POS | 1,048                              | -                                   | 1,048                |
| Deferred Amount on Debt Refundings, net   | 641,468                            | -                                   | 641,468              |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                                | <b>\$ 96,582,629</b>               | <b>\$ 452,079</b>                   | <b>\$ 96,773,806</b> |
| <b>LIABILITIES</b>  |                                    |                                     |                      |
| <b>Current Liabilities:</b>   |                                    |                                     |                      |
| Internal Balances   | \$ 136,878                         | \$ 124,024                          | \$ -                 |
| Due to other governments  | 114,757                            | -                                   | 114,757              |
| Accounts Payable  | 724,750                            | 5,684                               | 730,434              |
| Warrants Payable  | 76,095                             | -                                   | 76,095               |
| Current Portion of Long-Term Obligations  | 2,084,814                          | -                                   | 2,084,814            |
| Accrued Salaries and Benefits   | 3,574,875                          | 231                                 | 3,575,106            |
| Payroll Deductions and Withholdings   | 134,606                            | -                                   | 134,606              |
| Prepayments from Students   | -                                  | 18,420                              | 18,420               |
| Other Current Liabilities   | 286,712                            | -                                   | 286,712              |
| <b>Total Current Liabilities</b>  | <b>7,133,487</b>                   | <b>148,359</b>                      | <b>7,020,944</b>     |
| <b>Non-Current Liabilities:</b>   |                                    |                                     |                      |
| Bonds and Notes Payable   | 42,139,295                         | -                                   | 42,139,295           |
| Extended Term Financing Agreements Payable  | -                                  | -                                   | -                    |
| Lease Purchase Obligations  | -                                  | -                                   | -                    |
| Long-Term Portion of Compensated Absences   | 399,247                            | 1,277                               | 400,524              |
| Other Retirement Benefits   | 42,570                             | -                                   | 42,570               |
| Net Pension Liability   | 55,600,313                         | 944,614                             | 56,544,927           |
| Net OPEB Obligation   | 806,680                            | -                                   | 806,680              |
| <b>Total Liabilities</b>  | <b>106,121,592</b>                 | <b>1,094,250</b>                    | <b>106,954,940</b>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                                    |                                     |                      |
| Deferred Inflows of Resources - Diff. in projected vs actual Invest. Earnings         | 108,408                            | 6,592                               | 115,000              |
| Deferred Inflows of Resources - Diff. in projected vs actual Contributions            | 82,442                             | 1,354                               | 83,796               |
| Deferred Inflows of Resources - Change in Proportion of NPL                           | -                                  | -                                   | -                    |
| Deferred Inflows of Resources - Diff. in Expected vs Actual Experience                | 230,369                            | 3,631                               | 234,000              |
| Unearned Revenue from Grants  | -                                  | -                                   | -                    |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>                            | <b>106,542,811</b>                 | <b>1,105,827</b>                    | <b>107,387,736</b>   |
| <b>NET POSITION</b>   |                                    |                                     |                      |
| Net Investment in Capital Assets  | 21,454,978                         | 175,133                             | 21,630,111           |
| <b>Restricted For:</b>  |                                    |                                     |                      |
| Retirement of Long-Term Debt  | -                                  | -                                   | -                    |
| Capital Projects  | 2,088,220                          | -                                   | 2,088,220            |
| Other Restrictions  | -                                  | -                                   | -                    |
| Unrestricted (deficit)  | (33,503,380)                       | (828,881)                           | (34,332,261)         |
| <b>TOTAL NET POSITION</b>   | <b>(9,960,182)</b>                 | <b>(653,748)</b>                    | <b>(10,613,930)</b>  |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>             | <b>\$ 96,582,629</b>               | <b>\$ 452,079</b>                   | <b>\$ 96,773,806</b> |

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

**Northwestern Lehigh School District  
Statement of Activities  
For the Year Ended June 30, 2016**

| FUNCTION/PROGRAMS  | PROGRAM REVENUES     |                      |                          |                          | NET (EXPENSE) REVENUE<br>AND CHANGES IN NET POSITION |                     |                        |
|--|----------------------|----------------------|--------------------------|--------------------------|--|---------------------|------------------------|
|  | EXPENSES             | OPERATING            |                          | CAPITAL                  | GOVERNMENTAL BUSINESS-TYPE                           |                     |                        |
|  |                      | CHARGES FOR SERVICES | GRANTS AND CONTRIBUTIONS | GRANTS AND CONTRIBUTIONS | ACTIVITIES   | ACTIVITIES          | TOTAL                  |
| <b>GOVERNMENTAL ACTIVITIES:</b>  |                      |                      |                          |                          |  |                     |                        |
| Instruction  | \$ 23,028,928        | \$ 18,362            | \$ 3,974,926             | \$ -                     | \$ (19,035,640)                                      | \$ -                | \$ (19,035,640)        |
| Instructional Student Support  | 2,674,058            | -                    | 341,233                  | -                        | (2,332,825)  | -                   | (2,332,825)            |
| Admin. & Fin'l Support Services  | 3,582,636            | -                    | 302,666                  | -                        | (3,279,970)  | -                   | (3,279,970)            |
| Oper. & Maint. Of Plant Svcs.  | 3,615,630            | -                    | 207,369                  | -                        | (3,408,261)  | -                   | (3,408,261)            |
| Pupil Transportation   | 2,585,527            | 8,366                | 1,370,574                | -                        | (1,206,587)  | -                   | (1,206,587)            |
| Student activities   | 896,873              | 119,725              | 70,966                   | -                        | (706,182)  | -                   | (706,182)              |
| Community Services   | 6,351                | -                    | -                        | -                        | (6,351)  | -                   | (6,351)                |
| Interest on Long-Term Debt   | 1,103,662            | -                    | -                        | 297,290                  | (806,372)  | -                   | (806,372)              |
| Unallocated Depreciation Expense   | 1,433,840            | -                    | -                        | -                        | (1,433,840)  | -                   | (1,433,840)            |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>   | <b>38,927,505</b>    | <b>146,453</b>       | <b>6,267,734</b>         | <b>297,290</b>           | <b>(32,216,028)</b>                                  | <b>-</b>            | <b>(32,216,028)</b>    |
| <b>BUSINESS-TYPE ACTIVITIES:</b>   |                      |                      |                          |                          |  |                     |                        |
| Food Services  | 856,634              | 488,732              | 332,520                  | -                        | -  | (35,382)            | (35,382)               |
| Other Enterprise Funds   | 24,487               | 33,475               | 14,863                   | -                        | -  | 23,851              | 23,851                 |
| <b>TOTAL PRIMARY GOVERNMENT</b>  | <b>\$ 39,808,626</b> | <b>\$ 668,660</b>    | <b>\$ 6,615,117</b>      | <b>\$ 297,290</b>        | <b>\$ (32,216,028)</b>                               | <b>\$ (11,531)</b>  | <b>\$ (32,227,559)</b> |
| <b>GENERAL REVENUES:</b>   |                      |                      |                          |                          |  |                     |                        |
| Property taxes. Levied for general purposes, net                                     |                      |                      |                          |                          | \$ 23,333,919  | \$ -                | \$ 23,333,919          |
| Taxes levied for specific purposes   |                      |                      |                          |                          | 3,294,480  | -                   | 3,294,480              |
| Grants, subsidies, & contributions not restricted                                    |                      |                      |                          |                          | 6,180,869  | -                   | 6,180,869              |
| Investment Earnings  |                      |                      |                          |                          | 330,944  | 123                 | 331,067                |
| Miscellaneous Income   |                      |                      |                          |                          | 421,156  | -                   | 421,156                |
| Special item - Gain (Loss) on sale of capital assets                                 |                      |                      |                          |                          | (885)  | -                   | (885)                  |
| Extraordinary Items  |                      |                      |                          |                          | -  | -                   | -                      |
| Transfers  |                      |                      |                          |                          | -  | -                   | -                      |
| <b>TOTAL GENERAL REVENUES, SPECIAL ITEMS,<br/>EXTRAORDINARY ITEMS, AND TRANSFERS</b> |                      |                      |                          |                          | <b>33,560,483</b>                                    | <b>123</b>          | <b>33,560,606</b>      |
| <b>CHANGES IN NET POSITION</b>   |                      |                      |                          |                          | <b>1,344,455</b>                                     | <b>(11,408)</b>     | <b>1,333,047</b>       |
| <b>NET POSITION - BEGINNING</b>  |                      |                      |                          |                          | <b>(11,304,637)</b>                                  | <b>(642,340)</b>    | <b>(11,946,977)</b>    |
| <b>NET POSITION - ENDING</b>   |                      |                      |                          |                          | <b>\$ (9,960,182)</b>                                | <b>\$ (653,748)</b> | <b>\$ (10,613,930)</b> |

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

**Northwestern Lehigh School District  
Balance Sheet  
Governmental Funds  
As of June 30, 2016**

|  | <b>GENERAL</b>       | <b>CAPITAL<br/>PROJECT<br/>FUNDS</b> | <b>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|--|----------------------|--------------------------------------|---|---|
| <b><u>ASSETS</u></b>   |                      |                                      |   |   |
| Cash and cash equivalents  | \$ 3,934,451         | \$ 1,727,491                         | \$ -  | \$ 5,661,942                            |
| Restricted Cash  | 35,453               | -                                    | -   | 35,453                                  |
| Investments  | 16,000,000           | 1,000,000                            | -   | 17,000,000                              |
| Taxes Receivable, net  | 1,247,528            | -                                    | -   | 1,247,528                               |
| Due from other funds   | 725,595              | -                                    | -   | 725,595                                 |
| Due from Other Governments   | 1,481,094            | -                                    | -   | 1,481,094                               |
| Other Receivables  | 45,866               | -                                    | -   | 45,866                                  |
| Inventories  | -                    | -                                    | -   | -                                       |
| Prepaid Expenditures   | 299,475              | -                                    | -   | 299,475                                 |
| Other Current Assets   | -                    | -                                    | -   | -                                       |
| <b>TOTAL ASSETS</b>  | <b>23,769,462</b>    | <b>2,727,491</b>                     | <b>-</b>                                    | <b>26,496,953</b>                       |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>                                   |                      |                                      |   |   |
| Deferred Charges on Refundings, net  | -                    | -                                    | -   | -                                       |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>                       | <b>\$ 23,769,462</b> | <b>\$ 2,727,491</b>                  | <b>\$ -</b>                                 | <b>\$ 26,496,953</b>                    |
| <b><u>LIABILITIES:</u></b>   |                      |                                      |   |   |
| Due to Other Funds   | \$ 136,878           | \$ 598,273                           | \$ -  | \$ 735,151                              |
| Due to Other Governments   | 114,757              | -                                    | -   | 114,757                                 |
| Accounts Payable   | 629,101              | 40,998                               | -   | 670,099                                 |
| Warrants Payable   | 76,095               | -                                    | -   | 76,095                                  |
| Current Portion of Long-Term Debt  | 84,814               | -                                    | -   | 84,814                                  |
| Accrued Salaries and Benefits  | 3,574,875            | -                                    | -   | 3,574,875                               |
| Payroll Deductions and Withholdings  | 134,606              | -                                    | -   | 134,606                                 |
| Prepayments  | -                    | -                                    | -   | -                                       |
| Other Current Liabilities  | 13,037               | -                                    | -   | 13,037                                  |
| <b>TOTAL LIABILITIES</b>   | <b>4,764,163</b>     | <b>639,271</b>                       | <b>-</b>                                    | <b>5,403,434</b>                        |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                    |                      |                                      |   |   |
| Unearned Revenue from Property Taxes/Grants                                    | 1,021,603            | -                                    | -   | 1,021,603                               |
| <b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>                   | <b>5,785,766</b>     | <b>639,271</b>                       | <b>-</b>                                    | <b>6,425,037</b>                        |
| <b><u>FUND BALANCES:</u></b>   |                      |                                      |   |   |
| Nonspendable Fund Balance  | 299,475              | -                                    | -   | 299,475                                 |
| Restricted Fund Balance  | 19,525               | 2,088,220                            | -   | 2,107,745                               |
| Committed Fund Balance   | 10,172,664           | -                                    | -   | 10,172,664                              |
| Assigned Fund Balance  | 5,421,609            | -                                    | -   | 5,421,609                               |
| Unassigned Fund Balance  | 2,070,423            | -                                    | -   | 2,070,423                               |
| <b>TOTAL FUND BALANCES</b>   | <b>17,983,696</b>    | <b>2,088,220</b>                     | <b>-</b>                                    | <b>20,071,916</b>                       |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCES</b> | <b>\$ 23,769,462</b> | <b>\$ 2,727,491</b>                  | <b>\$ -</b>                                 | <b>\$ 26,496,953</b>                    |

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

**Northwestern Lehigh School District  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
As of June 30, 2016**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 20,071,916

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$87,582,541 and the accumulated depreciation is \$22,629,736. 64,952,805

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

This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues. 641,468

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 1,021,603

The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory. 151,158

This represents deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension Liability 4,517,298

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                 | \$ (44,139,295) |               |
| Accrued interest on the bonds | (273,675)       |               |
| Accounts Payable              | (54,650)        |               |
| Compensated absences          | (399,247)       |               |
| Net Pension Liability         | (55,600,313)    |               |
| Other Retirement Benefits     | (42,570)        |               |
| Net OPEB Obligation           | (806,680)       | (101,316,430) |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ (9,960,182)**

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, 2016**

|  | <u>GENERAL</u>       | <u>CAPITAL<br/>PROJECT<br/>FUNDS</u> | <u>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</u> | <u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u> |
|--|----------------------|--------------------------------------|---|---|
| <b>REVENUES</b>  |                      |                                      |   |   |
| Local Sources  | \$ 27,949,892        | \$ 33,527                            | \$ -  | \$ 27,983,419                           |
| State Sources  | 12,185,811           | -                                    | -   | 12,185,811                              |
| Federal Sources  | 211,310              | -                                    | -   | 211,310                                 |
| <b>TOTAL REVENUES</b>                                    | <u>40,347,013</u>    | <u>33,527</u>                        | <u>-</u>                                    | <u>40,380,540</u>                       |
| <b>EXPENDITURES</b>                                      |                      |                                      |   |   |
| Instruction  | 22,292,445           | -                                    | -   | 22,292,445                              |
| Support Services   | 12,071,854           | -                                    | -   | 12,071,854                              |
| Operation of Non-Instructional Services                  | 905,899              | -                                    | -   | 905,899                                 |
| Capital Outlay   | 62,188               | 3,434,069                            | -   | 3,496,257                               |
| Debt Service   | 3,131,306            | -                                    | -   | 3,131,306                               |
| <b>TOTAL EXPENDITURES</b>                                | <u>38,463,692</u>    | <u>3,434,069</u>                     | <u>-</u>                                    | <u>41,897,761</u>                       |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> | <u>1,883,321</u>     | <u>(3,400,542)</u>                   | <u>-</u>                                    | <u>(1,517,221)</u>                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                      |                                      |   |   |
| Bond Proceeds  | -                    | -                                    | -   | -                                       |
| Refunding Bond Proceeds                                  | -                    | -                                    | -   | -                                       |
| Bond Premium   | -                    | -                                    | -   | -                                       |
| Interfund Transfers In                                   | -                    | 3,499,356                            | -   | 3,499,356                               |
| Sale/Compensation for Fixed Assets                       | -                    | -                                    | -   | -                                       |
| Payment to bond refunding escrow agent                   | -                    | -                                    | -   | -                                       |
| Bond Discount  | -                    | -                                    | -   | -                                       |
| Refunds of Prior Year Receipts                           | -                    | -                                    | -   | -                                       |
| Operating Transfers Out                                  | (3,499,356)          | -                                    | -   | (3,499,356)                             |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>              | <u>(3,499,356)</u>   | <u>3,499,356</u>                     | <u>-</u>                                    | <u>-</u>                                |
| <b>SPECIAL/EXTRAORDINARY ITEMS</b>                       |                      |                                      |   |   |
| Special Items  | -                    | -                                    | -   | -                                       |
| Extraordinary Items                                      | -                    | -                                    | -   | -                                       |
| <b>NET CHANGE IN FUND BALANCES</b>                       | <u>(1,616,035)</u>   | <u>98,814</u>                        | <u>-</u>                                    | <u>(1,517,221)</u>                      |
| <b>FUND BALANCES - BEGINNING</b>                         | <u>19,599,731</u>    | <u>1,989,406</u>                     | <u>-</u>                                    | <u>21,589,137</u>                       |
| <b>FUND BALANCES - ENDING</b>                            | <u>\$ 17,983,696</u> | <u>\$ 2,088,220</u>                  | <u>\$ -</u>                                 | <u>\$ 20,071,916</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, 2016**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ (1,517,221)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

|                        |                  |           |
|------------------------|------------------|-----------|
| Depreciation expense   | \$ 1,720,108     |           |
| less - capital outlays | <u>3,793,717</u> | 2,073,609 |

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

-

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

(885)

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

(29,855)

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

2,075,000

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.

(306,745)

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING**

**2,293,903**

**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, 2016**

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING  
 (CONT'D)** **\$ 2,293,903**

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. (47,356)

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. (77,841)

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

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. (20,068)

The difference between current year pension expense reported on the governmental activities column of the government-wide financial statements and the pension contributions made this past year reported as expenditures in the governmental funds. (804,183)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 1,344,455**

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

**Northwestern Lehigh School District**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**As of June 30, 2016**

|  | <b>FOOD<br/>SERVICE</b> | <b>NON-MAJOR<br/>FUNDS</b> | <b>TOTAL</b>      |
|--|-------------------------|----------------------------|-------------------|
| <b>ASSETS</b>  |                         |                            |                   |
| <b>CURRENT ASSETS:</b>   |                         |                            |                   |
| Cash and cash equivalents  | \$ 1,881                | \$ 42,750                  | \$ 44,631         |
| Investments  | -                       | -                          | -                 |
| Due from other funds   | 136,515                 | 363                        | 136,878           |
| Due From Other Governments   | -                       | -                          | -                 |
| Other Receivables  | 1,934                   | -                          | 1,934             |
| Inventories  | 13,033                  | -                          | 13,033            |
| Prepaid expenses   | 151                     | -                          | 151               |
| Other Current Assets   | -                       | -                          | -                 |
| <b>TOTAL CURRENT ASSETS</b>  | <b>153,514</b>          | <b>43,113</b>              | <b>196,627</b>    |
| <b>NON-CURRENT ASSETS:</b>   |                         |                            |                   |
| Building & Bldg. Improvements (net)  | 41,583                  | -                          | 41,583            |
| Machinery & Equipment (net)  | 76,067                  | 57,483                     | 133,550           |
| Other Long-Term Receivables  | -                       | -                          | -                 |
| <b>TOTAL NON-CURRENT ASSETS</b>  | <b>117,650</b>          | <b>57,483</b>              | <b>175,133</b>    |
| <b>TOTAL ASSETS</b>  | <b>271,164</b>          | <b>100,596</b>             | <b>371,760</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                         |                            |                   |
| Deferred Outflows of Resources - Change in Proportion of NPL                   | 11,684                  | -                          | 11,684            |
| Deferred Outflows of Resources - Current Year Contributions                    | 68,635                  | -                          | 68,635            |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>                       | <b>\$ 351,483</b>       | <b>\$ 100,596</b>          | <b>\$ 452,079</b> |
| <b>LIABILITIES</b>   |                         |                            |                   |
| <b>CURRENT LIABILITIES:</b>  |                         |                            |                   |
| Due to Other Funds   | \$ 124,024              | \$ -                       | \$ 124,024        |
| Due to Other Governments   | -                       | -                          | -                 |
| Accounts Payable   | 5,684                   | -                          | 5,684             |
| Current Portion of Long-Term Debt  | -                       | -                          | -                 |
| Accrued Salaries and Benefits  | 231                     | -                          | 231               |
| Payroll Deductions and Withholdings  | -                       | -                          | -                 |
| Prepayments  | 18,420                  | -                          | 18,420            |
| <b>TOTAL CURRENT LIABILITIES</b>   | <b>148,359</b>          | <b>-</b>                   | <b>148,359</b>    |
| <b>NON-CURRENT LIABILITIES:</b>  |                         |                            |                   |
| Long-Term Portion of Compensated Absences                                      | 1,277                   | -                          | 1,277             |
| Net Pension Liability  | 944,614                 | -                          | 944,614           |
| Other Retirement Benefits  | -                       | -                          | -                 |
| <b>TOTAL NON-CURRENT LIABILITIES</b>   | <b>945,891</b>          | <b>-</b>                   | <b>945,891</b>    |
| <b>TOTAL LIABILITIES</b>   | <b>1,094,250</b>        | <b>-</b>                   | <b>1,094,250</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                         |                            |                   |
| Deferred Inflows of Resources - Diff. in projected vs actual Invest. Earnings  | 6,592                   | -                          | 6,592             |
| Deferred Inflows of Resources - Diff. in projected vs actual Contributions     | 1,354                   | -                          | 1,354             |
| Deferred Inflows of Resources - Change in Proportion of NPL                    | -                       | -                          | -                 |
| Deferred Inflows of Resources - Diff. in Expected vs Actual Experience         | 3,631                   | -                          | 3,631             |
| <b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>                   | <b>1,105,827</b>        | <b>-</b>                   | <b>1,105,827</b>  |
| <b>FUND NET POSITION</b>   |                         |                            |                   |
| Net Investment in Capital Assets   | 117,650                 | 57,483                     | 175,133           |
| Restricted for Legal Purposes  | -                       | -                          | -                 |
| Unrestricted   | (871,994)               | 43,113                     | (828,881)         |
| <b>TOTAL FUND NET POSITION</b>   | <b>(754,344)</b>        | <b>100,596</b>             | <b>(653,748)</b>  |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION</b> | <b>\$ 351,483</b>       | <b>\$ 100,596</b>          | <b>\$ 452,079</b> |

