

**REPORT ON
NORTHWESTERN LEHIGH SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

NORTHWESTERN LEHIGH SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page (s)</u>
Introductory Section	
Transmittal Letter	1
Letter to Governance/Management	2 - 5
Report Distribution List.....	6
Financial Section	
Independent Auditor's Report	7 - 9
Management's Discussion and Analysis	10 - 17
Basic Financial Statements	
District-wide Financial Statements:	
Statement of Net Position	18
Statement of Activities.....	19
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	23 - 24
Statement of Fund Net Position - Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27 - 28
Statement of Net Position - Fiduciary Funds.....	29

NORTHWESTERN LEHIGH SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS (continued)

	<u>Page (s)</u>
Statement of Changes in Net Position - Fiduciary Funds.....	30
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	31
Notes to Basic Financial Statements.....	32 - 82
Required Supplemental Information	
Schedule of District's Proportionate Share of the Net Pension Liability.....	83
Schedule of District Contributions - Pensions.....	84
Schedule of the District's Proportionate Share of Net OPEB Liability – Multiple Employer Plan	85
Schedule of District Contributions – Multiple Employer Plan.....	86
Schedule of the District's Proportionate Share of Net OPEB Liability – Single Employer Plan.....	87
Notes to Required Supplemental Information.....	88 - 90
Supplemental Information	
Combining Statement of Fiduciary Net Position - Private Purpose Trust Funds.....	91
Combining Statement of Changes in Fiduciary Net Position - Private Purpose Trust Funds	91
Combining Statement of Fund Net Position - All Enterprise Funds	92
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - All Enterprise Funds	93
Combining Statement of Cash Flows - All Enterprise Funds.....	94 - 95
Combining Balance Sheet - All Agency Funds.....	96
Combining Statement of Changes in Assets and Liabilities - All Agency Funds.....	97
Combining Balance Sheet – All Capital Project Funds.....	98
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - All Capital Project Funds.....	99
General Fund - Schedule on Tax Collectors' Receipts.....	100

NORTHWESTERN LEHIGH SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS (continued)

	<u>Page (s)</u>
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual	101 - 103
Food Service Fund - Statement of Revenues, Expenses, and Changes in Fund Net Position.....	104
Food Service Fund - Statement of Fund Net Position	105
Tiger Concession Fund - Statement of Revenues, Expenses, and Changes in Fund Net Position.....	106
Payroll Fund - Statement of Additions and Deletions.....	107
Capital Reserve Fund - Statement of Revenues and Expenditures	107
Capital Projects Fund (36) – Statement of Revenues and Expenditures	108
Capital Projects Fund (37) – Statement of Revenue and Expenditures	109
General Long-Term Debt:	
Schedule on General Obligation Notes - Series A of 2007	110
Schedule on General Obligation Bonds - Series of 2009	110
Schedule on General Obligation Bonds - Series of 2012.....	111
Schedule on General Obligation Bonds - Series of 2013.....	111
Schedule on General Obligation Bonds - Series of 2014.....	112
Schedule on General Obligation Bonds - Series of 2017	112
Schedule on General Obligation Notes - Series of 2018.....	113
Single Audit Section	
Schedule of Expenditures of Federal Awards	114
Notes to the Schedule of Expenditures of Federal Awards	115 - 116
Independent Auditor’s Report Under Government Auditing Standards	117 - 118
Independent Auditor’s Report Under Uniform Guidance.....	119 - 120
Schedule of Findings and Questioned Costs.....	121 - 122

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, 2018, 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,

November 28, 2018



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
Mrs. Jennifer L. Holman, 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, 2018, and have issued our report thereon dated November 28, 2018.

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, 2018.

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 November 28, 2018. 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 2017-18 basic financial statements.

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

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

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

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

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

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

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

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

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

RECOMMENDATIONS

Defined Contribution Pension Plan

Currently, the District has a defined contribution pension plan, which entails an employee retiring with a minimum of 15 years of service with the District, receive between \$500 and \$3,000, depending on employment classification and age at retirement from the District. We have estimated a potential liability that is recorded on the government-wide financial statements.