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

**Northwestern Lehigh School District**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

|   | <b>FOOD<br/>SERVICE</b> | <b>NON-MAJOR<br/>FUNDS</b> | <b>TOTAL</b>        |
|---|-------------------------|----------------------------|---------------------|
| <b>OPERATING REVENUES:</b>                      |                         |                            |                     |
| Food Service Revenue                            | \$ 483,486              | \$ 21,247                  | \$ 504,733          |
| Charges for Services                            | -                       | -                          | -                   |
| Other Operating Revenues                        | 5,246                   | 12,228                     | 17,474              |
| <b>TOTAL OPERATING REVENUES</b>                 | 488,732                 | 33,475                     | 522,207             |
| <b>OPERATING EXPENSES:</b>                      |                         |                            |                     |
| Salaries  | 292,686                 | 2,923                      | 295,609             |
| Employee benefits                               | 121,951                 | 754                        | 122,705             |
| Purchased Professional and Technical Services   | 720                     | -                          | 720                 |
| Purchased Property Service                      | 19,168                  | -                          | 19,168              |
| Other Purchased Services                        | 853                     | -                          | 853                 |
| Supplies  | 389,718                 | 15,762                     | 405,480             |
| Depreciation                                    | 25,217                  | 3,789                      | 29,006              |
| Dues and Fees                                   | -                       | -                          | -                   |
| Claims and Judgments                            | -                       | -                          | -                   |
| Other Operating Expenses                        | 6,321                   | 1,259                      | 7,580               |
| <b>TOTAL OPERATING EXPENSES</b>                 | 856,634                 | 24,487                     | 881,121             |
| <b>OPERATING INCOME (LOSS)</b>                  | (367,902)               | 8,988                      | (358,914)           |
| <b><u>NON-OPERATING REVENUES (EXPENSES)</u></b> |                         |                            |                     |
| Earnings on investments                         | -                       | 123                        | 123                 |
| Contributions and Donations                     | -                       | 14,500                     | 14,500              |
| Gain/Loss on Sale of Fixed Assets               | -                       | -                          | -                   |
| Revenue from Local Government Units             | -                       | -                          | -                   |
| State Sources                                   | 66,030                  | 363                        | 66,393              |
| Federal Sources                                 | 266,490                 | -                          | 266,490             |
| Interest Expenses                               | -                       | -                          | -                   |
| <b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>  | 332,520                 | 14,986                     | 347,506             |
| <b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>       | (35,382)                | 23,974                     | (11,408)            |
| Capital contributions                           | -                       | -                          | -                   |
| Transfers in (out)                              | -                       | -                          | -                   |
| <b>CHANGES IN FUND NET POSITION</b>             | (35,382)                | 23,974                     | (11,408)            |
| <b>FUND NET POSITION - BEGINNING</b>            | (718,962)               | 76,622                     | (642,340)           |
| <b>FUND NET POSITION - ENDING</b>               | <b>\$ (754,344)</b>     | <b>\$ 100,596</b>          | <b>\$ (653,748)</b> |

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, 2016**

|   | <b>FOOD<br/>SERVICE</b> | <b>NON-MAJOR<br/>FUNDS</b> | <b>TOTAL</b>     |
|---|-------------------------|----------------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                     |                         |                            |                  |
| Cash Received from Users  | \$ 477,657              | \$ 21,549                  | \$ 499,206       |
| Cash Received from Assessments made to Other Funds                              | -                       | -                          | -                |
| Cash Received from Earnings on Investments                                      | -                       | -                          | -                |
| Cash Received from Other Operating Revenue                                      | 11,299                  | 12,228                     | 23,527           |
| Cash Payments to Employees for Services   | (404,165)               | (3,677)                    | (407,842)        |
| Cash Payments for Insurance Claims  | -                       | -                          | -                |
| Cash Payments to Suppliers for Goods and Services                               | (361,853)               | (24,405)                   | (386,258)        |
| Cash Payments to Other Operating Expenses                                       | (6,321)                 | (1,259)                    | (7,580)          |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>                     | <u>(283,383)</u>        | <u>4,436</u>               | <u>(278,947)</u> |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>                         |                         |                            |                  |
| Local Sources   | -                       | 14,500                     | 14,500           |
| State Sources   | 66,030                  | 363                        | 66,393           |
| Federal Sources   | 217,445                 | -                          | 217,445          |
| Notes and Loans Received  | -                       | -                          | -                |
| Interest Paid on Notes/Loans  | -                       | -                          | -                |
| Operating Transfers In (Out)  | -                       | -                          | -                |
| <b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>         | <u>283,475</u>          | <u>14,863</u>              | <u>298,338</u>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                 |                         |                            |                  |
| Facilities Acquisition/Const./Improvement Svcs.                                 | -                       | (30,848)                   | (30,848)         |
| Capital Contributions   | -                       | -                          | -                |
| Gain/Loss on Sale of Fixed Assets (Proceeds)                                    | -                       | -                          | -                |
| <b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <u>-</u>                | <u>(30,848)</u>            | <u>(30,848)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                     |                         |                            |                  |
| Earnings on Investments   | -                       | 123                        | 123              |
| Purchase of Investment Securities/Deposits to Investment Pools                  | -                       | -                          | -                |
| Withdrawals from Investment Pools   | -                       | -                          | -                |
| Proceeds from Sale and Maturity of Investment Securities                        | -                       | -                          | -                |
| <b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>                     | <u>-</u>                | <u>123</u>                 | <u>123</u>       |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                     | 92                      | (11,426)                   | (11,334)         |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>                            | <u>1,789</u>            | <u>54,176</u>              | <u>55,965</u>    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                                  | <u>\$ 1,881</u>         | <u>\$ 42,750</u>           | <u>\$ 44,631</u> |

**Northwestern Lehigh School District  
Statement of Cash Flows  
Proprietary Funds  
As of June 30, 2016**

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

|   | <u>FOOD<br/>SERVICE</u> | <u>NON-MAJOR<br/>FUNDS</u> | <u>TOTAL</u>        |
|---|-------------------------|----------------------------|---------------------|
| <b>OPERATING INCOME (LOSS)</b>  | \$ (367,902)            | \$ 8,988                   | \$ (358,914)        |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH<br/>PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b> |                         |                            |                     |
| Depreciation and Net Amortization   | 25,217                  | 3,789                      | 29,006              |
| Provision for Uncollectible Accounts  | -                       | -                          | -                   |
| Donated Commodities Used  | 49,114                  | -                          | 49,114              |
| <b>CHANGE IN ASSETS AND LIABILITIES:</b>  |                         |                            |                     |
| (Increase) Decrease in Accounts Receivable  | 375                     | -                          | 375                 |
| (Increase) Decrease in Advances to Other Funds  | 509,518                 | 302                        | 509,820             |
| (Increase) Decrease in Inventories  | (2,323)                 | -                          | (2,323)             |
| (Increase) Decrease in Prepaid Expenses   | (151)                   | -                          | (151)               |
| (Increase) Decrease in Deferred Inflows of Resources - Change in Proportion of NPL                                  | (6,130)                 | -                          | (6,130)             |
| (Increase) Decrease in Deferred Inflows of Resources - Current Year Contributions                                   | (15,345)                | -                          | (15,345)            |
| (Increase) Decrease in Other Current Assets   | -                       | -                          | -                   |
| Increase (Decrease) in Accounts Payable   | 4,808                   | -                          | 4,808               |
| Increase (Decrease) in Accrued Salaries and Benefits  | (133)                   | -                          | (133)               |
| Increase (Decrease) in Net Pension Liability  | 83,069                  | -                          | 83,069              |
| Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual Invest. Earnings                | (55,074)                | -                          | (55,074)            |
| Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual Contributions                   | 454                     | -                          | 454                 |
| Increase (Decrease) in Deferred Inflows of Resources - Change in Proportion of NPL                                  | -                       | -                          | -                   |
| Increase (Decrease) in Deferred Inflows of Resources - Diff. in Expected vs Actual Experience                       | 3,631                   | -                          | 3,631               |
| Increase (Decrease) in Advances from Other Funds  | (509,380)               | (6,813)                    | (516,193)           |
| Increase (Decrease) in Prepayment from Students   | (3,131)                 | (1,830)                    | (4,961)             |
| <b>TOTAL ADJUSTMENTS</b>  | <u>84,519</u>           | <u>(4,552)</u>             | <u>79,967</u>       |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>   | <u>\$ (283,383)</u>     | <u>\$ 4,436</u>            | <u>\$ (278,947)</u> |

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

**Northwestern Lehigh School District  
Statement of Net Position  
Fiduciary Funds  
As of June 30, 2016**

|  | <b>PRIVATE<br/>PURPOSE<br/>TRUST</b> | <b>PENSION AND<br/>OTHER EMPLOYEE<br/>BENEFIT<br/>TRUST</b> | <b>AGENCY<br/>FUNDS</b> |
|--|--------------------------------------|---|-------------------------|
| <b>ASSETS</b>  |                                      |   |                         |
| Cash and cash equivalents                                    | \$ 136,371                           | \$ -  | \$ 163,350              |
| Investments  | -                                    | -   | -                       |
| Due from Other Funds   | -                                    | -   | -                       |
| Other Receivables  | -                                    | -   | -                       |
| Prepaid Expenses   | -                                    | -   | -                       |
| Other Current Assets   | -                                    | -   | -                       |
| <b>TOTAL ASSETS</b>  | <b>\$ 136,371</b>                    | <b>\$ -</b>   | <b>\$ 163,350</b>       |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                        |                                      |   |                         |
| Deferred Charges on Refundings, net                          | -                                    | -   | -                       |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>     | <b>\$ 136,371</b>                    | <b>\$ -</b>   | <b>\$ 163,350</b>       |
| <b>LIABILITIES</b>   |                                      |   |                         |
| Accounts Payable   | \$ -                                 | \$ -  | \$ 13,047               |
| Intergovernmental Payable                                    | -                                    | -   | -                       |
| Due to Other Funds   | -                                    | -   | 3,298                   |
| Due to Student Clubs   | -                                    | -   | 135,172                 |
| Other Current Liabilities                                    | -                                    | -   | 11,833                  |
| <b>TOTAL LIABILITIES</b>                                     | <b>-</b>                             | <b>-</b>  | <b>163,350</b>          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                         |                                      |   |                         |
| Unearned Revenue   | -                                    | -   | -                       |
| <b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b> | <b>-</b>                             | <b>-</b>  | <b>163,350</b>          |
| <b>NET POSITION</b>  |                                      |   |                         |
| Restricted   | -                                    | -   | -                       |
| Unrestricted   | 136,371                              | -   | -                       |
| <b>TOTAL NET POSITION</b>                                    | <b>\$ 136,371</b>                    | <b>\$ -</b>   | <b>\$ -</b>             |

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

**Northwestern Lehigh School District  
Statement of Changes in Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2016**

|  | <b>PRIVATE-<br/>PURPOSE<br/>TRUST FUND</b> | <b>PENSION AND<br/>OTHER<br/>EMPLOYEE<br/>BENEFIT<br/>TRUST FUNDS</b> |
|--|--|---|
| <b>ADDITIONS</b>                                     |  |   |
| Contributions  | \$ 9,908                                   | \$ -  |
| Transfers from other funds                           | -  | -   |
| <b>Investment Earnings:</b>                          |  |   |
| Interest and Dividends                               | 547  | -   |
| Net increase (decrease) in fair value of investments | -  | -   |
| Less investment expense                              | -  | -   |
| <b>TOTAL ADDITIONS</b>                               | <b>10,455</b>                              | <b>-</b>  |
| <br>   |  |   |
| <b>DEDUCTIONS</b>                                    |  |   |
| Transfers to other funds                             | -  | -   |
| Administrative charges                               | -  | -   |
| Scholarships   | 9,350                                      | -   |
| <b>TOTAL DEDUCTIONS</b>                              | <b>9,350</b>                               | <b>-</b>  |
| <br>   |  |   |
| <b>CHANGES IN NET POSITION</b>                       | 1,105                                      | -   |
| <br>   |  |   |
| <b>NET POSITION - BEGINNING OF YEAR</b>              | 135,266                                    | -   |
| <br>   |  |   |
| <b>NET POSITION - END OF YEAR</b>                    | <b>\$ 136,371</b>                          | <b>\$ -</b>   |

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, 2016**

|   | <u>BUDGETED AMOUNTS</u> |                      | <u>ACTUAL<br/>(BUDGETARY<br/>BASIS)</u> | <u>VARIANCE WITH<br/>FINAL BUDGET<br/>POSITIVE<br/>(NEGATIVE)</u> | <u>BUDGET TO<br/>GAAP<br/>DIFFERENCE</u> | <u>ACTUAL<br/>AMOUNTS<br/>GAAP BASIS</u> |
|---|-------------------------|----------------------|---|---|--|--|
|   | <u>ORIGINAL</u>         | <u>FINAL</u>         |   |   |  |  |
| <b>REVENUES</b>                                   |                         |                      |   |   |  |  |
| Local Sources                                     | \$ 27,318,490           | \$ 27,318,490        | \$ 27,949,892                           | \$ 631,402  | \$ -                                     | \$ 27,949,892                            |
| State Sources                                     | 12,126,902              | 12,126,902           | 12,185,811                              | 58,909  | -  | 12,185,811                               |
| Federal Sources                                   | 213,313                 | 213,313              | 211,310                                 | (2,003)   | -  | 211,310                                  |
| <b>TOTAL REVENUES</b>                             | <u>39,658,705</u>       | <u>39,658,705</u>    | <u>40,347,013</u>                       | <u>688,308</u>  | <u>-</u>                                 | <u>40,347,013</u>                        |
| <b>EXPENDITURES</b>                               |                         |                      |   |   |  |  |
| Regular Instruction                               | 15,356,246              | 15,718,281           | 15,712,032                              | 6,249   | -  | 15,712,032                               |
| Special Programs                                  | 5,086,030               | 5,355,405            | 5,304,840                               | 50,565  | -  | 5,304,840                                |
| Vocational Programs                               | 1,032,432               | 1,032,432            | 1,017,295                               | 15,137  | -  | 1,017,295                                |
| Other Instructional Programs                      | 5,195                   | 6,195                | 3,294                                   | 2,901   | -  | 3,294                                    |
| Non-Public School Programs                        | -                       | 4,000                | 3,683                                   | 317   | -  | 3,683                                    |
| Adult Education Programs                          | 11,738                  | 5,738                | 4,555                                   | 1,183   | -  | 4,555                                    |
| Community/Junior College Ed. Programs             | 246,746                 | 246,746              | 246,746                                 | -   | -  | 246,746                                  |
| Pupil Personnel Services                          | 1,303,160               | 1,219,160            | 1,187,741                               | 31,419  | -  | 1,187,741                                |
| Instructional Staff Services                      | 953,952                 | 1,085,908            | 1,053,407                               | 32,501  | -  | 1,053,407                                |
| Administrative Services                           | 2,174,985               | 2,116,905            | 2,101,327                               | 15,578  | -  | 2,101,327                                |
| Pupil Health                                      | 326,898                 | 326,680              | 326,577                                 | 103   | -  | 326,577                                  |
| Business Services                                 | 679,941                 | 661,941              | 661,127                                 | 814   | -  | 661,127                                  |
| Operation & Maintenance of Plant Services         | 3,642,623               | 3,573,898            | 3,552,542                               | 21,356  | -  | 3,552,542                                |
| Student Transportation Services                   | 2,429,542               | 2,695,542            | 2,553,373                               | 142,169   | -  | 2,553,373                                |
| Central Support Services                          | 665,016                 | 612,165              | 598,767                                 | 13,398  | -  | 598,767                                  |
| Other Support Services                            | 38,000                  | 38,000               | 36,993                                  | 1,007   | -  | 36,993                                   |
| Student Activities                                | 876,284                 | 906,284              | 900,899                                 | 5,385   | -  | 900,899                                  |
| Community Services                                | 5,000                   | 5,000                | 5,000                                   | -   | -  | 5,000                                    |
| Facilities, Acquisition and Construction          | 122,000                 | 65,092               | 62,188                                  | 2,904   | -  | 62,188                                   |
| Debt Service                                      | 3,437,579               | 3,239,082            | 3,131,306                               | 107,776   | -  | 3,131,306                                |
| <b>TOTAL EXPENDITURES</b>                         | <u>38,393,367</u>       | <u>38,914,454</u>    | <u>38,463,692</u>                       | <u>450,762</u>  | <u>-</u>                                 | <u>38,463,692</u>                        |
| Excess (deficiency) of revenues over expenditures | <u>1,265,338</u>        | <u>744,251</u>       | <u>1,883,321</u>                        | <u>1,139,070</u>  | <u>-</u>                                 | <u>1,883,321</u>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                         |                      |   |   |  |  |
| Proceeds From Extended Term Financing             | -                       | -                    | -                                       | -   | -  | -  |
| Interfund Transfers In                            | -                       | -                    | -                                       | -   | -  | -  |
| Sale/Compensation for Fixed Assets                | -                       | -                    | -                                       | -   | -  | -  |
| Fund Transfers Out                                | (4,717,756)             | (4,301,636)          | (3,499,356)                             | 802,280   | -  | (3,499,356)                              |
| Budgetary Reserve                                 | (400,000)               | (295,033)            | -                                       | 295,033   | -  | -  |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>       | <u>(5,117,756)</u>      | <u>(4,596,669)</u>   | <u>(3,499,356)</u>                      | <u>1,097,313</u>  | <u>-</u>                                 | <u>(3,499,356)</u>                       |
| Special Items                                     | -                       | -                    | -                                       | -   | -  | -  |
| Extraordinary Items                               | -                       | -                    | -                                       | -   | -  | -  |
| <b>NET CHANGE IN FUND BALANCE</b>                 | <u>(3,852,418)</u>      | <u>(3,852,418)</u>   | <u>(1,616,035)</u>                      | <u>2,236,383</u>  | <u>-</u>                                 | <u>(1,616,035)</u>                       |
| <b>FUND BALANCE - JULY 1, 2015</b>                | <u>19,013,092</u>       | <u>19,013,092</u>    | <u>19,599,731</u>                       | <u>586,639</u>  | <u>-</u>                                 | <u>19,599,731</u>                        |
| <b>FUND BALANCE - JUNE 30, 2016</b>               | <u>\$ 15,160,674</u>    | <u>\$ 15,160,674</u> | <u>\$ 17,983,696</u>                    | <u>\$ 2,823,022</u>   | <u>\$ -</u>                              | <u>\$ 17,983,696</u>                     |

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

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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**Note 1 - Description of the School District and Reporting Entity**

***School District***

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

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

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

***Board of School Directors***

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

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

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

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

***Administration***

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

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

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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***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 2015-16 was \$1,017,295.

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

*Lehigh-Carbon Community College*

The District is a participating member of the Lehigh-Carbon Community College (LCCC). The LCCC is run by a Board of Trustees elected by the participating member districts' boards of directors. No participating district appoints a majority of the Board of Trustees. A vote of two-thirds of all member districts shall be required for approval of the LCCC's annual operating budget. The amount of the annual operating costs of the LCCC shall be apportioned among the member districts on the basis of the number of full-time equivalent students enrolled in LCCC and residing in the respective geographical areas of each of the member districts. The District's share of LCCC's operating costs for 2015-16 was \$246,746.

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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

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

***Jointly Governed Organizations***

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

**Note 2 - Summary of significant accounting policies**

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced. GASB Statement No. 62 was issued to include all prior Financial Accounting Standards Board's statements and interpretations, along with predecessors' statements and interpretations pertaining to governments into the hierarchy of the Governmental Accounting Standards Board's jurisdiction.

**A. *Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for two business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular program. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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

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

**B. Fund Accounting**

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

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

**General Fund**

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

**Special Revenue Funds**

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

Under this definition, the District does not have any special revenue funds.

**Capital Project Funds**

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

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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The District has the following Capital Project Funds:

*2008A Construction Fund – 33*

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

*2009 Construction Fund*

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

*Capital Reserve Fund*

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

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

***Enterprise Funds***

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

*Food Service Fund*

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

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

**C. Measurement Focus**

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

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

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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

***D. Basis of Accounting***

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

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

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

***E. Budgetary Process***

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

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

**Accelerated Budget Process Option**

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

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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

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

**Board Resolution Option**

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

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2015-16 budget transfers.

**F. Use of Estimates**

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

**G. Changes in Accounting Principles**

During the 2015-16 fiscal year the District implemented the following new generally accepted accounting principles:

- GASB Statement No. 72 (*Fair Value Measurement and Application*), which establishes fair value reporting for governments. Fair value is described as an exit price. To determine a fair value measurement, a government should consider the unit of account, which refers to the level at which an asset or a liability is aggregated or disaggregated for measurement. This Statement requires a government to use valuation techniques using one of the following approaches: the market approach, the cost approach, or the income approach. This Statement establishes a hierarchy of inputs for valuation techniques used to measure fair values.

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
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- GASB Statement No. 73 (Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68). The portion of this Statement applying to this government pertains to Amendments to GASB Statement 68. These Amendments clarify the application of Statement 68 as follows: (1) Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported; (2) Accounting and financial reporting for separately financed specific liabilities of individual employers for defined benefit pensions; and (3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.
- GASB Statement No. 76 (The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments). This Statement establishes two categories of hierarchy: Category A consists of Governmental Accounting Standards Board Statements, including GASB interpretations. Category B consists of GASB Technical Bulletins; GASB Implementation Guides, and literature of the AICPA cleared by the GASB.
- GASB Statement No. 79 (Certain External Investment Pools and Pool Participants). This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

**H. Pensions**

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

**I. Assets, Liabilities, and Net Position**

*Cash and Cash Equivalents*

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

*Restricted Cash*

There is a restricted debt service account with the PA Local Governmental Investment Trust that has a \$35,453 balance at year end.

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
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### Investments

In accordance to GASB Statement No. 72, investments generally are to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has the present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts.

A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets. These assets were previously required to be measured at fair value.

Fair Value is measured using a hierarchy of inputs using valuation techniques. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

### *Receivables and Payables*

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

### *Property Tax Levy*

Property taxes, which were levied during the fiscal year ended June 30, 2016, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

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

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

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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*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, 2016, shows \$151,158 in the governmental activities column and \$13,033 in the business-type activities column of the government-wide statement of net position.

Inventory type items in governmental funds utilize the purchase method; that is, they are charged to expenditures when purchased. There is no inventory shown as of June 30, 2016; therefore, there is no nonspendable fund balance. Inventory type items in Proprietary Funds use the consumption method, in which items are purchased for inventory and charged to expenses when used. The District has the following Proprietary Funds: (1) Food Service Fund and (2) Tiger Concession Fund. Inventory within these funds consists of donated commodities, which are valued at U.S.D.A.'s approximate costs, supplies, and purchased food. Inventories on hand at June 30, 2016, consist of:

|                     |                         |
|---------------------|-------------------------|
| Purchased Food      | \$ 7,088                |
| Purchased Supplies  | 3,593                   |
| Donated Commodities | <u>2,352</u>            |
| <b>TOTAL</b>        | <b><u>\$ 13,033</u></b> |

*Prepaid Expenses*

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

*Capital Assets*

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

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

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

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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

*Compensated Absences*

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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

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

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

*Long-Term Obligations*

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

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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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, 2016, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis. In the fiduciary scholarship accounts, all prior class accounts have been reclassified as one account called "Alumni Scholarship Fund".

*Net Position*

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

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

*Fund Balance Categories*

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

*Nonspendable Fund Balance*

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

*Restricted Fund Balance*

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

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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*Committed Fund Balance*

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

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

*Assigned Fund Balance*

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

*Unassigned Fund Balance*

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

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

*Contributions of Capital*

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

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

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

The governmental fund balance sheet includes reconciliation between "fund balance -total governmental funds" and "net position - governmental activities" as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$101,316,430 difference are:

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
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|   |                                  |
|---|----------------------------------|
| Bonds and Notes payable   | \$ 44,150,000                    |
| Less: Issuance discount (to be amortized as interest expense)   | (55,581)                         |
| Add: Issuance premium (to be amortized as a contra to<br>interest expense)  | 44,876                           |
| Accrued interest payable  | 273,675                          |
| Accounts Payable  | 54,650                           |
| Other Retirement Benefits   | 42,570                           |
| Compensated absences  | 399,247                          |
| Net Pension Liability   | 55,600,313                       |
| Net OPEB Obligations  | 806,680                          |
| <br>Net adjustment to reduce "fund balance - total governmental funds"<br>to arrive at "net position - governmental activities" | <br><b><u>\$ 101,316,430</u></b> |

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

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

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

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

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

|  | <b>TOTAL<br/>GOVERN-<br/>MENTAL<br/>FUNDS</b> | <b>LONG-<br/>TERM<br/>REVENUES/<br/>EXPENSES</b> | <b>CAPITAL<br/>RELATED<br/>ITEMS</b> | <b>LONG-TERM<br/>DEBT<br/>TRANS-<br/>ACTIONS</b> | <b>TOTAL FOR<br/>STATEMENT<br/>OF<br/>ACTIVITIES</b> |
|--|---|--|--------------------------------------|--|--|
| <b>REVENUES AND OTHER SOURCES</b>                |   |  |                                      |  |  |
| <b>LOCAL SOURCES:</b>                            |   |  |                                      |  |  |
| Property Taxes                                   | \$ 23,363,773                                 | \$ (29,854)                                      | \$ -                                 | \$ -   | \$ 23,333,919  |
| Taxes levied for specific purposes               | 3,294,480                                     | -  | -                                    | -  | 3,294,480  |
| Interest and investment earnings                 | 408,785                                       | (77,841)   | -                                    | -  | 330,944  |
| Miscellaneous                                    | 158,261                                       | -  | -                                    | -  | 158,261  |
| Contributions and Donations                      | 262,895                                       | -  | -                                    | -  | 262,895  |
| Charges for Services                             | 146,453                                       | -  | -                                    | -  | 146,453  |
| Grants, subsidies & contributions not restricted | 6,180,869                                     | -  | -                                    | -  | 6,180,869  |
| Transfers In                                     | -   | -  | -                                    | -  | -  |
| <b>INTERMEDIATE SOURCES:</b>                     |   |  |                                      |  |  |
| Charges for Services                             | -   | -  | -                                    | -  | -  |
| Operating grants and contributions               | -   | -  | -                                    | -  | -  |
| <b>STATE SOURCES:</b>                            |   |  |                                      |  |  |
| Operating and Capital grants and contributions   | 6,004,942                                     | -  | -                                    | -  | 6,004,942  |
| <b>FEDERAL SOURCES:</b>                          |   |  |                                      |  |  |
| Operating and Capital grants and contributions   | 560,082                                       | -  | -                                    | -  | 560,082  |
| <b>SPECIAL AND EXTRAORDINARY ITEMS:</b>          |   |  |                                      |  |  |
| Bond Premium                                     | -   | -  | -                                    | -  | -  |
| Proceeds from Bond/Note Issues                   | -   | -  | -                                    | -  | -  |
| Gain or (Loss) on disposal of assets             | -   | -  | (885)                                | -  | (885)  |
| <b>TOTAL REVENUES</b>                            | <b>40,380,540</b>                             | <b>(107,695)</b>                                 | <b>(885)</b>                         | <b>-</b>   | <b>40,271,960</b>                                    |
| <b>EXPENDITURES/EXPENSES</b>                     |   |  |                                      |  |  |
| Instruction                                      | 22,292,445                                    | 655,368  | 81,115                               | -  | 23,028,928   |
| Instructional Student Support                    | 2,567,725                                     | 105,062  | 1,271                                | -  | 2,674,058  |
| Admin. & Fin'l Support Services                  | 3,398,214                                     | 159,243  | 25,179                               | -  | 3,582,636  |
| Oper. & Maint. of Plant Svcs.                    | 3,552,542                                     | 88,724   | (25,636)                             | -  | 3,615,630  |
| Pupil Transportation                             | 2,553,373                                     | 88,446   | (56,292)                             | -  | 2,585,527  |
| Student activities                               | 900,899                                       | 34,156   | (38,182)                             | -  | 896,873  |
| Community Services                               | 5,000   | -  | 1,351                                | -  | 6,351  |
| Capital Outlay                                   | 3,496,257                                     | -  | (3,496,257)                          | -  | -  |
| Debt Service                                     | 3,131,306                                     | -  | -                                    | (2,027,644)                                      | 1,103,662  |
| Transfers Out                                    | -   | -  | -                                    | -  | -  |
| Depreciation - unallocated                       | -   | -  | 1,433,840                            | -  | 1,433,840  |
| <b>TOTAL EXPENDITURES/EXPENSES</b>               | <b>41,897,761</b>                             | <b>1,130,999</b>                                 | <b>(2,073,611)</b>                   | <b>(2,027,644)</b>                               | <b>38,927,505</b>                                    |
| <b>NET CHANGE FOR THE YEAR</b>                   | <b>\$ (1,517,221)</b>                         | <b>\$ (1,238,694)</b>                            | <b>\$ 2,072,726</b>                  | <b>\$ 2,027,644</b>                              | <b>\$ 1,344,455</b>                                  |

**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.

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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**B. Deficit fund balance or net position of individual funds**

No individual fund contains a deficit fund balance or net position at June 30, 2016, except the governmental activities and the business-type activities had deficits of \$9,960,182, and \$653,748, respectively. The Food Service Fund has a \$754,344 deficit.

**C. Excess of expenditures over appropriations in individual funds**

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

**D. Budgetary compliance**

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2016. 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, 2016, \$22,509,983 of the District's bank balance of \$23,009,983 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<br>not in the District's name |           | 22,509,983               |
| <b>TOTAL</b>  | <b>\$</b> | <b><u>22,509,983</u></b> |

*Reconciliation to Financial Statements*

|  |           |                         |
|--|-----------|-------------------------|
| Uncollateralized Amount Above                                      | \$        | 22,509,983              |
| Plus: Insured Amount   |           | 500,000                 |
| Less: Outstanding Checks   |           | <u>(4,496)</u>          |
| Carrying Amount - Bank balances                                    |           | 23,005,487              |
| Plus: Petty Cash   |           | 775                     |
| Deposits in Investment Pool Considered Cash Equivalent             |           | 35,485                  |
| Less: Certificates of Deposit considered Investment by School Code |           | <u>(17,000,000)</u>     |
| <b>TOTAL CASH PER FINANCIAL STATEMENTS</b>                         | <b>\$</b> | <b><u>6,041,747</u></b> |

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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*Investments*

Permitted investments for Northwestern Lehigh School District are defined in the Public School Code of 1949, as amended by Act 10 of 2016 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.
9. Obligations, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
10. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government sponsored enterprise.
11. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
12. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
13. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the paper is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
14. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and, if all of the following conditions are met:

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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- The investments of the company are the authorized investments listed above.
  - The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds).
  - 
  - The investment company is rated in the highest category by a nationally recognized rating agency.
- 15. Savings or demand deposits placed in accordance with the following conditions:**
- The money is initially deposited and invested through a federally insured institution having a place of business in this Commonwealth, which is selected by the public corporation or municipal authority.
  - The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, for the account of the public corporation or municipal authority.
  - The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.
  - On the same date that the money is redeposited pursuant to above, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the selected institution by the public corporation or municipal authority.

As of June 30, 2016, the District had the following investments:

| <u>Investment</u>                     | <u>Maturities</u> | <u>Fair Value</u>    |
|---------------------------------------|-------------------|----------------------|
| Pa. Local Government Investment Trust |                   | \$ 35,454            |
| Certificates of Deposit               |                   | 17,000,000           |
| PA School District Liquid Asset Fund  |                   | 31                   |
| <b>TOTAL</b>                          |                   | <b>\$ 17,035,485</b> |

Interest Rate Risk

The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District has an investment policy that would limit its investment choices to the safest types of securities, pre-qualifying financial institutions, and diversifying the portfolio so that potential losses are minimized. As of June 30, 2016, the District's investments in the PA School District Liquid Asset Fund and PA Local Government Investment Trust were rated AAA by Standard & Poor's.

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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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, 99.75% are in Certificates of Deposit with New Tripoli Bank. The General Fund has 99.73% in Certificates of Deposit at New Tripoli Bank. All of the Capital Project Funds investments are in Certificates of Deposit at New Tripoli Bank.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investment subject to custodial credit risk.

Reconciliation to Financial Statements

|   |                             |
|---|-----------------------------|
| Total Investments Above                                       | \$ 17,035,485               |
| Less: Deposits in Investment Pool Considered Cash Equivalents | (35,485)                    |
| <b>Total Investments Per Financial Statements</b>             | <b><u>\$ 17,000,000</u></b> |

***Fair Value Reporting***

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District did not have any recurring fair value investments at June 30, 2016. The District did have Cash Equivalents in 2a7-like external investment pools, which GASB Statement No. 72 allows to be recorded at amortized cost as provided in paragraph 16 of GASB Statement No. 31.

*Property Taxes*

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$1,526,077,700. In accordance with Act 1 of 2006, the District received \$676,228 in property tax reduction funds for the 2015-16 fiscal year. The tax rate for the year was \$15.963 per \$100 of assessed valuation or 15.963 mills.

The property tax calendar is:

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

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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<br>FUND     | CAPITAL<br>PROJECT<br>FUNDS | FOOD<br>SERVICE<br>FUND | NON-<br>MAJOR<br>FUNDS | FIDUCIARY<br>FUNDS | TOTAL               |
|---------------------------------------|---------------------|-----------------------------|-------------------------|------------------------|--------------------|---------------------|
| <b>RECEIVABLES:</b>                   |                     |                             |                         |                        |                    |                     |
| Interest                              | \$ -                | \$ -                        | \$ -                    | \$ -                   | \$ -               | \$ -                |
| Taxes                                 | 1,247,528           | -                           | -                       | -                      | -                  | 1,247,528           |
| Accounts                              | 45,866              | -                           | 1,934                   | -                      | -                  | 47,800              |
| Intergovernmental                     | 1,481,094           | -                           | -                       | -                      | -                  | 1,481,094           |
| <b>GROSS RECEIVABLES</b>              | <b>2,774,488</b>    | <b>-</b>                    | <b>1,934</b>            | <b>-</b>               | <b>-</b>           | <b>2,776,422</b>    |
| Less: Allowance for<br>Uncollectibles | -                   | -                           | -                       | -                      | -                  | -                   |
| <b>NET RECEIVABLES</b>                | <b>\$ 2,774,488</b> | <b>\$ -</b>                 | <b>\$ 1,934</b>         | <b>\$ -</b>            | <b>\$ -</b>        | <b>\$ 2,776,422</b> |

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

|   | UNAVAILABLE         | UNEARNED    |
|---|---------------------|-------------|
| Delinquent Property Taxes - General Fund                      | \$ 1,021,603        | \$ -        |
| Grants drawdowns prior to meeting<br>eligibility requirements | -                   | -           |
| <b>TOTAL</b>  | <b>\$ 1,021,603</b> | <b>\$ -</b> |

*Capital Assets*

Capital asset balances and activity for the year ending June 30, 2016 were:

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
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|  | <u>BEGINNING<br/>BALANCE</u> | <u>INCREASES</u>    | <u>DECREASES</u>   | <u>ENDING<br/>BALANCE</u> |
|--|------------------------------|---------------------|--------------------|---------------------------|
| <b>GOVERNMENTAL ACTIVITIES:</b>  |                              |                     |                    |                           |
| Capital Assets not being depreciated:  |                              |                     |                    |                           |
| Land   | \$ 406,148                   | \$ -                | \$ -               | \$ 406,148                |
| Construction in Progress   | 401,013                      | 3,488,720           | (34,746)           | 3,854,987                 |
| Total Capital Assets not being depreciated   | <u>807,161</u>               | <u>3,488,720</u>    | <u>(34,746)</u>    | <u>4,261,135</u>          |
| Capital Assets being depreciated:  |                              |                     |                    |                           |
| Site Improvements  | 1,508,007                    | 40,442              | -                  | 1,548,449                 |
| Buildings and Bldg. Improvements   | 75,915,330                   | 65,439              | -                  | 75,980,769                |
| Furniture and Equipment  | 5,526,626                    | 288,514             | (22,952)           | 5,792,188                 |
| <b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>  | <u>82,949,963</u>            | <u>394,395</u>      | <u>(22,952)</u>    | <u>83,321,406</u>         |
| Less accumulated depreciation for:   |                              |                     |                    |                           |
| Site Improvements  | (857,275)                    | (52,065)            | -                  | (909,340)                 |
| Buildings and Bldg. Improvements   | (16,037,334)                 | (1,387,285)         | -                  | (17,424,619)              |
| Furniture and Equipment  | (4,037,086)                  | (280,758)           | 22,067             | (4,295,777)               |
| <b>TOTAL ACCUMULATED DEPRECIATION</b>  | <u>(20,931,695)</u>          | <u>(1,720,108)</u>  | <u>22,067</u>      | <u>(22,629,736)</u>       |
| <b>TOTAL CAPITAL ASSETS BEING DEPRECIATED<br/>NET OF ACCUMULATED DEPRECIATION</b>    | <u>62,018,268</u>            | <u>(1,325,713)</u>  | <u>(885)</u>       | <u>60,691,670</u>         |
| <b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS,<br/>NET OF ACCUMULATED DEPRECIATION</b>   | <u>\$ 62,825,429</u>         | <u>\$ 2,163,007</u> | <u>\$ (35,631)</u> | <u>\$ 64,952,805</u>      |
| <b>BUSINESS-TYPE ACTIVITIES:</b>   |                              |                     |                    |                           |
| Capital Assets being depreciated:  |                              |                     |                    |                           |
| Buildings and Bldg. Improvements   | \$ 127,948                   | \$ -                | \$ -               | \$ 127,948                |
| Furniture and Equipment  | 600,703                      | 30,848              | 6,552              | 638,103                   |
| Less accumulated depreciation  | (555,360)                    | (29,006)            | (6,552)            | (590,918)                 |
| <b>BUSINESS-TYPES ACTIVITIES CAPITAL ASSETS,<br/>NET OF ACCUMULATED DEPRECIATION</b> | <u>\$ 173,291</u>            | <u>\$ 1,842</u>     | <u>\$ -</u>        | <u>\$ 175,133</u>         |

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

|   |                            |
|---|----------------------------|
| Regular Instruction                                   | \$ 103,950                 |
| Special Instruction                                   | 862                        |
| Vocational Instruction                                | -                          |
| Other Instruction                                     | -                          |
| Adult Instruction                                     | -                          |
| Pupil Personnel Services                              | -                          |
| Instructional Support Svcs.                           | -                          |
| School Library Services                               | 1,271                      |
| Administrative Services                               | -                          |
| Health Services                                       | -                          |
| Business Services                                     | 105                        |
| Operation & Maintenance of Plant Svcs.                | 25,416                     |
| Pupil Transportation                                  | 123,736                    |
| Central Services                                      | 25,074                     |
| Other Support Services                                | -                          |
| School Sponsored Athletics                            | 4,503                      |
| Community Services                                    | 1,351                      |
| Depreciation - unallocated                            | 1,433,840                  |
| <b>TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES</b> | <u><u>\$ 1,720,108</u></u> |

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

The District's governmental-type activities disposed of \$22,952 of equipment during the year with accumulated depreciation of \$22,067, resulting in a loss on disposal of \$885. 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.

*Long-term construction commitments*

The District has the following long-term commitments:

| VENDOR                              | CONTRACT<br>AMOUNT | EXPENDED<br>TO 6/30/16 | OUTSTANDING<br>COMMITMENTS |
|-------------------------------------|--------------------|------------------------|----------------------------|
| <b>Energy Conservation Project:</b> |                    |                        |                            |
| McClure Company                     | \$ 3,854,987       | \$ 3,800,336           | \$ 54,651                  |

**Short-term debt**

*Interfund receivables and payables*

The following interfund receivables and payables were in existence on June 30, 2016:

|   | INTERFUND<br>RECEIVABLES | INTERFUND<br>PAYABLES |
|---|--------------------------|-----------------------|
| General Fund                            | \$ 725,595               | \$ 136,878            |
| Capital Projects (Capital Reserve) Fund | -                        | 598,273               |
| Enterprise (Food Service) Fund          | 136,515                  | 124,024               |
| Enterprise (Tiger Conc.) Fund           | 363                      | -                     |
| Agency (Payroll) Fund                   | -                        | 2,180                 |
| Agency (Activity) Fund                  | -                        | 1,118                 |
| <b>TOTAL</b>                            | <b>\$ 862,473</b>        | <b>\$ 862,473</b>     |

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

*Interfund Transfers*

The District did make the following transfers during the fiscal year ended June 30, 2016:

| <b>Fund</b>                            | <b>TRANSFER IN</b>  | <b>TRANSFER OUT</b> |
|--|---------------------|---------------------|
| General Fund                           | \$ -                | \$ 3,499,356        |
| Enterprise (Food Service) Fund         | -                   |                     |
| Capital Project (Capital Reserve) Fund | 3,499,356           |                     |
| Debt Service (2014 Bond) Fund          | -                   | -                   |
| <b>TOTAL</b>                           | <b>\$ 3,499,356</b> | <b>\$ 3,499,356</b> |

**Long-term liabilities**

Long-term liability balances and activity for the year ended June 30, 2016, were:

|   | <b>BEGINNING<br/>BALANCE</b> | <b>ADDITIONS</b>    | <b>REDUCTIONS</b>   | <b>ENDING<br/>BALANCE</b> | <b>AMOUNTS<br/>DUE WITHIN<br/>ONE YEAR</b> |
|---|------------------------------|---------------------|---------------------|---------------------------|--|
| <b>GOVERNMENTAL ACTIVITIES</b>                                  |                              |                     |                     |                           |  |
| <b>General Obligation Debt:</b>                                 |                              |                     |                     |                           |  |
| <i>Bonds and notes payable:</i>                                 |                              |                     |                     |                           |  |
| Capital Projects  | \$ 46,217,832                | \$ 5,762            | \$ 2,084,299        | \$ 44,139,295             | \$ 2,000,000                               |
| Other than capital projects                                     | -                            | -                   | -                   | -                         | -  |
| Capital Leases  | -                            | -                   | -                   | -                         | -  |
| <b>Total general obligation debt</b>                            | <b>46,217,832</b>            | <b>5,762</b>        | <b>2,084,299</b>    | <b>44,139,295</b>         | <b>2,000,000</b>                           |
| <i>Other liabilities:</i>                                       |                              |                     |                     |                           |  |
| Vested employee benefits:                                       |                              |                     |                     |                           |  |
| Vacation pay  | 40,186                       | 114,596             | -                   | 154,782                   | 42,202                                     |
| Sick pay  | 268,483                      | 60,796              | -                   | 329,279                   | 42,612                                     |
| Retirement Severance - Yrs. of Service                          | 11,422                       | 31,148              | -                   | 42,570                    | -  |
| Net Pension Liability   | 50,329,108                   | 5,271,205           | -                   | 55,600,313                | -  |
| Net OPEB Obligation   | 677,814                      | 128,866             | -                   | 806,680                   | -  |
| <b>Total other liabilities</b>                                  | <b>51,327,013</b>            | <b>5,606,611</b>    | <b>-</b>            | <b>56,933,624</b>         | <b>84,814</b>                              |
| <b>TOTAL GOVERNMENTAL ACTIVITY<br/>LONG-TERM LIABILITIES</b>    | <b>\$ 97,544,845</b>         | <b>\$ 5,612,373</b> | <b>\$ 2,084,299</b> | <b>\$ 101,072,919</b>     | <b>\$ 2,084,814</b>                        |
| <b>BUSINESS-TYPE ACTIVITIES:</b>                                |                              |                     |                     |                           |  |
| <i>Other liabilities:</i>                                       |                              |                     |                     |                           |  |
| Vested employee benefits:                                       |                              |                     |                     |                           |  |
| Vacation pay  | \$ 1,546                     | \$ -                | \$ 269              | \$ 1,277                  | \$ -                                       |
| Sick pay  | -                            | -                   | -                   | -                         | -  |
| Net Pension Liability   | 861,545                      | 83,069              | -                   | 944,614                   | -  |
| Retirement Severance - Yrs. of Service                          | -                            | -                   | -                   | -                         | -  |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES<br/>LONG-TERM LIABILITIES</b> | <b>\$ 863,091</b>            | <b>\$ 83,069</b>    | <b>\$ 269</b>       | <b>\$ 945,891</b>         | <b>\$ -</b>                                |

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.