However, we are not using actuarial science in performing our estimate. We would like to suggest, management consider letting the actuary perform the actuarial study at the same time they perform the OPEB study on a periodic basis, which will provide a more accurate estimate going forward.

OTHER INFORMATION

Activity Funds

GASB Statement No. 84 on Fiduciary Activities becomes effective for the 2019-20 fiscal year. Since this date is a few years away, you might wonder why we are bringing it to your attention now. The reason is to provide the District ample time to change their recordkeeping on Student Clubs. When this Statement goes into effect, the Student Clubs will be considered Custodial Funds and there will be two financial statements: Statement of Net Position and Statement of Changes in Net Position. To make this easier think of a balance sheet and income statement.

Currently, most Districts report their disbursements as Deletions by School without breaking the disbursements into categories similar to the Food Service Fund. Receipts are reported as Additions without breaking out the categories of receipts. This new Statement will require management to separate receipts into revenue categories and disbursements into expense categories. We wanted to give our clients ample time to revise their recordkeeping and computer systems to accommodate these changes.

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.

Leases

The Governmental Accounting Standards Board has issued Statement No. 87 dealing with Operating and Financing Leases. Under current accounting principles, only Financing Leases are recorded on the financial statements as assets and liabilities. Operating leases are shown as rent expense.

As such, we have only been interested in capital or financing leases in past years, but the new standard below will require the need to audit all leases. The new standard defines a lease as a contract that conveys control of the right to use another entity's non-financial asset as specified in the contract for a period of time. As such, all leases will be recorded on the financial statements as either a tangible or intangible asset with a corresponding liability for future present value of lease payments.

The effective date of this new standard occurs in the 2020-21 fiscal year.

Respectively submitted,

A handwritten signature in cursive script that reads "Manna Associates, P.C.".

November 28, 2018

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, 2018, 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, 2018, 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, 2017, the Northwestern Lehigh School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Financial Reporting for Postemployment Benefits by Employers, Governmental Accounting Standards Board Statement No. 81, Irrevocable Split-Interest Agreements, Governmental Accounting Standards Board Statement No. 85, Omnibus, Governmental Accounting Standards Board Statement No. 86, Certain Debt Extinguishment Issues and Implementation Guide 2017-1.

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 10-17, the Schedule on District's Proportionate Share of Net Pension Liabilities, the Schedule on District Contributions-Pensions, and the Schedules pertaining to Multiple and Single Employer OPEB Plans on pages 83-87, 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.

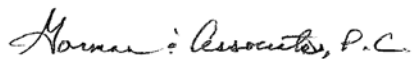
Northwestern Lehigh School District

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 November 28, 2018, on our consideration of the Northwestern Lehigh School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwestern Lehigh School District's internal control over financial reporting and compliance.

Respectfully submitted,



November 28, 2018

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, 2018

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, 2018, the District's net position equaled (\$15,694,068) for a decrease of \$4,988,293.
- The governmental net position equaled (\$14,898,913), for a decrease of \$4,892,941.
- The business-type net position equaled (\$795,155), for a decrease of \$95,352.

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.