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
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Total Interest paid and accrued during the year:

|   | <b>EXPENSE</b>      | <b>PAID</b>         |
|---|---------------------|---------------------|
| <b>GOVERNMENTAL ACTIVITIES:</b>                       |                     |                     |
| General obligation debt                               | \$ 1,103,662        | \$ 1,056,306        |
| Capital leases  |                     |                     |
| Short-term borrowings                                 | -                   | -                   |
| <b>TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES</b> | <b>\$ 1,103,662</b> | <b>\$ 1,056,306</b> |

*General Obligation Note – Series A of 2007*

On October 31, 2007, the District issued \$8,500,000 of General Obligation Note – Series A of 2007. The proceeds will be used to carry out the current refunding of the District's outstanding General Obligation Note – Series of 2006 and to pay the cost and expenses. In conjunction with this issue, the District issued a Series A of 2008 credit note held by U.S. Bank facility, acting as the loan credit facility. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The note matures from August 1, 2008 to August 1, 2023. Interest is calculated on a variable weekly rate plus fifty-five hundredths (.55%) per annum. The outstanding debt service requirements at June 30, 2016, using the variable rate of 1.43% are:

| FISCAL YEAR              | PRINCIPAL           | INTEREST          |
|--------------------------|---------------------|-------------------|
| 2016-17                  | \$ 800,000          | \$ 88,242         |
| 2017-18                  | 800,000             | 85,241            |
| 2018-19                  | 800,000             | 73,801            |
| 2019-20                  | 900,000             | 61,331            |
| 2020-21                  | 900,000             | 48,300            |
| 2021-24                  | 3,100,000           | 57,327            |
|                          | 7,300,000           | <b>\$ 414,242</b> |
| Unamortized Discount     | -                   | -                 |
| <b>TOTAL OUTSTANDING</b> | <b>\$ 7,300,000</b> |                   |

*General Obligation Bonds – Series of 2009*

On December 15, 2009, the District issued \$8,770,000 of General Obligation Bonds – Series of 2009. The proceeds of the Bonds will be used to (1) provide funds for the refunding of the General Obligation Note - Series of 2009. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from October 1, 2010 to October 1, 2029. Interest rates are variable and estimated with a 1.63% rate at year end. The outstanding debt service requirements at June 30, 2016, are:

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

| FISCAL YEAR              | PRINCIPAL           | INTEREST            |
|--------------------------|---------------------|---------------------|
| 2016-17                  | \$ 125,000          | \$ 126,058          |
| 2017-18                  | 125,000             | 135,018             |
| 2018-19                  | 140,000             | 132,817             |
| 2019-20                  | 140,000             | 130,891             |
| 2020-21                  | 150,000             | 128,145             |
| 2021-26                  | 2,705,000           | 566,862             |
| 2026-30                  | 5,020,000           | 159,155             |
| <b>SUB-TOTAL</b>         | <b>8,405,000</b>    | <b>\$ 1,378,946</b> |
| Unamortized Discount     | -                   |                     |
| <b>TOTAL OUTSTANDING</b> | <b>\$ 8,405,000</b> |                     |

*General Obligation Bonds – Series of 2012*

On May 18, 2012, the District issued \$9,995,000 of General Obligation Bonds – Series of 2012. The proceeds of the Bonds will be used to (1) provide funds for the partial refunding of the GOB Series of 2007, and (2) to pay costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The Bonds mature from February 15, 2013 to February 15, 2031. Interest rates range from 2.0% to 3.40% with a total indebtedness of \$3,690,362. The outstanding debt service requirements at June 30, 2016, are:

| FISCAL YEAR              | PRINCIPAL           | INTEREST            |
|--------------------------|---------------------|---------------------|
| 2016-17                  | \$ 5,000            | \$ 275,518          |
| 2017-18                  | 530,000             | 275,417             |
| 2018-19                  | 625,000             | 264,817             |
| 2019-20                  | 635,000             | 252,318             |
| 2020-21                  | 650,000             | 238,982             |
| 2021-26                  | 3,495,000           | 946,908             |
| 2026-31                  | 4,035,000           | 404,610             |
| <b>SUB-TOTAL</b>         | <b>9,975,000</b>    | <b>\$ 2,658,570</b> |
| Unamortized Discount     | (55,581)            |                     |
| <b>TOTAL OUTSTANDING</b> | <b>\$ 9,919,419</b> |                     |

**General Obligation Bonds – Series of 2013**

On February 20, 2013, the District issued \$9,405,000 of General Obligation Bonds – Series of 2013. The proceeds of the Bonds will be used to (1) provide funds for the refunding of the GOB Series of 2008 and (2) to pay the issuance costs of the issue. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The Bonds mature from March 15, 2014 to March 15, 2031. Interest rates are variable and estimated with a total indebtedness of \$2,591,179. The outstanding debt service requirements at June 30, 2016, are:

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

| FISCAL YEAR              | PRINCIPAL           | INTEREST            |
|--------------------------|---------------------|---------------------|
| 2016-17                  | \$ 725,000          | \$ 213,595          |
| 2017-18                  | 515,000             | 199,095             |
| 2018-19                  | 540,000             | 188,795             |
| 2019-20                  | 490,000             | 177,995             |
| 2020-21                  | 535,000             | 168,195             |
| 2021-26                  | 2,875,000           | 679,675             |
| 2026-31                  | 3,710,000           | 307,590             |
| <b>SUB-TOTAL</b>         | <b>9,390,000</b>    | <b>\$ 1,934,940</b> |
| Unamortized Premium      | 9,706               |                     |
| <b>TOTAL OUTSTANDING</b> | <b>\$ 9,399,706</b> |                     |

***General Obligation Bonds – Series of 2014***

On February 4, 2014, the District issued \$9,325,000 of General Obligation Bonds – Series of 2014. The proceeds of the Bonds will be used to (1) provide funds for the refunding of the GOB Series of 2008, and to (2) provide funds for the refunding of the GOB A Series of 2008, and (3) to pay the issuance costs of the issue. In accordance with the Local Governmental Debt Act, a sinking fund has been established with the paying agent. The Bonds mature from February 15, 2015 to February 15, 2033. Interest rates are variable and estimated with a total indebtedness of \$3,832,140. The outstanding debt service requirements at June 30, 2016, are:

| FISCAL YEAR              | PRINCIPAL           | INTEREST            |
|--------------------------|---------------------|---------------------|
| 2016-17                  | \$ 345,000          | \$ 292,206          |
| 2017-18                  | 440,000             | 285,307             |
| 2018-19                  | 440,000             | 276,506             |
| 2019-20                  | 455,000             | 267,706             |
| 2020-21                  | 460,000             | 258,606             |
| 2021-26                  | 2,495,000           | 1,102,300           |
| 2026-31                  | 2,995,000           | 658,794             |
| 2031-33                  | 1,450,000           | 87,600              |
| <b>SUB-TOTAL</b>         | <b>9,080,000</b>    | <b>\$ 3,229,025</b> |
| Unamortized Premium      | 35,170              |                     |
| <b>TOTAL OUTSTANDING</b> | <b>\$ 9,115,170</b> |                     |

***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.

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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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. During the 2005-2006 fiscal year, these issues have been refunded with new issues.

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  
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**Combined Long-Term Debt**

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

| <b>FISCAL YEAR</b>                                      | <b>G.O.N.<br/>SERIES A<br/>OF 2007</b> | <b>G.O.B.<br/>SERIES<br/>OF 2009</b> | <b>G.O.B.<br/>SERIES<br/>OF 2012</b> | <b>G.O.B.<br/>SERIES<br/>OF 2013</b> | <b>G.O.B.<br/>SERIES<br/>OF 2014</b> | <b>TOTAL<br/>PRINCIPAL<br/>PAYMENTS</b> |
|---|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---|
| 2016-17   | \$ 800,000                             | \$ 125,000                           | \$ 5,000                             | \$ 725,000                           | \$ 345,000                           | \$ 2,000,000                            |
| 2017-18   | 800,000                                | 125,000                              | 530,000                              | 515,000                              | 440,000                              | 2,410,000                               |
| 2018-19   | 800,000                                | 140,000                              | 625,000                              | 540,000                              | 440,000                              | 2,545,000                               |
| 2019-20   | 900,000                                | 140,000                              | 635,000                              | 490,000                              | 455,000                              | 2,620,000                               |
| 2020-21   | 900,000                                | 150,000                              | 650,000                              | 535,000                              | 460,000                              | 2,695,000                               |
| 2021-26   | 3,100,000                              | 2,705,000                            | 3,495,000                            | 2,875,000                            | 2,495,000                            | 14,670,000                              |
| 2026-31   | -                                      | 5,020,000                            | 4,035,000                            | 3,710,000                            | 2,995,000                            | 15,760,000                              |
| 2031-33   | -                                      | -                                    | -                                    | -                                    | 1,450,000                            | 1,450,000                               |
| <b>TOTAL PRINCIPAL<br/>LESS-PAYABLE WITHIN ONE YEAR</b> | <b>7,300,000</b>                       | <b>8,405,000</b>                     | <b>9,975,000</b>                     | <b>9,390,000</b>                     | <b>9,080,000</b>                     | <b>44,150,000</b>                       |
|   | <b>800,000</b>                         | <b>125,000</b>                       | <b>5,000</b>                         | <b>725,000</b>                       | <b>345,000</b>                       | <b>2,000,000</b>                        |
| <b>LONG-TERM PRINCIPAL AFTER ONE YEAR</b>               | <b>\$ 6,500,000</b>                    | <b>\$ 8,280,000</b>                  | <b>\$ 9,970,000</b>                  | <b>\$ 8,665,000</b>                  | <b>\$ 8,735,000</b>                  | <b>\$ 42,150,000</b>                    |

| <b>FISCAL YEAR</b> | <b>G.O.N.<br/>SERIES A<br/>OF 2007</b> | <b>G.O.B.<br/>SERIES<br/>OF 2009</b> | <b>G.O.B.<br/>SERIES<br/>OF 2012</b> | <b>G.O.B.<br/>SERIES<br/>OF 2013</b> | <b>G.O.B.<br/>SERIES<br/>OF 2014</b> | <b>TOTAL DEBT<br/>SERVICE<br/>PAYMENTS</b> |
|--------------------|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| 2016-17            | \$ 888,242                             | \$ 251,058                           | \$ 280,518                           | \$ 938,595                           | \$ 637,206                           | \$ 2,995,619                               |
| 2017-18            | 885,241                                | 260,018                              | 805,417                              | 714,095                              | 725,307                              | 3,390,078                                  |
| 2018-19            | 873,801                                | 272,817                              | 889,817                              | 728,795                              | 716,506                              | 3,481,736                                  |
| 2019-20            | 961,331                                | 270,891                              | 887,318                              | 667,995                              | 722,706                              | 3,510,241                                  |
| 2020-21            | 948,300                                | 278,145                              | 888,982                              | 703,195                              | 718,606                              | 3,537,228                                  |
| 2021-26            | 3,157,327                              | 3,271,862                            | 4,441,908                            | 3,554,675                            | 3,597,300                            | 18,023,072                                 |
| 2026-31            | -                                      | 5,179,155                            | 4,439,610                            | 4,017,590                            | 3,653,794                            | 17,290,149                                 |
| 2031-33            | -                                      | -                                    | -                                    | -                                    | 1,537,600                            | 1,537,600                                  |
| <b>TOTAL</b>       | <b>\$ 7,714,242</b>                    | <b>\$ 9,783,946</b>                  | <b>\$ 12,633,570</b>                 | <b>\$ 11,324,940</b>                 | <b>\$ 12,309,025</b>                 | <b>\$ 53,765,723</b>                       |

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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***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 \$42,612. This amount is also recorded as a current liability in the governmental activities column of the government-wide statement of net position. The remaining potential liability of \$286,667 has been established as a long-term liability in the governmental activities column of the government-wide statement of net position. The Food Service Fund shows \$-0- as a long-term liability for sick pay. This amount is also recorded as a long-term liability in the business-type activities column of the government-wide statement of net position.

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

*Vacation Leave*

Unused vacation leave is paid upon an employee's termination, with the exception of mid-management employees; vacation pay is not cumulative and must be used within one year. Payment will only be made for unused vacation days in the current year. Mid-management employees with 5 years or more of service can carry over a maximum of 5 days to be credited to an "end of year employment bank" which will be paid at retirement. The District maintains records of each employee's accumulated vacation days. In accordance with GASB Statement No. 16, the portion of vacation pay earned at June 30, 2016, that will use currently available financial resources is \$42,202, including FICA tax and retirement contributions (net of reimbursement), which has been recorded in the General Fund and as a current liability in the governmental activities column of the government-wide statement of net position. The remaining vacation

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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pay earned at June 30, 2016, of \$112,580, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position. The Food Service Fund shows \$1,277 as a long-term liability for vacation pay. This amount is also recorded as a long-term liability in the business-type activities column of the government-wide statement of net position.

**Defined Benefit Pension Plan**

The Government Accounting Standards Board (GASB) requires that state and local governmental employers disclose in their notes to financial statements, certain information about the public employee retirement systems to which they contribute.

***General Information about the Pension Plan***

*Plan Description*

The Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

*Benefits provided*

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

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

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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

Contributions

Member Contributions:

Active members, who joined the System prior to July 22, 1983, contributed at 5.25 percent (Membership Class T-C) or at 6.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C) or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2016 was 25.00% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$4,292,789 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$56,544,927 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, with rolling forward the System's total pension liability as of June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was 0.1309 percent, which was an increase of 0.0014 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$5,107,575. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
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| <u>Sources</u>  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between Proportionate Share vs Actual Paid Separately Finance Liabilities | \$ 1,048                                  | \$ -                                     |
| Changes in Assumptions  | -   | -  |
| Net difference between projected and actual contributions made                        |   | 83,796                                   |
| Net difference between projected and actual earnings on pension plan investments      | -   | 115,000                                  |
| Difference between expected and actual experience                                     |   | 234,000                                  |
| Changes in proportion of the Net Pension Liability                                    | 725,000                                   | -  |
| District contributions subsequent to the measurement date                             | 4,292,789                                 | -  |
| Total   | <u>\$ 5,018,837</u>                       | <u>\$ 432,796</u>                        |

\$4,292,789 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended June 30:</b> | <b><u>Amount</u></b> |
|----------------------------|----------------------|
| 2016                       | \$ (120,000)         |
| 2017                       | (143,425)            |
| 2018                       | (143,425)            |
| 2019                       | 712,625              |
| 2020                       | (12,523)             |
| Thereafter                 | -                    |
| Total                      | <u>\$ 293,252</u>    |

**Actuarial assumptions**

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement.

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
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- Actuarial cost method - Entry Age Normal – level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disable Tables (male and female) with age set back 7 years for males and 3 years for females.

• The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

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

| <b>Asset Class</b>           | <b>Target<br/>Allocation</b> | <b>Long-Term<br/>Expected Real<br/>Rate of Return</b> |
|------------------------------|------------------------------|---|
| Public markets global equity | 22.5%                        | 4.8%  |
| Private markets (equity)     | 15.0%                        | 6.6%  |
| Private real estate          | 12.0%                        | 4.5%  |
| Global fixed income          | 7.5%                         | 2.4%  |
| U.S. long treasuries         | 3.0%                         | 1.4%  |
| TIPS                         | 12.0%                        | 1.1%  |
| High yield bonds             | 6.0%                         | 3.3%  |
| Cash                         | 3.0%                         | 0.7%  |
| Absolute return              | 10.0%                        | 4.9%  |
| Risk parity                  | 10.0%                        | 3.7%  |
| MLPs/Infrastructure          | 5.0%                         | 5.2%  |
| Commodities                  | 8.0%                         | 3.1%  |
| Financing (LIBOR)            | -14.0%                       | 1.1%  |
|                              | <u>100%</u>                  |   |

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate, using the net pension liability reported by PSERS before adjusting for differences on projected vs actual contributions made.

|                       | <b>1% Decrease<br/>6.50%</b> | <b>Current<br/>Discount Rate<br/>7.50%</b> | <b>1% Increase<br/>8.50%</b> |
|-----------------------|------------------------------|--|------------------------------|
| Net Pension Liability | \$ 69,888,000                | \$ 56,700,000                              | \$ 45,615,000                |

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued Public School Employees' Retirement System's *Comprehensive Annual Financial Report* (CAFR) that includes financial statements and required supplementary information for the plan, which can be found at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
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**Defined Pension Contribution Plan**

Retirement Severance

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

| <u>Year of Credited PSERS Service</u> | <u>Available Fund Pool</u> |
|---------------------------------------|----------------------------|
| Less than 31 years                    | \$ 11,000                  |
| 31 years to less than 36 years        | \$ 8,000                   |
| 36 or more years                      | \$ 5,000                   |

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

|                 | <u>YEARS OF CREDITED PSERS SERVICE</u>    |                                     |                                     |   |
|-----------------|---|-------------------------------------|-------------------------------------|---|
|                 | <u>15 Years of Svc. and 55 or Younger</u> | <u>15 Years of Svc. and 56 - 61</u> | <u>15 Years of Svc. and 62 - 65</u> | <u>15 Years of Svc. and 65 or Older</u> |
| 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 68, the portion of this severance for service liability that will use currently available financial resources is \$-0-, including FICA tax (net of reimbursement), which has been recorded in the general fund and as a current liability of long-term debt in the governmental activities column of the government-wide statement of net position. The remaining portion of the retirement severance earned at June 30, 2016 of \$42,570, including FICA tax (net of reimbursement) is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position. There is no actuary report for this defined contribution pension plan.

***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  
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| <b>Summary of Plan Provisions</b>    |   |  |                                      |                                       |                    |           |                         |          |                    |          |   |
|--------------------------------------|---|--|--------------------------------------|---------------------------------------|--------------------|-----------|-------------------------|----------|--------------------|----------|---|
| <b>Group</b>                         | <b>Eligibility</b>  | <b>Coverage And Premium Sharing</b>  | <b>Duration</b>                      |                                       |                    |           |                         |          |                    |          |   |
| <b><u>I. TEACHERS</u></b>            | <p>Must meet one of the following conditions to be eligible:</p> <p>i) Must be 25 years of PSERS service and at least 15 years with NWLSD</p> <p>ii) Act 110/43</p> | <ul style="list-style-type: none"> <li>● Coverage: Medical, Prescription Drug, and Dental.</li> <li>● 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).</li> </ul> <p>If the member does not reach eligibility for the above coverage, but does reach eligibility through Act 110/43, the member and spouse may continue benefits by paying the full premium as determined for the purpose of Cobra.</p> <p style="text-align: center;"><b><u>Retired between July 1, 2014, and June 30, 2015</u></b></p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding-right: 20px;"><b><u>Years of PSERS Service</u></b></th> <th style="text-align: left;"><b><u>Initial Account Balance</u></b></th> </tr> </thead> <tbody> <tr> <td>Less than 31 years</td> <td style="text-align: right;">\$ 11,000</td> </tr> <tr> <td>31 years up to 36 years</td> <td style="text-align: right;">\$ 8,000</td> </tr> <tr> <td>More than 36 years</td> <td style="text-align: right;">\$ 5,000</td> </tr> </tbody> </table> <p>The account will be drawn down each month at a rate equal to the premium for the coverage that is elected less the PSERS Supplement (this must be supplied to NWLSD by the member). If the account balance exhausts, the member and spouse may continue coverage by paying the full premium as determined for the purpose of Cobra.</p> <p>If the member does not reach eligibility for the account above, however, the member reaches eligibility through Act 110/43, the member and spouse may continue benefits by paying the full premium as determined for the purpose of Cobra.</p> <ul style="list-style-type: none"> <li>● Dependents: Spouses included.</li> </ul> | <b><u>Years of PSERS Service</u></b> | <b><u>Initial Account Balance</u></b> | Less than 31 years | \$ 11,000 | 31 years up to 36 years | \$ 8,000 | More than 36 years | \$ 5,000 | <p>Member may continue benefits until Medicare age.</p> <p>Benefits for the spouse will cease at the earlier of Medicare age, member Medicare age, or member death, however, the spouse can continue coverage until the account is exhausted as long as the member is also currently electing coverage.</p> |
| <b><u>Years of PSERS Service</u></b> | <b><u>Initial Account Balance</u></b>   |  |                                      |                                       |                    |           |                         |          |                    |          |   |
| Less than 31 years                   | \$ 11,000   |  |                                      |                                       |                    |           |                         |          |                    |          |   |
| 31 years up to 36 years              | \$ 8,000  |  |                                      |                                       |                    |           |                         |          |                    |          |   |
| More than 36 years                   | \$ 5,000  |  |                                      |                                       |                    |           |                         |          |                    |          |   |

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

| <i>Summary of Plan Provisions</i>   |  |  |  |                                   |        |                              |              |                              |        |                              |   |
|---|--|--|--|-----------------------------------|--------|------------------------------|--------------|------------------------------|--------|------------------------------|---|
| <i>Group</i>  | <i>Eligibility</i>   | <i>Coverage And Premium Sharing</i>  | <i>Duration</i>  |                                   |        |                              |              |                              |        |                              |   |
| <b><u>II. ADMINISTRATORS</u></b>  |  |  |  |                                   |        |                              |              |                              |        |                              |   |
| <p>A) Current Superintendent and Assistant Superintendent</p>   | <p>Must meet one of the following conditions to be eligible.</p> <p>i) Must have at least 25 years of PSERS service and at least 15 years of service with NWLSD.</p> <p>ii) ACT 110/43</p> | <ul style="list-style-type: none"> <li>● Coverage: Medical, Prescription Drug, and Dental.</li> </ul> <p>Premium Sharing: If the member reaches 25 years of PSERS service and 15 years of service with NWLSD, NWLSD will provide an account to the member that may be used to purchase medical, prescription drug, and dental benefits for the member. The spouse may elect coverage by paying the difference in premium between 2-party and single coverage. The initial account balance is determined by total PSERS service at retirement and follows the schedule below. (Note that past retirees may have followed a different schedule).</p> <p>If the member does not reach eligibility for the above coverage but does reach eligibility through Act 110/43, the member and spouse may continue benefits by paying the full premium as determined for the purpose of Cobra.</p> <ul style="list-style-type: none"> <li>● Dependents: Family included.</li> </ul>   | <p>Member may continue benefits until Medicare age.</p> <p>Benefits for the spouse will cease at the earlier of Medicare age, member Medicare age or member death.</p> |                                   |        |                              |              |                              |        |                              |   |
| <p>B) Current Business Administrator and Act 93 Administrators who retired prior to June 30, 2011</p> | <p>Must meet one of the following conditions to be eligible.</p> <p>i) Must have at least 25 years of PSERS service and at least 15 years of service with NWLSD.</p> <p>ii) ACT 110/43</p> | <ul style="list-style-type: none"> <li>● Coverage: Medical, Prescription Drug, and Dental.</li> <li>● Premium Sharing: If the member reaches 25 years of PSERS service and 15 years of service with NWLSD, NWLSD, the member will be allowed to convert unused sick leave into medical, prescription drug and dental coverage for the member's entire family. The member is responsible for providing NWLSD with the PSERS Supplement while receiving the paid benefit. The conversion rates for the different tiers of coverage are listed below. When the remaining sick leave reaches a level where a full year of coverage cannot be purchased, the monthly conversion will be used.</li> <li>●</li> </ul> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>Tier of Coverage</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><u>Sick Leave Conversion Rate</u></th> </tr> </thead> <tbody> <tr> <td>Single</td> <td>25 days/year or 2 days/month</td> </tr> <tr> <td>Husband/Wife</td> <td>45 days/year or 4 days/month</td> </tr> <tr> <td>Family</td> <td>50 days/year or 4 days/month</td> </tr> </tbody> </table> <p>If coverage for either the member or spouse extends beyond age 65, the participant will be required to switch to a Medicare Supplemental plan.</p> <p>If the member does not reach eligibility for the sick leave conversion benefit but does reach eligibility through Act 110/43 or the member exhausts the sick leave benefit prior to age 65, the member and spouse may continue benefits by paying the full premium as determined for the purpose of COBRA.</p> <p>Dependents: Families Included</p> | <u>Tier of Coverage</u>  | <u>Sick Leave Conversion Rate</u> | Single | 25 days/year or 2 days/month | Husband/Wife | 45 days/year or 4 days/month | Family | 50 days/year or 4 days/month | <p>Member may continue benefits until the later of Medicare age or the exhaustion of the sick leave conversion benefit.</p> <p>Benefits for the spouse will cease at the earlier of Medicare age, member Medicare age or member death, however, the spouse can continue coverage until the exhaustion of the sick leave conversion benefit as long as the member is also currently electing coverage.</p> |
| <u>Tier of Coverage</u>   | <u>Sick Leave Conversion Rate</u>  |  |  |                                   |        |                              |              |                              |        |                              |   |
| Single  | 25 days/year or 2 days/month   |  |  |                                   |        |                              |              |                              |        |                              |   |
| Husband/Wife  | 45 days/year or 4 days/month   |  |  |                                   |        |                              |              |                              |        |                              |   |
| Family  | 50 days/year or 4 days/month   |  |  |                                   |        |                              |              |                              |        |                              |   |

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

| <b>Summary of Plan Provisions</b>  |   |   |  |
|--|---|---|--|
| <b>Group</b>   | <b>Eligibility</b>  | <b>Coverage and Premium Sharing</b>   | <b>Duration</b>  |
| C) Current Director of Human Resources and Act 93 Administrators who retire after July 1, 2011 | <p>Must meet one of the following conditions to be eligible.</p> <p>i) Must have at least 25 years of PSERS service and at least 15 years of service with NWLSD</p> <p>ii) ACT 110/43</p> | <ul style="list-style-type: none"> <li>● Coverage: Medical, Prescription Drug, and Dental.</li> <li>● Premium Sharing: If the member reaches 25 years of PSERS service and 15 years of service with NWLSD, NWLSD the member will be allowed to convert unused sick leave into insurance dollars to be used to pay the single coverage premium for medical, prescription drug and dental coverage until Medicare age. The conversion rate will be 75% of employee's per diem rate at a retirement date for each unused sick day. The member is responsible for providing NWLSD with the active employee contributions to health care premiums. The current employee contribution rate for 2012-2013 is 14% of premium for PPO A, 7% of premium for PPO B and 3% of premium for PPO C. The spouse and/or dependent children may elect coverage by paying the additional premium due to the coverage of the spouse and/or dependent children.</li> </ul> <p>If the member exhausts their available insurance dollars prior to reaching Medicare age, the member may continue coverage by paying the full premium as determined for the purpose of COBRA.</p> <p>If the member does not reach eligibility for the sick leave conversion benefit but does reach eligibility through Act 110/43 or the member exhausts the sick leave benefit prior to age 65, , the member and spouse may continue benefits by paying the full premium as determined for the purpose of COBRA.</p> <ul style="list-style-type: none"> <li>● Dependents: Families Included</li> </ul> | <p>Member may continue benefits until Medicare age.</p> <p>Benefits for the spouse will cease at the earlier of Medicare age, member Medicare age or member death.</p> |
| <b><u>III. SUPPORT STAFF</u></b>   | 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

Act 110/43 Coverage and Premium Sharing: Retire employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

PSERS 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.