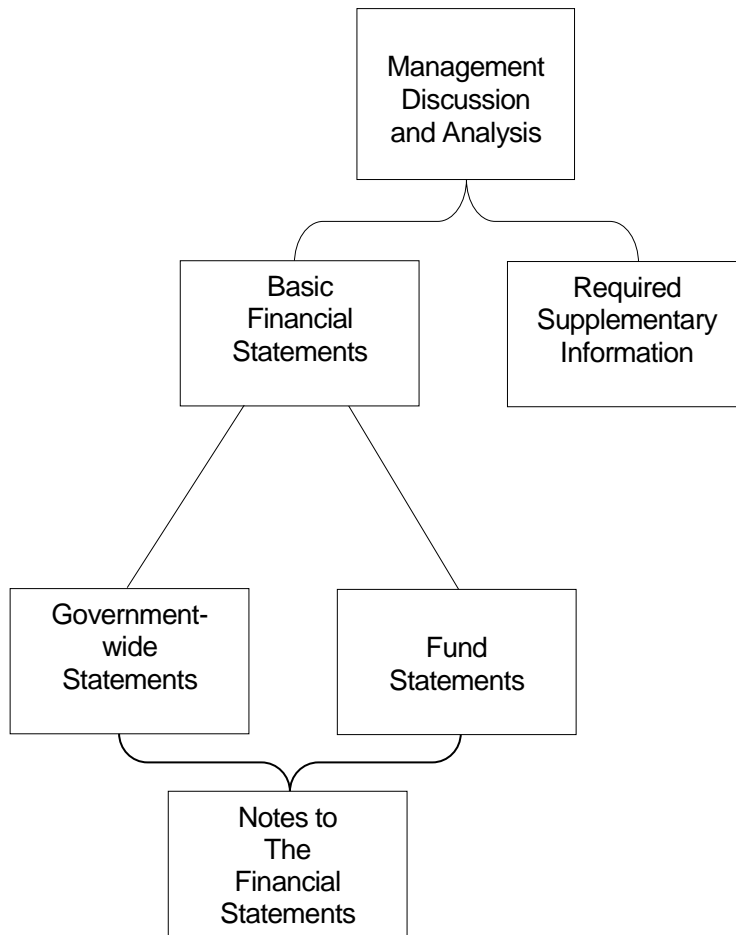
The first two statements are government-wide financial statements: the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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**

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

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



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

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

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

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

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

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

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

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

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

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

Fund Statements

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

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

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

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

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

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

OVERALL FINANCIAL HIGHLIGHTS

Governmental Activities

General Fund – The District received \$452,620 more in General Fund revenue and other financing sources than originally budgeted. This positive variance is primarily attributed to the local and state revenues. In total, there were net positive budget variances in total expenditures and other financing uses amounting to \$2,088,247.

The District budgeted for a planned transfer to Capital Reserve for future anticipated capital projects.

As of June 30, 2018, the District has committed and assigned \$8,342,659 and \$8,613,999, 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, 2018, the district has an unassigned fund balance of \$1,841,412.

Business-Type Activities

Food Service Fund – The Food Service operations experienced net loss of \$59,533, during the 2017-2018 fiscal year, with depreciation expense of \$1,841,412

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

	2018			2017		
	Govern- mental Activities	Business- Type Activities	Total (1)	Govern- mental Activities	Business- Type Activities	Total (1)
Current & Other Assets	\$ 32,301,008	\$ 888,687	\$ 33,189,695	\$ 32,521,995	\$ 532,884	\$ 33,054,879
Non-Current Assets	72,167,548	139,632	72,307,180	65,600,863	151,559	65,752,422
Deferred Outflows of Resources	12,030,863	176,111	12,206,974	13,154,637	195,813	13,350,450
Total Assets & Deferred Outflows of Resources	\$ 116,499,419	\$ 1,204,430	\$ 117,703,849	\$ 111,277,495	\$ 880,256	\$ 112,157,751
Current Liabilities	\$ 9,072,116	\$ 850,082	\$ 8,352,998	\$ 8,627,197	\$ 477,094	\$ 9,104,291
Non-Current Liabilities	122,228,037	1,147,916	123,375,953	111,986,477	1,092,187	113,078,664
Deferred Inflows of Resources	98,179	1,587	99,766	669,793	10,778	680,571
Total Liabilities & Deferred Inflows of Resources	131,398,332	1,999,585	131,828,717	121,283,467	1,580,059	122,863,526
Net Position:						
Net Investment in Capital Assets	20,194,752	139,632	20,334,384	18,048,616	151,559	18,200,175
Restricted	2,238,984	-	2,238,984	2,183,971	-	2,183,971
Unrestricted	<u>(37,332,649)</u>	<u>(934,787)</u>	<u>(38,267,436)</u>	<u>(30,238,559)</u>	<u>(851,362)</u>	<u>(31,089,921)</u>
Total Net Position	(14,898,913)	(795,155)	(15,694,068)	(10,005,972)	(699,803)	(10,705,775)
Total Liabilities, Deferred Inflows of Resources, & Net Position	\$ 116,499,419	\$ 1,204,430	\$ 117,703,849	\$ 111,277,495	\$ 880,256	\$ 112,157,751

(1) Internal balances are not eliminated in the total column.

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

Statement of Activities

The following table reflects the Condensed Statement of Activities

	2018			2017		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
REVENUES						
<i>Program revenues:</i>						
Charges for services	\$ 125,676	\$ 467,915	\$ 593,591	\$ 137,780	\$ 489,817	\$ 627,597
Operating grants & contributions	7,011,477	308,383	7,319,860	6,614,350	307,342	6,921,692
Capital grants & contributions	387,110	-	387,110	416,761	-	416,761
<i>General revenues:</i>						
Property taxes	24,311,841	-	24,311,841	23,754,408	-	23,754,408
Other taxes	3,098,443	-	3,098,443	2,946,896	-	2,946,896
Grants, subsidies & contributions, not restricted	6,369,180	-	6,369,180	6,292,835	-	6,292,835
Investment earnings	491,589	130	491,719	416,642	109	416,751
Other	389,895	-	389,895	342,864	240	343,104
Gain (Loss) on sale of capital assets	-	-	-	-	-	-
Extraordinary items	-	-	-	-	-	-
TOTAL REVENUES	42,185,211	776,428	42,961,639	40,922,536	797,508	41,720,044
EXPENSES						
Instruction	24,686,627	-	24,686,627	24,019,752	-	24,019,752
Instructional student support	2,983,106	-	2,983,106	2,899,424	-	2,899,424
Admin. & Fin'l support services	4,115,562	-	4,115,562	3,989,376	-	3,989,376
Oper. & Maint. of plant svcs.	3,812,332	-	3,812,332	3,692,978	-	3,692,978
Pupil Transportation	2,810,164	-	2,810,164	2,761,487	-	2,761,487
Student activities	958,806	-	958,806	953,402	-	953,402
Community services	35,420	-	35,420	29,751	-	29,751
Debt Service	1,363,380	-	1,363,380	1,152,472	-	1,152,472
Unallocated depreciation expense	1,515,827	-	1,515,827	1,469,684	-	1,469,684
Proprietary Funds	-	830,021	830,021	-	843,563	843,563
TOTAL EXPENSES	42,281,224	830,021	43,111,245	40,968,326	843,563	41,811,889
Income (Loss) Before Contributions	(96,010)	(53,593)	(149,603)	(45,790)	(46,055)	(91,845)
Transfers In (Out)	-	-	-	-	-	-
Changes in Net Position	(96,010)	(53,593)	(149,603)	(45,790)	(46,055)	(91,845)
Total Net Position - Beginning	(10,005,972)	(699,803)	(10,705,775)	(9,960,182)	(653,748)	(10,613,930)
Prior Period Adjustment	(4,796,931)	(41,759)	(4,838,690)	-	-	-
Total Net Position - Ending	\$ (14,898,913)	\$ (795,155)	\$ (15,694,068)	\$ (10,005,972)	\$ (699,803)	\$ (10,705,775)

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

THE DISTRICT FUNDS

• *Governmental Funds*

As of June 30, 2018, the governmental funds reported a combined fund balance of \$25,098,200, which decreased from the prior year by \$348,121.

CAPITAL ASSETS AND DEBT ADMINISTRATION

• *Capital assets*

As of June 30, 2018, the District had \$72,276,944 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 \$6,537,741 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, 2018, the District had \$52,468,674 in debt (bonds and notes) outstanding compared to \$48,122,092 as of June 30, 2017. This represents an increase of \$4,346,582. 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 2017-2018