PSERS Superannuation Retirement:

1. For individuals who were members of PSERS prior to July 1, 2011, an employees is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS, service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.
2. For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.

**Benefits not included in the Calculation**

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

The retirement severance for Administrators that provides the retiree with a lump sum payment into NWLSD's 403(b) Postretirement Plan based on the retiree's final salary and years of service in PSERS is assumed to be valued under GASB Statement 68.

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

*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:

| <b>Contribution Rates:</b>                  |    | <b>OPEB Benefit<br/>Actuarially<br/>Determined</b> |
|---|----|--|
| Interest Rate                               |    | 4.5%   |
| Plan Members                                |    | 269  |
| Annual Required Contribution                | \$ | 357,997  |
| Interest on net OPEB obligation             |    | 30,502   |
| Adjustment to annual required contributions |    | <u>(41,612)</u>                                    |
| Annual OPEB cost                            |    | 346,887  |
| Contributions made                          |    | <u>(218,021)</u>                                   |
| Increase in net OPEB obligation             |    | 128,866  |
| Net OPEB obligation - beginning of year     |    | <u>677,814</u>                                     |
| Net OPEB obligation - end of year           | \$ | <u><u>806,680</u></u>                              |

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

| <u>Year Ended</u> | <u>Annual<br/>OPEB<br/>Cost</u> | <u>Percentage<br/>of OPEB Cost<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|-------------------|---------------------------------|--|--------------------------------|
| 6/30/2016         | \$ 346,887                      | 62.9%  | \$ 806,680                     |
| 6/30/2015         | 348,583                         | 70.3%  | 677,814                        |
| 6/30/2014         | 315,556                         | 94.3%  | 574,369                        |
| 6/30/2013         | 315,301                         | 104.9%   | 556,312                        |
| 6/30/2012         | 345,945                         | 80.5%  | 571,888                        |

*Funding status and Funding Progress.* The funded status of the benefits as of June 30, 2016, was as follows:

|   | <b>Healthcare<br/>Benefit<br/>Governmental Activity</b> |
|---|---|
| Actuarial accrued liability (a)   | \$ 3,133,370  |
| Actuarial value of plan assets (b)  | <u>-</u>  |
| Unfunded actuarial accrued liability (a) - (b)  | <u>\$ 3,133,370</u>                                     |
| Funded Ratio (b) / (a)  | 0.0%  |
| Covered payroll   | \$ 13,868,065   |
| Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll. | 22.6%   |

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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

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

|                               |   |
|-------------------------------|---|
|                               | <b>Healthcare<br/>Benefit</b>                                       |
| Actuarial Valuation Date      | 7/1/2014  |
| Actuarial Cost Method         | Entry Age Normal<br>Level dollar method<br>over a 30 year<br>period |
| Amortization Method           | 30 years  |
| Remaining amortization period | pay as you go basis   |
| Asset Valuation Method        |   |
| Actuarial Assumptions:        |   |
| Investment rate of return     | 4.5%  |
| Projected salary increases    | 3.75% to 6.25%  |
| Healthcare inflation rate     | 2016 + 5.5% to 4.2%   |

**Note 6 - Risk Management**

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

**Note 7 - Fund Balance Allocations**

*Nonspendable Fund Balance*

The General Fund had \$299,475, in nonspendable fund balance at June 30, 2016, comprised of prepaid expenditures.

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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*Restricted Fund Balance*

The Capital Project Fund has restrictions on the use of the resources at year end. The Capital Reserve Fund's \$2,088,220, 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.

The General Fund has restricted \$19,525 on their grants received from the Foundation

*Committed Fund Balance*

The governing body (Board of School Directors) has committed \$10,172,664, of the General Fund's year end fund balance for the following purposes:

|                                    |             |
|------------------------------------|-------------|
| Future Retirement Rate increases   | \$2,226,582 |
| Other Post-Employment Benefits     | \$3,138,082 |
| Future Debt Service Rate increases | \$ 350,000  |
| Millage Rate Stabilization         | \$1,888,000 |
| Increases in Healthcare            | \$1,920,000 |
| Energy Rate increases              | \$ 650,000  |

*Assigned Fund Balance*

The General Fund has (\$670,000), assigned for future technology purchases (\$1,413,000), for purchases of textbooks, (\$535,000) for purchases of buses, (\$1,432,517) for capital projects and (\$1,371,092) to balance the 2016-17 budget.

**Note 8 - Restricted Net Position**

*Net Investment in Capital Assets*

The components of this restriction in the governmental activities column is total capital assets of \$64,952,805, with related debt of \$43,497,827, which includes unamortized bonds discounts, premiums, and deferred refunding charges. In addition, the governmental activities column has \$2,088,220 restricted for capital projects. The business-type activities column reflects \$175,133 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, 2016.

*Litigation*

In accordance with the solicitor's legal letter, there is no pending litigation involving contingent liabilities, as of June 30, 2016, that would materially affect the financial position of the District.

**Note 10 – New Accounting Pronouncements**

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

**Northwestern Lehigh School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2016**

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- Statement No. 74, *Financial Reporting for Postemployment Benefits Other than Pension Plans* – The objective of this statement is to improve the usefulness of information about other postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces the requirements of Statement No. 44, *Financial Reporting for Postemployment Benefits Other than Pension Plans*.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* – This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.
- Statement No. 77, *Tax Abatement Disclosures* – The requirements of this Statement enhances the disclosure of information about the nature and magnitude of tax abatements to make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* – This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) provides benefits to governmental employees and non-governmental employees, and (3) has no predominant state or local governmental employer. This Statement, at present, will not apply to this government.
- Statement No. 80, *Blending Requirements for Certain Component Units* – This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion, in this Statement, requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.
- Statement No. 81, *Irrevocable Split-Interest Agreements* – The purpose of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement, at present, will not apply to this government.
- Statement No. 82, *Pension Issues (an amendment of GASB Statements No. 67, No. 68, and No. 73)* – This Statement addresses certain issues that have been raised on previous issued Statements pertaining to Pension Plans. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**REQUIRED  
SUPPLEMENTAL INFORMATION**

**Northwestern Lehigh School District  
Schedule of Funding Progress  
Fiscal Year Ended June 30, 2016**

| <b>Healthcare Benefit</b>      |  |   |                                      |                            |                           |   |
|--------------------------------|--|---|--------------------------------------|----------------------------|---------------------------|---|
| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)-<br>Unit Credit<br>(b) | Unfunded<br>AAL<br>(UALL)<br>(b - a) | Funded<br>Ratio<br>(a / b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered<br>Payroll<br>((b - a) / c) |
| 7/1/2014                       | \$ -                                   | \$ 3,133,370  | \$ 3,133,370                         | 0.0%                       | \$ 13,868,065             | 22.59%  |
| 7/1/2012                       | -                                      | 2,973,312   | 2,973,312                            | 0.0%                       | 13,757,081                | 21.61%  |
| 7/1/2010                       | -                                      | 3,087,885   | 3,087,885                            | 0.0%                       | 14,352,166                | 21.52%  |

**NORTHWESTERN LEHIGH AREA SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**  
**CUMULATIVE TEN FISCAL YEARS REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|   | <u>2015-16</u> | <u>2014-15</u> |
|---|----------------|----------------|
| District's proportion of the net pension liability (asset)  | 0.1309%        | 0.1295%        |
| District's proportionate share of the net pension liability (asset)   | \$ 56,700,000  | \$ 51,257,000  |
| District's covered employee payroll   | \$ 20,940,434  | \$ 16,751,309  |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll | 36.93%         | 32.68%         |
| Plan fiduciary net position as a percentage of the total pension liability  | 54.36%         | 57.24%         |

**NORTHWESTERN LEHIGH AREA SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**  
**CUMULATIVE TEN FISCAL YEARS REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|  | <u>2015-16</u>   | <u>2014-15</u>   | <u>2013-14</u>   | <u>2012-13</u>   | <u>2011-12</u>   | <u>2010-11</u> | <u>2009-10</u> | <u>2008-09</u> | <u>2007-08</u>   | <u>2006-07</u> | <u>2005-06</u> |
|--|------------------|------------------|------------------|------------------|------------------|----------------|----------------|----------------|------------------|----------------|----------------|
| Contractually required contribution                                  | \$ 4,292,789     | \$ 3,434,018     | \$ 2,694,402     | \$ 1,855,090     | \$ 1,266,388     | \$ 799,251     | \$ 648,501     | \$ 633,453     | \$ 1,053,750     | \$ 887,208     | \$ 592,360     |
| Contributions in relation to the contractually required contribution | <u>4,292,789</u> | <u>3,434,018</u> | <u>2,694,402</u> | <u>1,855,090</u> | <u>1,266,388</u> | <u>799,251</u> | <u>648,501</u> | <u>633,453</u> | <u>1,053,750</u> | <u>887,208</u> | <u>592,360</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ -</u>    |
| District's covered employee payroll                                  | \$ 20,940,434    | \$ 16,751,309    | \$ 16,840,014    | \$ 16,131,219    | \$ 15,829,855    | \$ 15,985,015  | \$ 16,212,532  | \$ 15,836,313  | \$ 16,362,580    | \$ 15,510,628  | \$ 14,809,010  |
| Contributions as a percentage of covered employee payroll            | 20.50%           | 20.50%           | 16.00%           | 11.50%           | 8.00%            | 5.00%          | 4.00%          | 4.00%          | 6.44%            | 5.72%          | 4.00%          |

**Northwestern Lehigh School District**  
**Notes to Required Supplementary Information**  
**Fiscal Year Ended June 30, 2016**

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**Public School Employees' Retirement System**

Changes of benefit terms

None

Changes in assumptions

None

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. The following methods and assumptions were used to determine contribution rates reported:

- Investment return – 7.50%, includes inflation at 3.00%.
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real growth rate of 1%, and merit or seniority increases of 1.50%.
- Benefit payments – no postretirement benefit increases assumed in the future.
- Multiple decrement tables – mortality, vesting, retirement age, and withdrawal estimates are based upon tables provided by the actuary.

Proportionate Share of the Net Pension Liability

The amount reported as the District's proportionate share of the net pension liability (asset) does not include the adjustment for the difference between projected vs actual contributions made.

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

**Northwestern Lehigh School District**  
**Combining Statement of Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**For the Year Ended June 30, 2016**

|  | CARL<br>BETZ<br>SCHOLAR.<br>FUND | STUDENT<br>COUNCIL<br>SCHOLAR.<br>FUND | LAURETTA<br>LEAR<br>SCHOLAR.<br>FUND | DAVID<br>FALLINGER<br>SCHOLAR.<br>FUND | ROTH<br>MARZ<br>SCHOLAR.<br>FUND | MORTON<br>GENERAL<br>SCHOLAR.<br>FUND | STEPHEN<br>KOHLER<br>MEMORIAL<br>SCHOLAR.<br>FUND | WEISEN-<br>BERG<br>SCHOLAR.<br>FUND | KEY<br>CLUB<br>SCHOLAR.<br>FUND |
|--|----------------------------------|--|--------------------------------------|--|----------------------------------|---------------------------------------|---|-------------------------------------|---------------------------------|
| <b>ASSETS &amp; DEFERRED OUTFLOWS<br/>OF RESOURCES</b>           |                                  |  |                                      |  |                                  |                                       |   |                                     |                                 |
| Cash   | \$ 6,739                         | \$ 271                                 | \$ 3,537                             | \$ 5,807                               | \$ 10,552                        | \$ 52,803                             | \$ 7,406  | \$ 2,881                            | \$ 33                           |
| Investments  | -                                | -                                      | -                                    | -                                      | -                                | -                                     | -   | -                                   | -                               |
| Accrued Interest Receivable                                      | -                                | -                                      | -                                    | -                                      | -                                | -                                     | -   | -                                   | -                               |
| Deferred Charges on Rfdgs.                                       | -                                | -                                      | -                                    | -                                      | -                                | -                                     | -   | -                                   | -                               |
| <b>TOTAL ASSETS &amp; DEFERRED<br/>OUTFLOWS OF RESOURCES</b>     | <b>\$ 6,739</b>                  | <b>\$ 271</b>                          | <b>\$ 3,537</b>                      | <b>\$ 5,807</b>                        | <b>\$ 10,552</b>                 | <b>\$ 52,803</b>                      | <b>\$ 7,406</b>                                   | <b>\$ 2,881</b>                     | <b>\$ 33</b>                    |
| <b>LIABILITIES &amp; DEFERRED<br/>INFLOWS OF RESOURCES</b>       |                                  |  |                                      |  |                                  |                                       |   |                                     |                                 |
| Accounts Payable   | \$ -                             | \$ -                                   | \$ -                                 | \$ -                                   | \$ -                             | \$ -                                  | \$ -  | \$ -                                | \$ -                            |
| Interfund Payables   | -                                | -                                      | -                                    | -                                      | -                                | -                                     | -   | -                                   | -                               |
| Unearned Revenue   | -                                | -                                      | -                                    | -                                      | -                                | -                                     | -   | -                                   | -                               |
| <b>TOTAL LIABILITIES &amp; DEFERRED<br/>INFLOWS OF RESOURCES</b> | <b>-</b>                         | <b>-</b>                               | <b>-</b>                             | <b>-</b>                               | <b>-</b>                         | <b>-</b>                              | <b>-</b>  | <b>-</b>                            | <b>-</b>                        |
| <b>NET POSITION</b>  |                                  |  |                                      |  |                                  |                                       |   |                                     |                                 |
| Held in Trust for future recipients                              | <b>\$ 6,739</b>                  | <b>\$ 271</b>                          | <b>\$ 3,537</b>                      | <b>\$ 5,807</b>                        | <b>\$ 10,552</b>                 | <b>\$ 52,803</b>                      | <b>\$ 7,406</b>                                   | <b>\$ 2,881</b>                     | <b>\$ 33</b>                    |

**Northwestern Lehigh School District**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**For the Year Ended June 30, 2016**

|                                  | CARL<br>BETZ<br>SCHOLAR.<br>FUND | STUDENT<br>COUNCIL<br>SCHOLAR.<br>FUND | LAURETTA<br>LEAR<br>SCHOLAR.<br>FUND | DAVID<br>FALLINGER<br>SCHOLAR.<br>FUND | ROTH<br>MARZ<br>SCHOLAR.<br>FUND | MORTON<br>GENERAL<br>SCHOLAR.<br>FUND | STEPHEN<br>KOHLER<br>MEMORIAL<br>SCHOLAR.<br>FUND | WEISEN-<br>BERG<br>SCHOLAR.<br>FUND | KEY<br>CLUB<br>SCHOLAR.<br>FUND |
|----------------------------------|----------------------------------|--|--------------------------------------|--|----------------------------------|---------------------------------------|---|-------------------------------------|---------------------------------|
| <b>ADDITIONS:</b>                |                                  |  |                                      |  |                                  |                                       |   |                                     |                                 |
| Contributions                    | \$ -                             | \$ 300                                 | \$ -                                 | \$ -                                   | \$ -                             | \$ 4,000                              | \$ -  | \$ 2,258                            | \$ -                            |
| Interfund Transfers In           | -                                | -                                      | -                                    | -                                      | -                                | -                                     | -   | -                                   | -                               |
| <b>INVESTMENT EARNINGS:</b>      |                                  |  |                                      |  |                                  |                                       |   |                                     |                                 |
| Interest and dividends           | 27                               | 1                                      | 14                                   | 23                                     | 42                               | 219                                   | 30  | 6                                   | -                               |
| <b>TOTAL ADDITIONS</b>           | <b>27</b>                        | <b>301</b>                             | <b>14</b>                            | <b>23</b>                              | <b>42</b>                        | <b>4,219</b>                          | <b>30</b>   | <b>2,264</b>                        | <b>-</b>                        |
| <b>DEDUCTIONS:</b>               |                                  |  |                                      |  |                                  |                                       |   |                                     |                                 |
| Interfund Transfers Out          | -                                | -                                      | -                                    | -                                      | -                                | -                                     | -   | -                                   | -                               |
| Awards                           | 50                               | 300                                    | 50                                   | 100                                    | 100                              | 4,350                                 | 50  | 1,100                               | -                               |
| <b>TOTAL DEDUCTIONS</b>          | <b>50</b>                        | <b>300</b>                             | <b>50</b>                            | <b>100</b>                             | <b>100</b>                       | <b>4,350</b>                          | <b>50</b>   | <b>1,100</b>                        | <b>-</b>                        |
| <b>CHANGES IN NET POSITION</b>   | <b>(23)</b>                      | <b>1</b>                               | <b>(36)</b>                          | <b>(77)</b>                            | <b>(58)</b>                      | <b>(131)</b>                          | <b>(20)</b>                                       | <b>1,164</b>                        | <b>-</b>                        |
| <b>NET POSITION - BEG. OF YR</b> | <b>6,762</b>                     | <b>270</b>                             | <b>3,573</b>                         | <b>5,884</b>                           | <b>10,610</b>                    | <b>52,934</b>                         | <b>7,426</b>                                      | <b>1,717</b>                        | <b>33</b>                       |
| <b>NET POSITION - END OF YR</b>  | <b>\$ 6,739</b>                  | <b>\$ 271</b>                          | <b>\$ 3,537</b>                      | <b>\$ 5,807</b>                        | <b>\$ 10,552</b>                 | <b>\$ 52,803</b>                      | <b>\$ 7,406</b>                                   | <b>\$ 2,881</b>                     | <b>\$ 33</b>                    |

| JUSTIN<br>HUMMEL<br>SCHOLAR.<br>FUND | LYNDSAY<br>BLOSE<br>SCHOLAR.<br>FUND | NWLS<br>SCHOLAR.<br>FUND | FISHER<br>SCHOLAR.<br>FUND | RESH<br>SCHOLAR.<br>FUND | KISTLER<br>SCHOLAR.<br>FUND | NEMES<br>FISHER<br>SCHOLAR.<br>FUND | NICK<br>GUSTAFSON<br>SCHOLAR.<br>FUND | ALUMNI<br>SCHOLAR.<br>FUND | SCIENCE<br>CLUB<br>SCHOLAR.<br>FUND | TOTAL             |
|--------------------------------------|--------------------------------------|--------------------------|----------------------------|--------------------------|-----------------------------|-------------------------------------|---------------------------------------|----------------------------|-------------------------------------|-------------------|
| \$ 4,670                             | \$ 8,564                             | \$ 2                     | \$ 41                      | \$ 15,905                | \$ 3                        | \$ 4,300                            | \$ 2,292                              | \$ 10,562                  | \$ 3                                | \$ 136,371        |
| -                                    | -                                    | -                        | -                          | -                        | -                           | -                                   | -                                     | -                          | -                                   | -                 |
| -                                    | -                                    | -                        | -                          | -                        | -                           | -                                   | -                                     | -                          | -                                   | -                 |
| <u>-</u>                             | <u>-</u>                             | <u>-</u>                 | <u>-</u>                   | <u>-</u>                 | <u>-</u>                    | <u>-</u>                            | <u>-</u>                              | <u>-</u>                   | <u>-</u>                            | <u>-</u>          |
| <b>\$ 4,670</b>                      | <b>\$ 8,564</b>                      | <b>\$ 2</b>              | <b>\$ 41</b>               | <b>\$ 15,905</b>         | <b>\$ 3</b>                 | <b>\$ 4,300</b>                     | <b>\$ 2,292</b>                       | <b>\$ 10,562</b>           | <b>\$ 3</b>                         | <b>\$ 136,371</b> |
| -                                    | -                                    | -                        | -                          | -                        | -                           | -                                   | -                                     | -                          | -                                   | -                 |
| -                                    | -                                    | -                        | -                          | -                        | -                           | -                                   | -                                     | -                          | -                                   | -                 |
| <u>-</u>                             | <u>-</u>                             | <u>-</u>                 | <u>-</u>                   | <u>-</u>                 | <u>-</u>                    | <u>-</u>                            | <u>-</u>                              | <u>-</u>                   | <u>-</u>                            | <u>-</u>          |
| <b>\$ 4,670</b>                      | <b>\$ 8,564</b>                      | <b>\$ 2</b>              | <b>\$ 41</b>               | <b>\$ 15,905</b>         | <b>\$ 3</b>                 | <b>\$ 4,300</b>                     | <b>\$ 2,292</b>                       | <b>\$ 10,562</b>           | <b>\$ 3</b>                         | <b>\$ 136,371</b> |

| JUSTIN<br>HUMMEL<br>SCHOLAR.<br>FUND | LYNDSAY<br>BLOSE<br>SCHOLAR.<br>FUND | NWLS<br>SCHOLAR.<br>FUND | FISHER<br>SCHOLAR.<br>FUND | RESH<br>SCHOLAR.<br>FUND | KISTLER<br>SCHOLAR.<br>FUND | NEMES<br>FISHER<br>SCHOLAR.<br>FUND | NICK<br>GUSTAFSON<br>SCHOLAR.<br>FUND | ALUMNI<br>SCHOLAR.<br>FUND | SCIENCE<br>CLUB<br>SCHOLAR.<br>FUND | TOTAL             |
|--------------------------------------|--------------------------------------|--------------------------|----------------------------|--------------------------|-----------------------------|-------------------------------------|---------------------------------------|----------------------------|-------------------------------------|-------------------|
| \$ -                                 | \$ -                                 | \$ -                     | \$ -                       | \$ 950                   | \$ -                        | \$ -                                | \$ -                                  | \$ -                       | \$ 2,400                            | \$ 9,908          |
| -                                    | -                                    | -                        | -                          | -                        | -                           | -                                   | -                                     | -                          | -                                   | -                 |
| 18                                   | 35                                   | -                        | -                          | 62                       | -                           | 18                                  | 9                                     | 43                         | -                                   | 547               |
| <u>18</u>                            | <u>35</u>                            | <u>-</u>                 | <u>-</u>                   | <u>1,012</u>             | <u>-</u>                    | <u>18</u>                           | <u>9</u>                              | <u>43</u>                  | <u>2,400</u>                        | <u>10,455</u>     |
| -                                    | -                                    | -                        | -                          | -                        | -                           | -                                   | -                                     | -                          | -                                   | -                 |
| -                                    | 50                                   | -                        | -                          | 500                      | -                           | 100                                 | -                                     | 200                        | 2,400                               | 9,350             |
| -                                    | <u>50</u>                            | <u>-</u>                 | <u>-</u>                   | <u>500</u>               | <u>-</u>                    | <u>100</u>                          | <u>-</u>                              | <u>200</u>                 | <u>2,400</u>                        | <u>9,350</u>      |
| 18                                   | (15)                                 | -                        | -                          | 512                      | -                           | (82)                                | 9                                     | (157)                      | -                                   | 1,105             |
| <u>4,652</u>                         | <u>8,579</u>                         | <u>2</u>                 | <u>41</u>                  | <u>15,393</u>            | <u>3</u>                    | <u>4,382</u>                        | <u>2,283</u>                          | <u>10,719</u>              | <u>3</u>                            | <u>135,266</u>    |
| <b>\$ 4,670</b>                      | <b>\$ 8,564</b>                      | <b>\$ 2</b>              | <b>\$ 41</b>               | <b>\$ 15,905</b>         | <b>\$ 3</b>                 | <b>\$ 4,300</b>                     | <b>\$ 2,292</b>                       | <b>\$ 10,562</b>           | <b>\$ 3</b>                         | <b>\$ 136,371</b> |