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, 2018

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 8,779,888	\$ 59,253	\$ 8,839,141
Investments	18,987,479	-	18,987,479
Receivables, net	1,319,275	-	1,319,275
Internal Balances	813,273	755,927	-
Due From Other Governments	1,883,811	37,272	1,921,083
Other Receivables	47,840	13,510	61,350
Inventories	148,057	22,725	170,782
Prepaid Expenses	311,272	-	311,272
Other Current Assets	10,113	-	10,113
Total Current Assets	32,301,008	888,687	31,620,495
Non-Current Assets:			
Restricted Cash and Cash Equivalents	30,236	-	30,236
Land	406,148	-	406,148
Site Improvements (net of depreciation)	569,365	-	569,365
Building and Bldg. Improvements (net of depreciation)	59,991,516	28,789	60,020,305
Furniture and Equipment (net of depreciation)	1,693,456	110,843	1,804,299
Construction in Progress	9,476,827	-	9,476,827
Total Non-Current Assets	72,167,548	139,632	72,307,180
Total Assets	104,468,556	1,028,319	103,927,675
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Change in Proportion of NPL	1,882,627	30,373	1,913,000
Deferred Outflows of Resources - Current Year Contributions	6,087,173	92,315	6,179,488
Deferred Outflows of Resources - Changes in Assumptions	1,703,890	27,565	1,731,455
Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	-	-	-
Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	1,536,369	21,631	1,558,000
Deferred Outflows of Resources - Diff. between Expected vs Actual Experience	289,773	4,227	294,000
Deferred Outflows of Resources - Diff. between Proportionate Share vs Actual Pd.-POS	4,917	-	4,917
Deferred Amount on Debt Refundings, net	526,114	-	526,114
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 116,499,419	\$ 1,204,430	\$ 116,134,649
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 755,927	\$ 813,273	\$ -
Due to other governments	177,282	-	177,282
Accounts Payable	949,930	8,977	958,907
Warrants Payable	76,095	-	76,095
Current Portion of Long-Term Obligations	2,659,243	-	2,659,243
Accrued Salaries and Benefits	2,277,954	92	2,278,046
Payroll Deductions and Withholdings	1,763,972	-	1,763,972
Prepayments from Students	-	27,740	27,740
Other Current Liabilities	411,713	-	411,713
Total Current Liabilities	9,072,116	850,082	8,352,998
Non-Current Liabilities:			
Bonds and Notes Payable	49,868,674	-	49,868,674
Extended Term Financing Agreements Payable	-	-	-
Lease Purchase Obligations	-	-	-
Long-Term Portion of Compensated Absences	485,657	1,201	486,858
Net Pension Liability	65,682,630	1,104,301	66,786,931
Net OPEB Liability - Single Employer Plan	3,422,170	-	3,422,170
Net OPEB Liability - Multiple Employer Plan	2,730,489	42,414	2,772,903
Other Retirement Benefits	38,417	-	38,417
Total Liabilities	131,300,153	1,997,998	131,728,951
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Change in Proportion of NPL	-	-	-
Deferred Inflows of Resources - Changes in Assumptions	-	-	-
Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	98,179	1,587	99,766
Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	-	-	-
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	-	-	-
Unearned Revenue from Grants	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	131,398,332	1,999,585	131,828,717
NET POSITION			
Net Investment in Capital Assets	20,194,752	139,632	20,334,384
Restricted For:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	2,238,984	-	2,238,984
Other Restrictions	-	-	-
Unrestricted (deficit)	(37,332,649)	(934,787)	(38,267,436)
TOTAL NET POSITION	(14,898,913)	(795,155)	(15,694,068)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 116,499,419	\$ 1,204,430	\$ 116,134,649

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

(1) Internal Balance represent the amount owed to or from the two types of activities within the Primary Government. Since internal balances do not represent assets or liabilities of the total Primary Government, their balances are eliminated in the "total column" (GASB Statement No. 34, para. 58).

**Northwestern Lehigh School District
Statement of Activities
For the Year Ended June 30, 2018**

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL BUSINESS-TYPE ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 24,686,627	\$ 13,470	\$ 4,363,459	\$ -	\$ (20,309,698)	\$ -	\$ (20,309,698)
Instructional Student Support	2,983,103	-	509,595	-	(2,473,508)	-	(2,473,508)
Admin. & Fin'l Support Services	4,115,562	-	392,830	-	(3,722,732)	-	(3,722,732)
Oper. & Maint. Of Plant Svcs.	3,812,332	-	271,812	-	(3,540,520)	-	(3,540,520)
Pupil Transportation	2,810,164	-	1,382,623	-	(1,427,541)	-	(1,427,541)
Student activities	958,806	112,206	91,158	-	(755,442)	-	(755,442)
Community Services	35,420	-	-	-	(35,420)	-	(35,420)
Interest on Long-Term Debt	1,363,380	-	-	387,110	(976,270)	-	(976,270)
Unallocated Depreciation Expense	1,515,827	-	-	-	(1,515,827)	-	(1,515,827)
TOTAL GOVERNMENTAL ACTIVITIES	42,281,221	125,676	7,011,477	387,110	(34,756,958)	-	(34,756,958)
BUSINESS-TYPE ACTIVITIES:							
Food Services	801,522	435,536	306,453	-	-	(59,533)	(59,533)
Other Enterprise Funds	28,499	32,379	1,930	-	-	5,810	5,810
TOTAL PRIMARY GOVERNMENT	\$ 43,111,242	\$ 593,591	\$ 7,319,860	\$ 387,110	\$ (34,756,958)	\$ (53,723)	\$ (34,810,681)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 24,311,841	\$ -	\$ 24,311,841
Taxes levied for specific purposes					3,098,443	-	3,098,443
Grants, subsidies, & contributions not restricted					6,369,180	-	6,369,180
Investment Earnings					491,589	130	491,719
Miscellaneous Income					389,895	-	389,895
Special item - Gain (Loss) on sale of capital assets					-	-	-
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					34,660,948	130	34,661,078
CHANGES IN NET POSITION					(96,010)	(53,593)	(149,603)
NET POSITION - BEGINNING					(10,005,972)	(699,803)	(10,705,775)
Prior Period Adjustment					(4,796,931)	(41,759)	(4,838,690)
NET POSITION - ENDING					\$ (14,898,913)	\$ (795,155)	\$ (15,694,068)

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

Northwestern Lehigh School District
Balance Sheet
Governmental Funds
As of June 30, 2018

	GENERAL	CAPITAL PROJECT FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 2,366,450	\$ 6,413,439	\$ -	\$ 8,779,889
Restricted Cash	30,236	-	-	30,236
Investments	18,987,479	-	-	18,987,479
Taxes Receivable, net	1,319,275	-	-	1,319,275
Due from other funds	824,345	-	-	824,345
Due from Other Governments	1,883,811	-	-	1,883,811
Other Receivables	36,768	-	-	36,768
Inventories	-	-	-	-
Prepaid Expenditures	311,272	-	-	311,272
Other Current Assets	10,113	-	-	10,113
TOTAL ASSETS	25,769,749	6,413,439	-	32,183,188
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 25,769,749	\$ 6,413,439	\$ -	\$ 32,183,188
LIABILITIES:				
Due to Other Funds	\$ 755,927	\$ -	\$ -	\$ 755,927
Due to Other Governments	177,282	-	-	177,282
Accounts Payable	456,323	493,608	-	949,931
Warrants Payable	76,095	-	-	76,095
Current Portion of Long-Term Debt	59,243	-	-	59,243
Accrued Salaries and Benefits	2,277,954	-	-	2,277,954
Payroll Deductions and Withholdings	1,763,972	-	-	1,763,972
Prepayments	-	-	-	-
Other Current Liabilities	29,091	-	-	29,091
TOTAL LIABILITIES	5,595,887	493,608	-	6,089,495
DEFERRED INFLOWS OF RESOURCES				
Unearned Revenue from Property Taxes/Grants	995,493	-	-	995,493
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	6,591,380	493,608	-	7,084,988
FUND BALANCES:				
Nonspendable Fund Balance	311,272	-	-	311,272
Restricted Fund Balance	69,027	5,919,831	-	5,988,858
Committed Fund Balance	8,342,659	-	-	8,342,659
Assigned Fund Balance	8,613,999	-	-	8,613,999
Unassigned Fund Balance	1,841,412	-	-	1,841,412
TOTAL FUND BALANCES	19,178,369	5,919,831	-	25,098,200
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 25,769,749	\$ 6,413,439	\$ -	\$ 32,183,188

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, 2018**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 25,098,200

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 \$98,275,075 and the accumulated depreciation is \$26,137,763. 72,137,312

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. 526,114

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. 995,493

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. 148,057

This represents deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension/OPEB Liability 11,406,570