**Northwestern Lehigh School District**  
**Combining Statement of Fund Net Position - All Enterprise Funds**  
**As of June 30, 2016**

|  | <b>(NON-MAJOR)<br/>TIGER<br/>CONCESSION<br/>FUND</b> | <b>(MAJOR)<br/>FOOD<br/>SERVICE<br/>FUND</b> | <b>TOTAL</b>      |
|--|--|--|-------------------|
| <b>ASSETS</b>  |  |  |                   |
| Cash   | \$ 42,750  | \$ 1,881                                     | \$ 44,631         |
| Investments  | -  | -  | -                 |
| Due From Other Funds   | 363  | 136,515                                      | 136,878           |
| Due From Other Governments   | -  | -  | -                 |
| Other Receivables  | -  | 1,934  | 1,934             |
| Inventory  | -  | 13,033                                       | 13,033            |
| Prepaid Expenses   | -  | 151  | 151               |
| Building Improvements, net of Accum. depreciation                              | -  | 41,583                                       | 41,583            |
| Equipment, net of Accum. Depreciation  | 57,483   | 76,067                                       | 133,550           |
| <b>TOTAL ASSETS</b>  | <b>\$ 100,596</b>                                    | <b>\$ 271,164</b>                            | <b>\$ 371,760</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |  |  |                   |
| Deferred Outflows of Resources - Change in Proportion of NPL                   | -  | 11,684                                       | 11,684            |
| Deferred Outflows of Resources - Current Year Contributions                    | -  | 68,635                                       | 68,635            |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>                       | <b>\$ 100,596</b>                                    | <b>\$ 351,483</b>                            | <b>\$ 452,079</b> |
| <b>LIABILITIES</b>   |  |  |                   |
| Due To Other Funds   | \$ -   | \$ 124,024                                   | \$ 124,024        |
| Accounts Payable   | -  | 5,684  | 5,684             |
| Intergovernmental Payables   | -  | -  | -                 |
| Accrued Salaries and Benefits  | -  | 231  | 231               |
| Accrued Compensated Absences   | -  | 1,277  | 1,277             |
| Net Pension Liability  | -  | 944,614                                      | 944,614           |
| Other Retirement Benefits  | -  | -  | -                 |
| Prepayments  | -  | 18,420                                       | 18,420            |
| <b>TOTAL LIABILITIES</b>   | <b>-</b>   | <b>1,094,250</b>                             | <b>1,094,250</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |  |  |                   |
| Deferred Inflows of Resources - Diff. in projected vs actual invest. Earnings  | -  | 6,592  | 6,592             |
| Deferred Inflows of Resources - Diff. in projected vs actual Contributions     | -  | 1,354  | 1,354             |
| Deferred Inflows of Resources - Change in Proportion of NPL                    | -  | -  | -                 |
| Deferred Inflows of Resources - Diff. in Expected vs Actual Experience         | -  | 3,631  | 3,631             |
| <b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>                   | <b>-</b>   | <b>1,105,827</b>                             | <b>1,105,827</b>  |
| <b>FUND NET POSITION</b>   |  |  |                   |
| Net Investment in Capital Assets   | 57,483   | 117,650                                      | 175,133           |
| Unrestricted   | 43,113   | (871,994)                                    | (828,881)         |
| <b>TOTAL FUND NET POSITION</b>   | <b>100,596</b>                                       | <b>(754,344)</b>                             | <b>(653,748)</b>  |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION</b> | <b>\$ 100,596</b>                                    | <b>\$ 351,483</b>                            | <b>\$ 452,079</b> |

**Northwestern Lehigh School District**  
**Combining Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position - All Enterprise Funds**  
**For the Year Ended June 30, 2016**

|   | <u>(NON-MAJOR)<br/>TIGER<br/>CONCESSION<br/>FUND</u> | <u>(MAJOR)<br/>FOOD<br/>SERVICE<br/>FUND</u> | <u>TOTAL</u>        |
|---|--|--|---------------------|
| <b>OPERATING REVENUES</b>                         |  |  |                     |
| Food Service Revenue                              | \$ 21,247  | \$ 483,486                                   | \$ 504,733          |
| Other Operating Revenue                           | <u>12,228</u>  | <u>5,246</u>                                 | <u>17,474</u>       |
| <b>TOTAL OPERATING REVENUES</b>                   | -----<br>33,475                                      | -----<br>488,732                             | -----<br>522,207    |
| <b>OPERATING EXPENSES</b>                         |  |  |                     |
| Salaries  | 2,923  | 292,686                                      | 295,609             |
| Employee Benefits                                 | 754  | 121,951                                      | 122,705             |
| Professional Services                             | -  | 720  | 720                 |
| Purchased Property Services                       | -  | 19,168                                       | 19,168              |
| Other Purchased Services                          | -  | 853  | 853                 |
| Supplies  | 15,762   | 389,718                                      | 405,480             |
| Depreciation                                      | 3,789  | 25,217                                       | 29,006              |
| Other Operating Expenses                          | <u>1,259</u>   | <u>6,321</u>                                 | <u>7,580</u>        |
| <b>TOTAL OPERATING EXPENSES</b>                   | <u>24,487</u>  | <u>856,634</u>                               | <u>881,121</u>      |
| <b>OPERATING PROFIT (LOSS)</b>                    | -----<br>8,988                                       | -----<br>(367,902)                           | -----<br>(358,914)  |
| <b>NON-OPERATING REVENUES</b>                     |  |  |                     |
| Earnings on Investments                           | 123  | -  | 123                 |
| Contributions/Donations                           | 14,500   | -  | 14,500              |
| Revenue from Local Government Units               | -  | -  | -                   |
| State Sources                                     | 363  | 66,030                                       | 66,393              |
| Federal Sources                                   | <u>-</u>   | <u>266,490</u>                               | <u>266,490</u>      |
| <b>TOTAL NON-OPERATING REVENUES</b>               | <u>14,986</u>  | <u>332,520</u>                               | <u>347,506</u>      |
| <b>INCOME (LOSS) BEFORE INTERFUND TRANSFERS</b>   | 23,974   | (35,382)                                     | (11,408)            |
| <b>Interfund Transfers</b>                        | <u>-</u>   | <u>-</u>                                     | <u>-</u>            |
| <b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b> | 23,974   | (35,382)                                     | (11,408)            |
| Capital Contributions                             | -  | -  | -                   |
| Gain or Loss on Sale of Fixed Assets              | <u>-</u>   | <u>-</u>                                     | <u>-</u>            |
| <b>CHANGES IN FUND NET POSITION</b>               | 23,974   | (35,382)                                     | (11,408)            |
| <b>FUND NET POSITION - JULY 1, 2015</b>           | <u>76,622</u>  | <u>(718,962)</u>                             | <u>(642,340)</u>    |
| <b>FUND NET POSITION - JUNE 30, 2016</b>          | <u>\$ 100,596</u>                                    | <u>\$ (754,344)</u>                          | <u>\$ (653,748)</u> |

**Northwestern Lehigh School District**  
**Combining Statement of Cash Flows - All Enterprise Funds**  
**For the Year Ended June 30, 2016**

|   | <b>(NON-MAJOR)<br/>TIGER<br/>CONCESSION<br/>FUND</b> | <b>(MAJOR)<br/>FOOD<br/>SERVICE<br/>FUND</b> | <b>TOTAL</b>     |
|---|--|--|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |  |  |                  |
| Cash received from users  | \$ 21,549  | \$ 477,657                                   | \$ 499,206       |
| Cash received from assessments to other funds                           | -  | -  | -                |
| Cash received from earnings on investments                              | -  | -  | -                |
| Cash received from other operating revenue                              | 12,228   | 11,299                                       | 23,527           |
| Cash paid to employees  | (3,677)  | (404,165)                                    | (407,842)        |
| Cash payments to insurance claims                                       | -  | -  | -                |
| Cash paid to suppliers  | (24,405)   | (361,853)                                    | (386,258)        |
| Cash payments for other operating expenses                              | (1,259)  | (6,321)                                      | (7,580)          |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                 | <u>4,436</u>   | <u>(283,383)</u>                             | <u>(278,947)</u> |
|   | -----  | -----  | -----            |
| <b>CASH FLOWS FROM NON-CAPITAL<br/>FINANCING ACTIVITIES</b>             |  |  |                  |
| Contributions   | 14,500   | -  | 14,500           |
| Local Sources   | -  | -  | -                |
| State Sources   | 363  | 66,030                                       | 66,393           |
| Federal Sources   | -  | 217,445                                      | 217,445          |
| Interfund Transfers   | -  | -  | -                |
| <b>NET CASH PROVIDED (USED) BY NON-CAPITAL<br/>FINANCING ACTIVITIES</b> | <u>14,863</u>  | <u>283,475</u>                               | <u>298,338</u>   |
|   | -----  | -----  | -----            |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b>     |  |  |                  |
| Purchase of Equipment   | (30,848)   | -  | (30,848)         |
| Capital Contributions   | -  | -  | -                |
| <b>NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES</b>         | <u>(30,848)</u>                                      | <u>-</u>                                     | <u>(30,848)</u>  |
|   | -----  | -----  | -----            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |  |  |                  |
| Earnings on Investments   | 123  | -  | 123              |
|   | -----  | -----  | -----            |
| <b>NET INCREASE (DECREASE) IN CASH AND<br/>CASH EQUIVALENTS</b>         | (11,426)   | 92   | (11,334)         |
| <b>CASH AND CASH EQUIVALENTS - JULY 1, 2015</b>                         | <u>54,176</u>  | <u>1,789</u>                                 | <u>55,965</u>    |
|   | -----  | -----  | -----            |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30, 2016</b>                        | <u>\$ 42,750</u>                                     | <u>\$ 1,881</u>                              | <u>\$ 44,631</u> |

**Northwestern Lehigh School District  
Combining Statement of Cash Flows - All Enterprise Funds  
For the Year Ended June 30, 2016**

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

|   | <b>(NON-MAJOR)<br/>TIGER<br/>CONCESSION<br/>FUND</b> | <b>(MAJOR)<br/>FOOD<br/>SERVICE<br/>FUND</b> | <b>TOTAL</b>        |
|---|--|--|---------------------|
|   | <u>-----</u>   | <u>-----</u>                                 | <u>-----</u>        |
| <b>OPERATING INCOME (LOSS)</b>  | \$ 8,988   | \$ (367,902)                                 | \$ (358,914)        |
|   | <u>-----</u>   | <u>-----</u>                                 | <u>-----</u>        |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET<br/>CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |  |  |                     |
| Depreciation  | 3,789  | 25,217                                       | 29,006              |
| Donated Commodities used  | -  | 49,114                                       | 49,114              |
| <b>NET CHANGES IN ASSETS AND LIABILITIES:</b>   |  |  |                     |
| (Increase) Decrease in Accounts Receivable  | -  | 375  | 375                 |
| (Increase) Decrease in Interfund Receivable   | 302  | 509,518                                      | 509,820             |
| (Increase) Decrease in Inventories  | -  | (2,323)                                      | (2,323)             |
| (Increase) Decrease in Prepaid Expenses   | -  | (151)  | (151)               |
| (Increase) Decrease in Deferred Inflows of Resources - Change in Proportion of NPL                        | -  | (6,130)                                      | (6,130)             |
| (Increase) Decrease in Deferred Inflows of Resources - Current Year Contributions                         | -  | (15,345)                                     | (15,345)            |
| Increase (Decrease) in Interfund Payable  | (6,813)  | (509,380)                                    | (516,193)           |
| Increase (Decrease) in Accounts Payable   | -  | 4,808  | 4,808               |
| Increase (Decrease) in Accrued Salaries and Benefits  | -  | (133)  | (133)               |
| Increase (Decrease) in Net Pension Liability  | -  | 83,069                                       | 83,069              |
| Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual invest. Earnings      | -  | (55,074)                                     | (55,074)            |
| Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual Contributions         | -  | 454  | 454                 |
| Increase (Decrease) in Deferred Inflows of Resources - Change in Proportion of NPL                        | -  | -  | -                   |
| Increase (Decrease) in Deferred Inflows of Resources - Diff. in Expected vs Actual Experience             | -  | 3,631  | 3,631               |
| Increase (Decrease) in Prepayments  | (1,830)  | (3,131)                                      | (4,961)             |
| <b>TOTAL ADJUSTMENTS</b>  | <u>(4,552)</u>                                       | <u>84,519</u>                                | <u>79,967</u>       |
| <b>NET CASH PROVIDED (USED) BY<br/>OPERATING ACTIVITIES</b>   | <u>\$ 4,436</u>                                      | <u>\$ (283,383)</u>                          | <u>\$ (278,947)</u> |

**Northwestern Lehigh School District  
Combining Balance Sheet  
All Agency Funds  
As of June 30, 2016**

| <b>ASSETS</b>             | <b>ACTIVITY<br/>FUND</b> | <b>PAYROLL<br/>FUND</b> | <b>TOTAL</b>             |
|---------------------------|--------------------------|-------------------------|--------------------------|
| Cash                      | \$ 149,337               | \$ 14,013               | \$ 163,350               |
| Due from Other Funds      | -                        | -                       | -                        |
| Accounts Receivable       | -                        | -                       | -                        |
| Prepaid Expenses          | -                        | -                       | -                        |
| <b>TOTAL ASSETS</b>       | <b><u>\$ 149,337</u></b> | <b><u>\$ 14,013</u></b> | <b><u>\$ 163,350</u></b> |
| <br>                      |                          |                         |                          |
| <b>LIABILITIES</b>        |                          |                         |                          |
| Accounts Payable          | \$ 13,047                | \$ -                    | \$ 13,047                |
| Intergovernmental Payable | -                        | -                       | -                        |
| Due Student Organizations | 135,172                  | -                       | 135,172                  |
| Payroll Deductions        | -                        | 11,833                  | 11,833                   |
| Interfund Payable         | 1,118                    | 2,180                   | 3,298                    |
| <b>TOTAL LIABILITIES</b>  | <b><u>\$ 149,337</u></b> | <b><u>\$ 14,013</u></b> | <b><u>\$ 163,350</u></b> |

**Northwestern Lehigh School District  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2016**

| <u>ACTIVITY FUND</u>               | <u>BALANCE<br/>7/1/15</u> | <u>ADDITIONS</u>            | <u>DELETIONS</u>            | <u>BALANCE<br/>6/30/16</u> |
|------------------------------------|---------------------------|-----------------------------|-----------------------------|----------------------------|
| <b>ASSETS:</b>                     |                           |                             |                             |                            |
| Cash                               | \$ 110,157                | \$ 313,998                  | \$ 274,818                  | \$ 149,337                 |
| Interfund Receivable               | -                         | -                           | -                           | -                          |
| Accounts Receivable                | -                         | -                           | -                           | -                          |
| Prepaid Expenses                   | -                         | -                           | -                           | -                          |
| <b>TOTAL ASSETS</b>                | <b><u>\$ 110,157</u></b>  | <b><u>\$ 313,998</u></b>    | <b><u>\$ 274,818</u></b>    | <b><u>\$ 149,337</u></b>   |
| <b>LIABILITIES:</b>                |                           |                             |                             |                            |
| Accounts Payable                   | \$ 8,576                  | \$ 13,047                   | \$ 8,576                    | \$ 13,047                  |
| Intergovernmental Payable          | -                         | -                           | -                           | -                          |
| Interfund Payables                 | -                         | 1,118                       | -                           | 1,118                      |
| Due to Student Organizations       | 101,581                   | 299,833                     | 266,242                     | 135,172                    |
| <b>TOTAL LIABILITIES</b>           | <b><u>\$ 110,157</u></b>  | <b><u>\$ 313,998</u></b>    | <b><u>\$ 274,818</u></b>    | <b><u>\$ 149,337</u></b>   |
| <br><b><u>PAYROLL FUND</u></b>     |                           |                             |                             |                            |
| <b>ASSETS:</b>                     |                           |                             |                             |                            |
| Cash                               | \$ 16,488                 | \$ 17,148,087               | \$ 17,150,562               | \$ 14,013                  |
| Other Accounts Receivable          | -                         | -                           | -                           | -                          |
| Interfund Receivable               | 1                         | -                           | 1                           | -                          |
| <b>TOTAL ASSETS</b>                | <b><u>\$ 16,489</u></b>   | <b><u>\$ 17,148,087</u></b> | <b><u>\$ 17,150,563</u></b> | <b><u>\$ 14,013</u></b>    |
| <b>LIABILITIES:</b>                |                           |                             |                             |                            |
| Accounts Payable                   | \$ -                      | \$ -                        | \$ -                        | \$ -                       |
| Interfund Payable                  | 1,185                     | 2,180                       | 1,185                       | 2,180                      |
| Accrued Payroll Deductions         | 15,304                    | 17,145,907                  | 17,149,378                  | 11,833                     |
| <b>TOTAL LIABILITIES</b>           | <b><u>\$ 16,489</u></b>   | <b><u>\$ 17,148,087</u></b> | <b><u>\$ 17,150,563</u></b> | <b><u>\$ 14,013</u></b>    |
| <br><b><u>ALL AGENCY FUNDS</u></b> |                           |                             |                             |                            |
| <b>ASSETS:</b>                     |                           |                             |                             |                            |
| Cash                               | \$ 126,645                | \$ 17,462,085               | \$ 17,425,380               | \$ 163,350                 |
| Interfund Receivables              | 1                         | -                           | 1                           | -                          |
| Accounts Receivable                | -                         | -                           | -                           | -                          |
| Prepaid Expenses                   | -                         | -                           | -                           | -                          |
| <b>TOTAL ASSETS</b>                | <b><u>\$ 126,646</u></b>  | <b><u>\$ 17,462,085</u></b> | <b><u>\$ 17,425,381</u></b> | <b><u>\$ 163,350</u></b>   |
| <b>LIABILITIES:</b>                |                           |                             |                             |                            |
| Accounts Payable                   | \$ 8,576                  | \$ 13,047                   | \$ 8,576                    | \$ 13,047                  |
| Intergovernmental Payable          | -                         | -                           | -                           | -                          |
| Due to Student Organizations       | 101,581                   | 299,833                     | 266,242                     | 135,172                    |
| Accrued Payroll Deductions         | 15,304                    | 17,145,907                  | 17,149,378                  | 11,833                     |
| Interfund Payable                  | 1,185                     | 3,298                       | 1,185                       | 3,298                      |
| <b>TOTAL LIABILITIES</b>           | <b><u>\$ 126,646</u></b>  | <b><u>\$ 17,462,085</u></b> | <b><u>\$ 17,425,381</u></b> | <b><u>\$ 163,350</u></b>   |

**Northwestern Lehigh School District  
Combining Balance Sheet - All Capital Project Funds  
As of June 30, 2016**

|  | <b>CAPITAL<br/>RESERVE<br/>FUND</b> | <b>2008A - 33<br/>CONSTRUCTION<br/>FUND</b> | <b>2009<br/>CONSTRUCTION<br/>FUND</b> | <b>TOTAL<br/>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> |
|--|-------------------------------------|---|---------------------------------------|---|
| <b><u>ASSETS</u></b>   |                                     |   |                                       |   |
| Cash and cash equivalents  | \$ 1,727,491                        | \$ -  | \$ -                                  | \$ 1,727,491  |
| Investments  | 1,000,000                           | -   | -                                     | 1,000,000   |
| Due from other funds   | -                                   | -   | -                                     | -   |
| Accrued Interest Receivables   | -                                   | -   | -                                     | -   |
| Prepaid Expenditures   | -                                   | -   | -                                     | -   |
| Other Current Assets   | -                                   | -   | -                                     | -   |
| <b>TOTAL ASSETS</b>  | <b>\$ 2,727,491</b>                 | <b>\$ -</b>                                 | <b>\$ -</b>                           | <b>\$ 2,727,491</b>                                   |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>                                   |                                     |   |                                       |   |
| Deferred Charges on Refundings, net  | -                                   | -   | -                                     | -   |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>                       | <b>\$ 2,727,491</b>                 | <b>\$ -</b>                                 | <b>\$ -</b>                           | <b>\$ 2,727,491</b>                                   |
| <b><u>LIABILITIES</u></b>  |                                     |   |                                       |   |
| Due to Other Funds   | \$ 598,273                          | \$ -  | \$ -                                  | \$ 598,273  |
| Accounts Payable   | 40,998                              | -   | -                                     | 40,998  |
| Intergovernmental Payables   | -                                   | -   | -                                     | -   |
| Prepayments  | -                                   | -   | -                                     | -   |
| Other Current Liabilities  | -                                   | -   | -                                     | -   |
| <b>TOTAL LIABILITIES</b>   | <b>639,271</b>                      | <b>-</b>                                    | <b>-</b>                              | <b>639,271</b>  |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                    |                                     |   |                                       |   |
| Unearned/Unavailable Revenue   | -                                   | -   | -                                     | -   |
|  | 639,271                             | -   | -                                     | 639,271   |
| <b>FUND BALANCES:</b>  |                                     |   |                                       |   |
| Restricted Fund Balance  | 2,088,220                           | -   | -                                     | 2,088,220   |
| Assigned Fund Balance  | -                                   | -   | -                                     | -   |
| <b>TOTAL FUND BALANCES</b>   | <b>2,088,220</b>                    | <b>-</b>                                    | <b>-</b>                              | <b>2,088,220</b>                                      |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCES</b> | <b>\$ 2,727,491</b>                 | <b>\$ -</b>                                 | <b>\$ -</b>                           | <b>\$ 2,727,491</b>                                   |

**Northwestern Lehigh School District**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**All Capital Project Funds**  
**For the Year Ended June 30, 2016**

|  | <b>CAPITAL<br/>RESERVE<br/>FUND</b> | <b>2008A - 33<br/>CONSTRUCTION<br/>FUND</b> | <b>2009<br/>CONSTRUCTION<br/>FUND</b> | <b>TOTAL<br/>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> |
|--|-------------------------------------|---|---------------------------------------|---|
| <b>REVENUES</b>  |                                     |   |                                       |   |
| Local Sources  | \$ 33,300                           | \$ 182                                      | \$ 45                                 | \$ 33,527   |
| State Sources  | -                                   | -   | -                                     | -   |
| Federal Sources  | -                                   | -   | -                                     | -   |
| <b>TOTAL REVENUES</b>                                    | <u>33,300</u>                       | <u>182</u>                                  | <u>45</u>                             | <u>33,527</u>   |
| <b>EXPENDITURES</b>                                      |                                     |   |                                       |   |
| Instruction  | -                                   | -   | -                                     | -   |
| Support Services   | -                                   | -   | -                                     | -   |
| Operation of Non-Instructional Services                  | -                                   | -   | -                                     | -   |
| Capital Outlay   | 2,215,953                           | 715,439                                     | 502,677                               | 3,434,069   |
| Debt Service   | -                                   | -   | -                                     | -   |
| <b>TOTAL EXPENDITURES</b>                                | <u>2,215,953</u>                    | <u>715,439</u>                              | <u>502,677</u>                        | <u>3,434,069</u>                                      |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> | <u>(2,182,653)</u>                  | <u>(715,257)</u>                            | <u>(502,632)</u>                      | <u>(3,400,542)</u>                                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                                     |   |                                       |   |
| Bond Proceeds  | -                                   | -   | -                                     | -   |
| Refunding Bond Proceeds                                  | -                                   | -   | -                                     | -   |
| Bond Discount  | -                                   | -   | -                                     | -   |
| Interfund Transfers In                                   | 3,499,356                           | -   | -                                     | 3,499,356   |
| Sale/Compensation for Fixed Assets                       | -                                   | -   | -                                     | -   |
| Payment to bond refunding escrow agent                   | -                                   | -   | -                                     | -   |
| Refunds of Prior Year Receipts                           | -                                   | -   | -                                     | -   |
| Operating Transfers Out                                  | -                                   | -   | -                                     | -   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>              | <u>3,499,356</u>                    | <u>-</u>                                    | <u>-</u>                              | <u>3,499,356</u>                                      |
| <b>SPECIAL/EXTRAORDINARY ITEMS</b>                       |                                     |   |                                       |   |
| Special Items  | -                                   | -   | -                                     | -   |
| Extraordinary Items                                      | -                                   | -   | -                                     | -   |
| <b>NET CHANGE IN FUND BALANCES</b>                       | 1,316,703                           | (715,257)                                   | (502,632)                             | 98,814  |
| <b>FUND BALANCES - BEGINNING</b>                         | <u>771,517</u>                      | <u>715,257</u>                              | <u>502,632</u>                        | <u>1,989,406</u>                                      |
| <b>FUND BALANCES - ENDING</b>                            | <u>\$ 2,088,220</u>                 | <u>\$ -</u>                                 | <u>\$ -</u>                           | <u>\$ 2,088,220</u>                                   |

**Northwestern Lehigh School District  
General Fund  
Schedule on Tax Collectors' Receipts  
For the Year Ended June 30, 2016**

| <b><u>CURRENT REAL ESTATE TAXES</u></b>  | <b><u>HEIDELBERG<br/>TOWNSHIP</u></b> | <b><u>LOWHILL<br/>TOWNSHIP</u></b> | <b><u>LYNN<br/>TOWNSHIP</u></b> | <b><u>WEISENBERG<br/>TOWNSHIP</u></b> | <b><u>TOTALS</u></b>         |
|--|---------------------------------------|------------------------------------|---------------------------------|---------------------------------------|------------------------------|
| Original Assessment                      | \$ 267,618,200                        | \$ 249,703,700                     | \$ 348,492,500                  | \$ 660,263,300                        | \$ 1,526,077,700             |
| Millage Rate                             | 0.015963                              | 0.015963                           | 0.015963                        | 0.015963                              | 0.015963                     |
| Total Assessed Tax Amount                | 4,271,989                             | 3,986,020                          | 5,563,022                       | 10,539,783                            | 24,360,814                   |
| Less: Act 1 Reduction                    | 152,286                               | 102,901                            | 191,898                         | 233,283                               | 680,368                      |
| <b>TAX PER DUPLICATE</b>                 | 4,119,703                             | 3,883,119                          | 5,371,124                       | 10,306,500                            | 23,680,446                   |
| PLUS - Additions                         | -                                     | -                                  | -                               | -                                     | -                            |
| - Penalties                              | 16,205                                | 7,907                              | 19,769                          | 21,917                                | 65,798                       |
| <b>TAXES TO BE COLLECTED</b>             | 4,135,908                             | 3,891,026                          | 5,390,893                       | 10,328,417                            | 23,746,244                   |
| LESS - Discounts                         | 63,510                                | 61,685                             | 86,590                          | 177,170                               | 388,955                      |
| - Reductions                             | -                                     | -                                  | -                               | 523,559                               | 523,559                      |
| - Refunds                                | 1,551                                 | 1,053                              | 11,222                          | 7,532                                 | 21,358                       |
| - Returned to County                     | 196,918                               | 117,184                            | 196,024                         | 192,717                               | 702,843                      |
| - Exonerations                           | -                                     | -                                  | -                               | 2                                     | 2                            |
| <b>NET CURRENT R. E. TAXES COLLECTED</b> | <b><u>\$ 3,873,929</u></b>            | <b><u>\$ 3,711,104</u></b>         | <b><u>\$ 5,097,057</u></b>      | <b><u>\$ 9,427,437</u></b>            | <b><u>\$ 22,109,527</u></b>  |
| <br><b>INTERIM R. E. TAXES COLLECTED</b> | <br><b><u>\$ 19,454</u></b>           | <br><b><u>\$ 18,389</u></b>        | <br><b><u>\$ 26,393</u></b>     | <br><b><u>\$ 286,385</u></b>          | <br><b><u>\$ 350,621</u></b> |

**Northwestern Lehigh School District  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual  
For the Year Ended June 30, 2016**

| <b>1000 - Revenue from Local Sources</b>   |   | <b>Budget</b>        | <b>Actual</b>        | <b>Variance</b>   |
|--|---|----------------------|----------------------|-------------------|
| 6111                                       | Current Real Estate Taxes                         | \$ 22,725,212        | \$ 22,109,527        | \$ (615,685)      |
| 6112                                       | Interim Real Estate Taxes                         | 170,000              | 350,621              | 180,621           |
| 6113                                       | Public Utility                                    | 33,000               | 29,627               | (3,373)           |
| 6114                                       | Payment in Lieu of Taxes                          | 5,700                | 5,733                | 33                |
| 6143                                       | Occupational Privilege Tax                        | 47,000               | 47,688               | 688               |
| 6151                                       | Earned Income Tax                                 | 2,500,000            | 2,464,174            | (35,826)          |
| 6153                                       | Real Estate Transfer Tax                          | 250,000              | 747,159              | 497,159           |
| 6411                                       | Delinquent Real Estate Taxes                      | 800,000              | 899,804              | 99,804            |
| 6412                                       | Delinquent Interim Real Estate Taxes              | 10,000               | 3,821                | (6,179)           |
| 6420                                       | Delinquent Per Capita Taxes                       | -                    | 99                   | 99                |
| 6510                                       | Interest  | 200,000              | 375,258              | 175,258           |
| 6710                                       | Admissions  | 60,000               | 57,655               | (2,345)           |
| 6740                                       | Fees  | 5,000                | 59,036               | 54,036            |
| 6790                                       | Other Student Activity Income                     | 10,000               | 3,034                | (6,966)           |
| 6832                                       | I/U Services - Federal                            | 332,578              | 348,772              | 16,194            |
| 6910                                       | Rentals   | 15,000               | 26,899               | 11,899            |
| 6920                                       | Contributions                                     | 10,000               | 83,193               | 73,193            |
| 6921                                       | Capital Contributions                             | 100,000              | 179,702              | 79,702            |
| 6943                                       | Adult School                                      | 5,000                | 6,619                | 1,619             |
| 6944                                       | Receipts from Other LEA's - Education             | 10,000               | 11,743               | 1,743             |
| 6961                                       | Transportaion Services Provided Other PA LEAs     | 5,000                | 8,366                | 3,366             |
| 6991                                       | Refunds of Prior Yr. Expenditures                 | -                    | 45,351               | 45,351            |
| 6992                                       | Energy Efficiency Revenue                         | -                    | 50,777               | 50,777            |
| 6999                                       | Other Revenues Not Specified Above                | 25,000               | 35,234               | 10,234            |
|  | <b>TOTAL REVENUE FROM LOCAL SOURCES</b>           | <b>\$ 27,318,490</b> | <b>\$ 27,949,892</b> | <b>\$ 631,402</b> |
| <br>                                       |   |                      |                      |                   |
| <b>7000 - Revenue from State Sources</b>   |   |                      |                      |                   |
| 7110                                       | Basic Subsidy - ESBE                              | 5,851,223            | 5,504,641            | (346,582)         |
| 7160                                       | Orphan Tuition                                    | 20,000               | 32,859               | 12,859            |
| 7271                                       | Special Education                                 | 1,396,441            | 1,326,334            | (70,107)          |
| 7311                                       | Transportation (Regular and Additional)           | 928,448              | 1,087,518            | 159,070           |
| 7312                                       | Transportation (Nonpublic and Charter School)     | -                    | 79,695               | 79,695            |
| 7320                                       | Rentals   | 350,000              | 297,290              | (52,710)          |
| 7330                                       | Health Services                                   | 41,000               | 39,768               | (1,232)           |
| 7340                                       | State Property Tax Reduction Allocation           | 676,228              | 676,228              | -                 |
| 7505                                       | Ready to Learn Grant                              | -                    | 230,490              | 230,490           |
| 7810                                       | FICA Revenue                                      | 654,113              | 647,419              | (6,694)           |
| 7820                                       | Retirement Revenue                                | 2,209,449            | 2,263,569            | 54,120            |
|  | <b>TOTAL REVENUE FROM STATE SOURCES</b>           | <b>12,126,902</b>    | <b>12,185,811</b>    | <b>58,909</b>     |
| <br>                                       |   |                      |                      |                   |
| <b>8000 - Revenue from Federal Sources</b> |   |                      |                      |                   |
| 8514                                       | Title I   | 176,345              | 174,072              | (2,273)           |
| 8515                                       | Title II A  | 34,968               | 34,817               | (151)             |
| 8820                                       | Medical Assistance Reimbursement                  | 2,000                | 2,421                | 421               |
|  | <b>TOTAL REVENUE FROM FEDERAL SOURCES</b>         | <b>213,313</b>       | <b>211,310</b>       | <b>(2,003)</b>    |
| <br>                                       |   |                      |                      |                   |
| <b>9000 - Other Financing Sources</b>      |   |                      |                      |                   |
| 9300                                       | Proceeds From Extended Term Financing             | -                    | -                    | -                 |
| 9400                                       | Sale of or Compensation For Loss of Fixed Assets  | -                    | -                    | -                 |
|  | <b>TOTAL REVENUE FROM OTHER FINANCING SOURCES</b> | <b>-</b>             | <b>-</b>             | <b>-</b>          |
|  | <b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b> | <b>\$ 39,658,705</b> | <b>\$ 40,347,013</b> | <b>\$ 688,308</b> |

**Northwestern Lehigh School District**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual**  
**For the Year Ended June 30, 2016**

| <b>1000 - Instruction</b>                                     | <b>Budget</b> | <b>Actual</b> | <b>Variance</b> |
|---|---------------|---------------|-----------------|
| 1110 Regular Programs - Elem./Secondary                       | \$ 15,307,542 | \$ 15,302,290 | \$ 5,252        |
| 1190 Federally Funded Regular Programs                        | 410,739       | 409,742       | 997             |
| 1211 Life Skills Support - Public                             | 69,241        | 61,835        | 7,406           |
| 1225 Speech & Language Impaired                               | 191,842       | 175,438       | 16,404          |
| 1231 Emotional Support - Public                               | 566,387       | 564,364       | 2,023           |
| 1241 Learning Support - Public                                | 2,686,762     | 2,686,713     | 49              |
| 1243 Gifted Support   | 168,026       | 145,181       | 22,845          |
| 1290 Other Support  | 1,673,147     | 1,671,309     | 1,838           |
| 1390 Other Vocational Education Programs                      | 1,032,432     | 1,017,295     | 15,137          |
| 1410 Drivers' Education                                       | 2,500         | -             | 2,500           |
| 1430 Homebound Instruction                                    | 3,695         | 3,294         | 401             |
| 1500 Non-Public School Programs                               | 4,000         | 3,683         | 317             |
| 1691 Adult Education  | 5,738         | 4,555         | 1,183           |
| 1700 Community College Programs                               | 246,746       | 246,746       | -               |
| Total Instruction   | 22,368,797    | 22,292,445    | 76,352          |
| <br>  |               |               |                 |
| <b><u>2000 - Support Services</u></b>                         |               |               |                 |
| 2111 Supervision of Pupil Personnel Services- Head            | 362,184       | 340,435       | 21,749          |
| 2122 Counseling Services                                      | 667,739       | 660,743       | 6,996           |
| 2142 Psychological Testing Services                           | 189,237       | 186,563       | 2,674           |
| 2230 Educational Television Services                          | 4,000         | 3,762         | 238             |
| 2240 Computer Assisted Instruction Services                   | 118,627       | 117,863       | 764             |
| 2250 School Library Services                                  | 556,603       | 555,618       | 985             |
| 2260 Instructional & Curriculum Dev. Service                  | 325,988       | 324,875       | 1,113           |
| 2271 Instructional Staff Development                          | 79,340        | 50,454        | 28,886          |
| 2272 Instructional Staff Development - Non-certified          | 1,350         | 835           | 515             |
| 2310 Board Services   | 89,755        | 88,697        | 1,058           |
| 2330 Tax Assessment & Collection Service                      | 92,232        | 86,729        | 5,503           |
| 2340 Staff Relations  | 52,224        | 51,033        | 1,191           |
| 2350 Legal Services   | 120,000       | 119,394       | 606             |
| 2360 Office of the Superintendent Services                    | 342,895       | 341,623       | 1,272           |
| 2370 Community Relations Services                             | 5,500         | 4,370         | 1,130           |
| 2380 Office of the Principal Services                         | 1,414,299     | 1,409,481     | 4,818           |
| 2420 Medical Services   | 326,680       | 326,577       | 103             |
| 2511 Supervision of Fiscal Services                           | 354,498       | 354,370       | 128             |
| 2519 Other Fiscal Services                                    | 307,443       | 306,757       | 686             |
| 2611 Supervision of Operation and Maintenance of Plant - Head | 224,066       | 223,403       | 663             |
| 2620 Operation of Building Services                           | 2,946,217     | 2,929,141     | 17,076          |
| 2630 Care and Upkeep of Grounds Services                      | 374,000       | 372,659       | 1,341           |
| 2660 Security Services  | 29,615        | 27,339        | 2,276           |
| 2711 Supervision of Student Transportation Services - Head    | 181,087       | 180,563       | 524             |
| 2720 Vehicle Operation Services                               | 1,750,932     | 1,611,709     | 139,223         |
| 2740 Vehicle Servicing and Maintenance Services               | 763,523       | 761,101       | 2,422           |
| 2818 System-Wide Technology Services                          | 313,983       | 312,437       | 1,546           |
| 2832 Recruitment and Placement Services                       | 268,373       | 266,854       | 1,519           |
| 2834 Staff Development Services                               | 18,190        | 10,709        | 7,481           |
| 2836 Non-Instructional Dev - Non Cert                         | 11,619        | 8,767         | 2,852           |
| 2900 Other Support Services                                   | 38,000        | 36,993        | 1,007           |
| Total Support Services  | 12,330,199    | 12,071,854    | 258,345         |
| <br>  |               |               |                 |
| <b><u>3000 - Operation of Non-Instructional Services</u></b>  |               |               |                 |
| 3210 School Sponsored Student Activities                      | 221,632       | 217,980       | 3,652           |
| 3250 School Sponsored Athletics                               | 684,652       | 682,919       | 1,733           |
| 3300 Community Services                                       | 5,000         | 5,000         | -               |
| Total Non-Instructional Services                              | 911,284       | 905,899       | 5,385           |

**Northwestern Lehigh School District  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual  
For the Year Ended June 30, 2016**

| <b><u>4000 - Facilities Acquisition, Construction, and Improvement Services</u></b> |   | <b><u>Budget</u></b>        | <b><u>Actual</u></b>        | <b><u>Variance</u></b>     |
|---|---|-----------------------------|-----------------------------|----------------------------|
| 4200  | Existing Site Improvement Services  | 12,000                      | 10,610                      | 1,390                      |
| 4500  | Building Acquisition and Construction Services - Original   | 4,000                       | 3,589                       | 411                        |
| 4600  | Existing Building Improvement Services  | <u>49,092</u>               | <u>47,989</u>               | <u>1,103</u>               |
|   | Total Facilities Acquisition, Construction, and Improvement Services  | 65,092                      | 62,188                      | 2,904                      |
| <b><u>5000 - Other Expenditures and Financing Uses</u></b>                          |   |                             |                             |                            |
| 5110  | Debt Service  | 3,235,079                   | 3,127,719                   | 107,360                    |
| 5130  | Refund of Prior Yr. Receipts  | 4,003                       | 3,587                       | 416                        |
| 5230  | Transfers to Capital Project Funds  | 4,301,636                   | 3,499,356                   | 802,280                    |
| 5900  | Budgetary Reserve   | <u>295,033</u>              | <u>-</u>                    | <u>295,033</u>             |
|   | Total Other Expenditures and Financing Uses   | <u>7,835,751</u>            | <u>6,630,662</u>            | <u>1,205,089</u>           |
|   | <b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>  | <b>\$ 43,511,123</b>        | <b>\$ 41,963,048</b>        | <b>\$ 1,548,075</b>        |
|   | <b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>   | <b>\$ 39,658,705</b>        | <b>\$ 40,347,013</b>        | <b>\$ 688,308</b>          |
|   | <b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>  | <b><u>43,511,123</u></b>    | <b><u>41,963,048</u></b>    | <b><u>1,548,075</u></b>    |
|   | NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES   | \$ (3,852,418)              | \$ (1,616,035)              | \$ 2,236,383               |
|   | Special Items   | -                           | -                           | -                          |
|   | Extraordinary Items   | <u>-</u>                    | <u>-</u>                    | <u>-</u>                   |
|   | NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES AFTER SPECIAL ITEMS AND EXTRAORDINARY ITEMS | \$ (3,852,418)              | \$ (1,616,035)              | \$ 2,236,383               |
|   | FUND BALANCE - JULY 1, 2015   | <u>19,013,092</u>           | <u>19,599,731</u>           | <u>586,639</u>             |
|   | FUND BALANCE - JUNE 30, 2016  | <b><u>\$ 15,160,674</u></b> | <b><u>\$ 17,983,696</u></b> | <b><u>\$ 2,823,022</u></b> |

**Northwestern Lehigh School District  
Food Service Fund  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Year Ended June 30, 2016**

**REVENUES**

|                                     |              |            |
|-------------------------------------|--------------|------------|
| Student Payments                    | \$ 474,047   |            |
| Adult Payments                      | 3,235        |            |
| Kitchen Sales                       | 6,204        |            |
| Miscellaneous                       | -            |            |
| Revenue from Local Government Units | -            |            |
| Federal Donated Commodities         | 49,045       |            |
| Federal Subsidies                   | 217,445      |            |
| Other Unrestricted Federal Grant    | -            |            |
| State Subsidies                     | 66,030       |            |
| Other State Revenue                 | -            |            |
| Transfer from General Fund          | -            |            |
| Interest                            | -            |            |
| Special Events                      | <u>5,246</u> | \$ 821,252 |

**COST OF SALES**

|  |                 |                |
|--|-----------------|----------------|
| Beginning Inventory - July 1, 2015     | 10,779          |                |
| Purchases - Food and Milk              | 297,025         |                |
| - Donated Commodities                  | 49,045          |                |
| - Supplies                             | 45,902          |                |
| LESS: Ending Inventory - June 30, 2016 | <u>(13,033)</u> | <u>389,718</u> |

**GROSS PROFIT**

431,534

**EXPENSES**

|                             |            |                |
|-----------------------------|------------|----------------|
| Payroll                     | 292,686    |                |
| Taxes and Benefits          | 121,951    |                |
| Professional Services       | 720        |                |
| Purchased Property Services | 19,168     |                |
| Travel                      | 559        |                |
| Advertising                 | 194        |                |
| Tech Communications         | -          |                |
| Printing & Binding          | 100        |                |
| Depreciation                | 25,217     |                |
| Equipment                   | 5,565      |                |
| Dues & Fees                 | <u>756</u> | <u>466,916</u> |

**INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS**

(35,382)

Gain or Loss on Sale of Fixed Assets

-

Capital Contributions

-

**CHANGES IN FUND NET POSITION**

(35,382)

**FUND NET POSITION - JULY 1, 2015**

(718,962)

**FUND NET POSITION - JUNE 30, 2016**

**\$ (754,344)**

**Northwestern Lehigh School District  
Food Service Fund  
Statement of Fund Net Position  
As of June 30, 2016**

**ASSETS & DEFERRED OUTFLOWS OF RESOURCES**

|  |               |
|--|---------------|
| Cash   | \$ 1,881      |
| Interfund Receivables  | 136,515       |
| Subsidies Receivable   | -             |
| Other Receivable   | 1,934         |
| Inventories  | 13,033        |
| Prepaid Expenses   | 151           |
| Building Improvements, net of Accum. Depreciation            | 41,583        |
| Equipment, net of Accum. Depreciation                        | 76,067        |
| Deferred Outflows of Resources - Change in Proportion of NPL | 11,684        |
| Deferred Outflows of Resources - Current Year Contributions  | <u>68,635</u> |

**TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES** **\$ 351,483**

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

|   |                         |
|---|-------------------------|
| Accounts Payable  | 5,684                   |
| Interfund Accounts Payable  | 124,024                 |
| Accrued Salaries and Benefits   | 231                     |
| Accrued Compensated Absences  | 1,277                   |
| Net Pension Liability   | 944,614                 |
| Other Retirement Benefits   | -                       |
| Prepayments   | 18,420                  |
| Deferred Inflows of Resources - Diff. in projected vs actual invest. Earnings | 6,592                   |
| Deferred Inflows of Resources - Diff. in projected vs actual Contributions    | 1,354                   |
| Deferred Inflows of Resources - Change in Proportion of NPL                   | -                       |
| Deferred Inflows of Resources - Diff. in Expected vs Actual Experience        | 3,631                   |
| <b>FUND NET POSITION - JUNE 30, 2016</b>                                      | <b><u>(754,344)</u></b> |

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION** **\$ 351,483**

**Northwestern Lehigh School District  
Tiger Concession Fund  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Year Ended June 30, 2016**

**REVENUES**

|                                |           |           |
|--------------------------------|-----------|-----------|
| Concession Stand Revenues      | \$ 21,247 |           |
| Other Revenue                  | 12,228    |           |
| Interest                       | 123       |           |
| Contributions/Donations        | 14,500    |           |
| State Sources                  | 363       |           |
| Transfer from the General Fund | -         | \$ 48,461 |

**COST OF SALES**

|  |       |               |
|--|-------|---------------|
| Beginning Inventory - July 1, 2015     | -     |               |
| Food                                   | 6,716 |               |
| Supplies                               | 9,046 |               |
| Less: Ending Inventory - June 30, 2016 | -     | <u>15,762</u> |

**GROSS PROFIT**

32,699

**EXPENSES**

|                             |       |              |
|-----------------------------|-------|--------------|
| Payroll                     | 2,923 |              |
| Taxes and Benefits          | 754   |              |
| Other Professional Services | -     |              |
| Repairs and Maintenance     | -     |              |
| Small Tools & Equipment     | 1,259 |              |
| Depreciation                | 3,789 | <u>8,725</u> |

**CHANGES IN FUND NET POSITION**

23,974

**FUND NET POSITION - JULY 1, 2015**

76,622

**FUND NET POSITION - JUNE 30, 2016**

**\$ 100,596**

**Northwestern Lehigh School District  
Payroll Fund  
Statement of Additions and Deletions  
For the Year Ended June 30, 2016**

|                                     |               |                         |
|-------------------------------------|---------------|-------------------------|
| <b>CASH BALANCE - JULY 1, 2015</b>  |               | \$ 16,488               |
| <b><u>ADDITIONS</u></b>             |               |                         |
| Transfers From Other Funds          | \$ 17,148,016 |                         |
| Interest                            | 71            | 17,148,087              |
| <b>TOTAL FUNDS AVAILABLE</b>        |               | 17,164,575              |
| <b><u>DELETIONS</u></b>             |               |                         |
|                                     |               | 17,150,562              |
| <b>CASH BALANCE - JUNE 30, 2016</b> |               | <b><u>\$ 14,013</u></b> |

|                              |       |                           |
|------------------------------|-------|---------------------------|
| <b><u>RECONCILIATION</u></b> |       |                           |
| Interfund Receivable         | \$ -  |                           |
| Accounts Payable             | -     |                           |
| Misc. deductions             | (4)   |                           |
| Retro Retirement             | -     |                           |
| Occupational Tax             | -     |                           |
| Due to General Fund          | 2,180 |                           |
| Fica                         | -     |                           |
| Flex Spending                | 8,794 |                           |
| Dependent Care               | 3,043 |                           |
| <b>TOTAL LIABILITIES</b>     |       | <b><u>\$ (14,013)</u></b> |

**Capital Reserve Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2016**

|  |           |                            |
|--|-----------|----------------------------|
| <b>FUND BALANCE - JULY 1, 2015</b>                 |           | \$ 771,517                 |
| <b><u>REVENUES AND OTHER FINANCING SOURCES</u></b> |           |                            |
| Interest   | \$ 33,300 |                            |
| Transfer from General Fund                         | 3,499,356 | 3,532,656                  |
| <b>TOTAL FUNDS AVAILABLE</b>                       |           | 4,304,173                  |
| <b><u>EXPENDITURES</u></b>                         |           |                            |
| <b>INSTRUCTIONAL:</b>                              |           |                            |
| Equipment  | -         |                            |
| <b>SUPPORT SERVICES:</b>                           |           |                            |
| Equipment  | -         |                            |
| <b>CAPITAL OUTLAY:</b>                             |           |                            |
| Rentals  | -         |                            |
| Professional Services                              | 7,223     |                            |
| Construction                                       | 2,208,730 |                            |
| Land Improvements                                  | -         |                            |
| Fees   | -         | 2,215,953                  |
| <b>FUND BALANCE - JUNE 30, 2016</b>                |           | <b><u>\$ 2,088,220</u></b> |

**Northwestern Lehigh School District  
2008 A Construction Fund - 33  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2016**

**FUND BALANCE - JULY 1, 2015** \$ 715,257

**REVENUES AND OTHER FINANCING SOURCES**

|                              |      |                |
|------------------------------|------|----------------|
| Proceeds from Bond Issues    | \$ - |                |
| Interest                     | 182  | 182            |
| <b>TOTAL FUNDS AVAILABLE</b> |      | <b>715,439</b> |

**EXPENDITURES AND OTHER FINANCING USES**

**SUPPORT SERVICES:**

|                       |   |  |
|-----------------------|---|--|
| Professional Services | - |  |
| Insurance             | - |  |
| Printing              | - |  |

**CAPITAL OUTLAY:**

|                       |         |  |
|-----------------------|---------|--|
| Professional Services | -       |  |
| Advertising           | -       |  |
| Construction          | 715,439 |  |
| Land Improvements     | -       |  |
| Equipment             | -       |  |
| Dues and Fees         | -       |  |

**OTHER FINANCING USES:**

|                                    |   |         |
|------------------------------------|---|---------|
| Transfer to 2009 Construction Fund | - | 715,439 |
|------------------------------------|---|---------|

**FUND BALANCE - JUNE 30, 2016** **\$ -**

**Northwestern Lehigh School District  
2009 Construction Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2016**

**FUND BALANCE - JULY 1, 2015** \$ 502,632

**REVENUES AND OTHER FINANCING SOURCES**

|                                   |      |  |                |
|-----------------------------------|------|--|----------------|
| Proceeds from Bond Issues         | \$ - |  |                |
| Refund of Prior Year Expenditures | -    |  |                |
| Interest                          | 45   |  | 45             |
| <b>TOTAL FUNDS AVAILABLE</b>      |      |  | <b>502,677</b> |

**EXPENDITURES AND OTHER FINANCING USES**

**INSTRUCTIONAL SERVICES:**

Equipment -

**SUPPORT SERVICES:**

Professional Services -

Advertising -

Equipment -

**CAPITAL OUTLAY:**

Professional Services -

Advertising -

Construction 502,677

Insurance -

Land Improvements -

Equipment -

Dues and Fees -

**OTHER FINANCING USES:**

Bond Discount - 502,677

**FUND BALANCE - JUNE 30, 2016** **\$ -**

**Northwestern Lehigh School District  
Schedule on General Obligation Notes - Series A of 2007  
For the Year Ended June 30, 2016**

| <u>MATURITY DATE</u>     | <u>VARIABLE<br/>INTEREST<br/>RATE PER<br/>ANNUM</u> | <u>INTEREST</u>          | <u>PRINCIPAL</u>           |
|--------------------------|---|--------------------------|----------------------------|
| 2016-17                  | 1.430%  | \$ 88,242                | \$ 800,000                 |
| 2017-18                  | 1.430%  | 85,241                   | 800,000                    |
| 2018-19                  | 1.430%  | 73,801                   | 800,000                    |
| 2019-20                  | 1.430%  | 61,331                   | 900,000                    |
| 2020-21                  | 1.430%  | 48,300                   | 900,000                    |
| 2021-22                  | 1.430%  | 34,239                   | 1,000,000                  |
| 2022-23                  | 1.430%  | 19,939                   | 1,000,000                  |
| 2023-24                  | 1.430%  | 3,149                    | 1,100,000                  |
| <b>TOTAL OUTSTANDING</b> |   | <b><u>\$ 414,242</u></b> | <b><u>\$ 7,300,000</u></b> |

**Schedule on General Obligation Bonds - Series of 2009  
For the Year Ended June 30, 2016**

| <u>MATURITY DATE</u>     | <u>VARIABLE<br/>INTEREST<br/>PER ANNUM</u> | <u>INTEREST</u>            | <u>PRINCIPAL</u>           |
|--------------------------|--|----------------------------|----------------------------|
| 2016-17                  | 1.630%                                     | \$ 126,058                 | \$ 125,000                 |
| 2017-18                  | 1.630%                                     | 135,018                    | 125,000                    |
| 2018-19                  | 1.630%                                     | 132,817                    | 140,000                    |
| 2019-20                  | 1.630%                                     | 130,891                    | 140,000                    |
| 2020-21                  | 1.630%                                     | 128,145                    | 150,000                    |
| 2021-22                  | 1.630%                                     | 125,700                    | 150,000                    |
| 2022-23                  | 1.630%                                     | 123,146                    | 160,000                    |
| 2023-24                  | 1.630%                                     | 120,812                    | 165,000                    |
| 2024-25                  | 1.630%                                     | 107,757                    | 1,090,000                  |
| 2025-26                  | 1.630%                                     | 89,447                     | 1,140,000                  |
| 2026-27                  | 1.630%                                     | 70,431                     | 1,180,000                  |
| 2027-28                  | 1.630%                                     | 50,775                     | 1,230,000                  |
| 2028-29                  | 1.630%                                     | 30,063                     | 1,280,000                  |
| 2029-30                  | 1.630%                                     | 7,886                      | 1,330,000                  |
| <b>TOTAL OUTSTANDING</b> |  | <b><u>\$ 1,378,946</u></b> | <b><u>\$ 8,405,000</u></b> |

**Northwestern Lehigh School District  
Schedule on General Obligation Bonds - Series of 2012  
For the Year Ended June 30, 2016**

| <u>MATURITY DATE</u>     | <u>VARIABLE<br/>INTEREST<br/>PER ANNUM</u> | <u>INTEREST</u>     | <u>PRINCIPAL</u>    |
|--------------------------|--|---------------------|---------------------|
| 2016-17                  | 2.000%                                     | \$ 275,518          | \$ 5,000            |
| 2017-18                  | 2.000%                                     | 275,417             | 530,000             |
| 2018-19                  | 2.000%                                     | 264,817             | 625,000             |
| 2019-20                  | 2.100%                                     | 252,318             | 635,000             |
| 2020-21                  | 2.250%                                     | 238,982             | 650,000             |
| 2021-22                  | 2.450%                                     | 224,358             | 665,000             |
| 2022-23                  | 2.550%                                     | 208,065             | 680,000             |
| 2023-24                  | 2.700%                                     | 190,725             | 695,000             |
| 2024-25                  | 2.800%                                     | 171,960             | 720,000             |
| 2025-26                  | 3.000%                                     | 151,800             | 735,000             |
| 2026-27                  | 3.000%                                     | 129,750             | 760,000             |
| 2027-28                  | 3.150%                                     | 106,950             | 780,000             |
| 2028-29                  | 3.200%                                     | 82,380              | 810,000             |
| 2029-30                  | 3.300%                                     | 56,460              | 830,000             |
| 2030-31                  | 3.400%                                     | 29,070              | 855,000             |
| <b>TOTAL OUTSTANDING</b> |  | <b>\$ 2,658,570</b> | <b>\$ 9,975,000</b> |

**Schedule on General Obligation Bonds - Series of 2013  
For the Year Ended June 30, 2016**

| <u>MATURITY DATE</u>     | <u>INTEREST<br/>PER ANNUM</u> | <u>INTEREST</u>     | <u>PRINCIPAL</u>    |
|--------------------------|-------------------------------|---------------------|---------------------|
| 2016-17                  | 2.00%                         | \$ 213,595          | \$ 725,000          |
| 2017-18                  | 2.00%                         | 199,095             | 515,000             |
| 2018-19                  | 2.00%                         | 188,795             | 540,000             |
| 2019-20                  | 2.00%                         | 177,995             | 490,000             |
| 2020-21                  | 2.00%                         | 168,195             | 535,000             |
| 2021-22                  | 2.00%                         | 157,495             | 500,000             |
| 2022-23                  | 2.00%                         | 147,495             | 540,000             |
| 2023-24                  | 2.10%                         | 136,695             | 505,000             |
| 2024-25                  | 2.15%                         | 126,090             | 660,000             |
| 2025-26                  | 2.25%                         | 111,900             | 670,000             |
| 2026-27                  | 2.40%                         | 96,825              | 690,000             |
| 2027-28                  | 2.50%                         | 80,265              | 705,000             |
| 2028-29                  | 2.60%                         | 62,640              | 720,000             |
| 2029-30                  | 2.70%                         | 43,920              | 740,000             |
| 2030-31                  | 2.80%                         | 23,940              | 855,000             |
| <b>TOTAL OUTSTANDING</b> |                               | <b>\$ 1,934,940</b> | <b>\$ 9,390,000</b> |

**Northwestern Lehigh School District  
Schedule on General Obligation Bonds - Series of 2014  
For the Year Ended June 30, 2016**

| <u>MATURITY DATE</u>     | <u>INTEREST<br/>PER ANNUM</u> | <u>INTEREST</u>            | <u>PRINCIPAL</u>           |
|--------------------------|-------------------------------|----------------------------|----------------------------|
| 2016-17                  | 0.73%                         | \$ 292,206                 | \$ 345,000                 |
| 2017-18                  | 1.08%                         | 285,307                    | 440,000                    |
| 2018-19                  | 1.52%                         | 276,506                    | 440,000                    |
| 2019-20                  | 2.00%                         | 267,706                    | 455,000                    |
| 2020-21                  | 2.37%                         | 258,606                    | 460,000                    |
| 2021-22                  | 2.67%                         | 248,026                    | 470,000                    |
| 2022-23                  | 2.87%                         | 235,806                    | 485,000                    |
| 2023-24                  | 3.01%                         | 221,256                    | 500,000                    |
| 2024-25                  | 3.11%                         | 206,256                    | 510,000                    |
| 2025-26                  | 3.26%                         | 190,956                    | 530,000                    |
| 2026-27                  | 3.45%                         | 174,394                    | 545,000                    |
| 2027-28                  | 3.71%                         | 156,000                    | 565,000                    |
| 2028-29                  | 3.75%                         | 133,400                    | 590,000                    |
| 2029-30                  | 3.85%                         | 109,800                    | 615,000                    |
| 2030-31                  | 3.95%                         | 85,200                     | 680,000                    |
| 2031-32                  | 4.00%                         | 58,000                     | 710,000                    |
| 2032-33                  | 4.00%                         | 29,600                     | 740,000                    |
| <b>TOTAL OUTSTANDING</b> |                               | <b><u>\$ 3,229,025</u></b> | <b><u>\$ 9,080,000</u></b> |

**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, 2016

| FEDERAL GRANTOR<br>PROJECT TITLE                              | SOURCE<br>CODE | FEDERAL<br>CFDA NO. | PASS<br>THROUGH<br>GRANTOR<br>NUMBER | GRANT PERIOD     | AWARD<br>AMOUNT | TOTAL<br>RECEIVED | ACCRUED<br>OR<br>(DEFERRED)<br>7/1/15 | REVENUE    | EXPEND.    | ACCRUED<br>OR<br>(DEFERRED)<br>6/30/2016 | FOOTNOTES |
|---|----------------|---------------------|--------------------------------------|------------------|-----------------|-------------------|---------------------------------------|------------|------------|--|-----------|
| <b>U.S. DEPT. OF EDUCATION</b>                                |                |                     |                                      |                  |                 |                   |                                       |            |            |  |           |
| <b>PASSED THROUGH THE PDE</b>                                 |                |                     |                                      |                  |                 |                   |                                       |            |            |  |           |
| ESEA - TITLE IA - IMPROVING BASIC PROGRAMS                    | I              | 84.010              | 013-15-0305 A                        | 7/1/14 - 9/30/15 | \$ 167,526      | \$ 10,031         | \$ 10,031                             | \$ -       | \$ -       | \$ -                                     | 2         |
| ESEA - TITLE IA - IMPROVING BASIC PROGRAMS                    | I              | 84.010              | 013-16-0305 A                        | 7/1/15 - 9/30/16 | \$ 174,072      | 162,695           | -                                     | 174,072    | 174,072    | 11,377                                   |           |
| <b>TOTAL TITLE IA PROGRAM</b>                                 |                |                     |                                      |                  |                 | 172,726           | 10,031                                | 174,072    | 174,072    | 11,377                                   |           |
| <b>PASSED THROUGH THE PDE</b>                                 |                |                     |                                      |                  |                 |                   |                                       |            |            |  |           |
| ESEA - TITLE IIA - IMPROVING TEACHER QUALITY                  | I              | 84.367              | 020-15-0305 A                        | 7/1/14 - 9/30/15 | \$ 34,860       | 9,262             | 9,262                                 | -          | -          | -  | 2         |
| ESEA - TITLE IIA - IMPROVING TEACHER QUALITY                  | I              | 84.367              | 020-16-0305 A                        | 7/1/15 - 9/30/16 | \$ 34,817       | 34,817            | -                                     | 34,817     | 34,817     | -  |           |
| <b>TOTAL TITLE IIA PROGRAM</b>                                |                |                     |                                      |                  |                 | 44,079            | 9,262                                 | 34,817     | 34,817     | -  |           |
| <b>PASSED THROUGH THE<br/>CARBON LEHIGH I.U.</b>              |                |                     |                                      |                  |                 |                   |                                       |            |            |  |           |
| IDEA - B  | I              | 84.027              | N/A                                  | 7/1/14 - 6/30/15 | \$ 352,396      | -                 | -                                     | -          | -          | -  | 2         |
| IDEA - B  | I              | 84.027              | N/A                                  | 7/1/15 - 6/30/16 | \$ 346,238      | 346,238           | -                                     | 346,238    | 346,238    | -  | 1         |
| IDEA - SECTION 619  | I              | 84.173              | N/A                                  | 7/1/15 - 6/30/16 | \$ 2,534        | 2,534             | -                                     | 2,534      | 2,534      | -  | 1         |
| <b>TOTAL IDEA CLUSTER</b>                                     |                |                     |                                      |                  |                 | 348,772           | -                                     | 348,772    | 348,772    | -  |           |
| <b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>                    |                |                     |                                      |                  |                 | 565,577           | 19,293                                | 557,661    | 557,661    | 11,377                                   |           |
| <b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>         |                |                     |                                      |                  |                 |                   |                                       |            |            |  |           |
| <b>PASSED THROUGH THE PA<br/>DEPARTMENT OF PUBLIC WELFARE</b> |                |                     |                                      |                  |                 |                   |                                       |            |            |  |           |
| TITLE 19 - MEDICAL REIMBURSEMENT                              | I              | 93.778              | N/A                                  | 7/1/15 - 6/30/16 | N/A             | 1,925             | -                                     | 2,421      | 2,421      | 496                                      | 2         |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>   |                |                     |                                      |                  |                 | 1,925             | -                                     | 2,421      | 2,421      | 496                                      |           |
| <b>U. S. DEPARTMENT OF AGRICULTURE</b>                        |                |                     |                                      |                  |                 |                   |                                       |            |            |  |           |
| <b>PASSED THROUGH THE PA<br/>DEPARTMENT OF EDUCATION:</b>     |                |                     |                                      |                  |                 |                   |                                       |            |            |  |           |
| NATIONAL SCHOOL LUNCH   | I              | 10.555              | N/A                                  | 7/1/15 - 6/30/16 | N/A             | 201,849           | -                                     | 201,849    | 201,849    | -  | 2         |
| NATIONAL SCHOOL BREAKFAST                                     | I              | 10.553              | N/A                                  | 7/1/15 - 6/30/16 | N/A             | 2,452             | -                                     | 2,452      | 2,452      | -  |           |
| NATIONAL SCHOOL BREAKFAST - SEVERE NEED                       | I              | 10.553              | N/A                                  | 7/1/15 - 6/30/16 | N/A             | 13,145            | -                                     | 13,145     | 13,145     | -  |           |
| <b>PASSED THROUGH THE PA DEPT.<br/>OF AGRICULTURE:</b>        |                |                     |                                      |                  |                 |                   |                                       |            |            |  |           |
| NATIONAL SCHOOL LUNCH - U.S.D.A. COMMODITIES                  | I              | 10.555              | N/A                                  | 7/1/15 - 6/30/16 | N/A             | 49,045            | (2,421)                               | 49,114     | 49,114     | (2,352)                                  | 2         |
| <b>TOTAL CHILD NUTRITION CLUSTER</b>                          |                |                     |                                      |                  |                 | 266,491           | (2,421)                               | 266,560    | 266,560    | (2,352)                                  | 3,4       |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>                   |                |                     |                                      |                  |                 | 266,491           | (2,421)                               | 266,560    | 266,560    | (2,352)                                  |           |
| <b>TOTAL FEDERAL FINANCIAL AWARDS</b>                         |                |                     |                                      |                  |                 | \$ 833,993        | \$ 16,872                             | \$ 826,642 | \$ 826,642 | \$ 9,521                                 |           |

SOURCE: D -DIRECT; I -INDIRECT

**Northwestern Lehigh School District  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016**

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**Note 1 - Significant Accounting Policies**

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

**Note 2 - Organization and Scope**

The District recognized 1.4% of its total general fund revenue in federal awards, and 32.5% of its total enterprise fund revenue.

**Note 3 – Indirect Costs**

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

**Note 4 - Program Disclosure – Footnotes**

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

| <u>Passed through</u>           | <u>Total Awards</u> | <u>Total Expenditures</u> |
|---------------------------------|---------------------|---------------------------|
| PA Department of Education      | \$ 411,275          | \$ 426,335                |
| Carbon-Lehigh I.U.              | 701,168             | 348,772                   |
| PA Department of Public Welfare | N/A                 | 2,421                     |
| PA Department of Agriculture    | N/A                 | 49,114                    |
| <b>Totals</b>                   | <b>\$ 1,112,443</b> | <b>\$ 826,642</b>         |

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$49,045, in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2015-16 fiscal year, the District used \$49,114 in commodities and established a year-end inventory of \$2,352 at June 30, 2016.
4. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards, under the U.S. Department of Agriculture heading, represents the commodities used, versus the commodities received, which are recognized as revenue in the basic financial statements.

**FINANCIAL STATEMENT RECONCILIATION**

|  |                          |
|--|--------------------------|
| General Fund Federal Source Revenues                   | \$ 211,310               |
| Federal Grants in Local Sources                        | 348,772                  |
| Food Service Fund Federal Revenue                      | <u>266,490</u>           |
| <b>Total Federal Revenue, per financial statements</b> | 826,572                  |
| Less: Medical Access Reimbursement                     | -                        |
| Change in Donated Commodities                          | <u>70</u>                |
| <b>Total Federal Revenue Reported on SEFA</b>          | <b><u>\$ 826,642</u></b> |



**INDEPENDENT AUDITOR'S REPORT  
UNDER GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement of the general fund of the Northwestern Lehigh School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Northwestern Lehigh School District's basic financial statements, and have issued our report thereon dated December 9, 2016.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,



December 9, 2016



**INDEPENDENT AUDITOR'S REPORT  
UNDER UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited Northwestern Lehigh School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement that could have a direct and material effect on each of Northwestern Lehigh School District's major federal programs for the year ended June 30, 2016*. Northwestern Lehigh School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Northwestern Lehigh School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northwestern Lehigh School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Northwestern Lehigh School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Northwestern Lehigh School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control over Compliance

Management of Northwestern Lehigh School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northwestern Lehigh School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northwestern Lehigh School District's internal control over compliance.

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

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

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

Respectfully submitted,



December 9, 2016

**Northwestern Lehigh School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

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**Section I - Summary of Auditor Results**

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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major program:

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------|------------------------------------|
| 10.553, 10.555 | Child Nutrition Cluster            |

Percentage of programs tested to total awards      32.2%

Dollar threshold used to distinguish between  
type A and type B program:      \$ 750,000

Auditee qualified as low-risk auditee?       yes     no

**Northwestern Lehigh School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

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**Section II - Financial Statement Findings**

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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**

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We did not discover any findings or questioned costs on federal awards, in accordance with Uniform Guidance Section 200.516.

***Audit Follow-up Procedures***

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