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

Bonds payable	\$ (52,468,674)	
Accrued interest on the bonds	(382,622)	
Accounts Payable	-	
Compensated absences	(485,657)	
Net Pension Liability	(65,682,630)	
Net OPEB Liability - Single Employer Plan	(3,422,170)	
Net OPEB Liability - Multiple Employer Plan	(2,730,489)	
Other Retirement Benefits	(38,417)	<u>(125,210,659)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (14,898,913)**

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, 2018

	<u>GENERAL</u>	<u>CAPITAL PROJECT FUNDS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 28,779,500	\$ 38,699	\$ -	\$ 28,818,199
State Sources	13,187,374	-	-	13,187,374
Federal Sources	218,564	-	-	218,564
TOTAL REVENUES	<u>42,185,438</u>	<u>38,699</u>	<u>-</u>	<u>42,224,137</u>
EXPENDITURES				
Instruction	23,395,746	190,429	-	23,586,175
Support Services	13,057,117	25,441	-	13,082,558
Operation of Non-Instructional Services	952,683	-	-	952,683
Capital Outlay	-	8,064,497	-	8,064,497
Debt Service	3,661,345	-	-	3,661,345
TOTAL EXPENDITURES	<u>41,066,891</u>	<u>8,280,367</u>	<u>-</u>	<u>49,347,258</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,118,547</u>	<u>(8,241,668)</u>	<u>-</u>	<u>(7,123,121)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	6,775,000	-	6,775,000
Refunding Bond Proceeds	-	-	-	-
Bond Premium	-	-	-	-
Interfund Transfers In	-	588,356	-	588,356
Sale/Compensation for Fixed Assets	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Bond Discount	-	-	-	-
Refunds of Prior Year Receipts	-	-	-	-
Operating Transfers Out	(588,356)	-	-	(588,356)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(588,356)</u>	<u>7,363,356</u>	<u>-</u>	<u>6,775,000</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	530,191	(878,312)	-	(348,121)
FUND BALANCES - BEGINNING	18,648,178	6,798,143	-	25,446,321
FUND BALANCES - ENDING	<u>\$ 19,178,369</u>	<u>\$ 5,919,831</u>	<u>\$ -</u>	<u>\$ 25,098,200</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, 2018**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (348,121)

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	\$ 1,777,335	
	less - capital outlays	<u>8,327,004</u>	6,549,669

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

-

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

-

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

(38,925)

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

2,415,000

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.

(29,443)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING

8,548,180

**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, 2018**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING (CONT'D)	\$ 8,548,180
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This would include accumulated interest accreted on capital appreciation bonds. The additional interest accrued in the statement of activities over the amount due is shown here.	(117,034)
In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, the amount shown here represents the difference between earned revenues and revenues that are earned, but not available.	-
Bond and Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Refunding bond issues becomes a use of current financial resources in governmental funds, but refundings represent the difference between bond proceeds and refunding payments made to paying agents.	(6,775,000)
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.	(3,342)
The difference between current year pension/OPEB expense reported on the governmental activities column of the government-wide financial statements and the pension/OPEB contributions made this past year reported as expenditures in the governmental funds.	<u>(1,748,814)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (96,010)</u>

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, 2018

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ -	\$ 59,253	\$ 59,253
Investments	-	-	-
Due from other funds	754,591	1,336	755,927
Due From Other Governments	37,272	-	37,272
Other Receivables	13,510	-	13,510
Inventories	21,970	755	22,725
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	827,343	61,344	888,687
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	28,789	-	28,789
Machinery & Equipment (net)	48,014	62,829	110,843
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	76,803	62,829	139,632
TOTAL ASSETS	904,146	124,173	1,028,319
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources - Change in Proportion of NPL	30,373	-	30,373
Deferred Outflows of Resources - Current Year Contributions	92,315	-	92,315
Deferred Outflows of Resources - Changes in Assumptions	27,565	-	27,565
Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	-	-	-
Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	21,631	-	21,631
Deferred Outflows of Resources - Diff. between Expected vs Actual Experience	4,227	-	4,227
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 1,080,257	\$ 124,173	\$ 1,204,430
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 807,405	\$ 5,868	\$ 813,273
Due to Other Governments	-	-	-
Accounts Payable	8,977	-	8,977
Current Portion of Long-Term Debt	-	-	-
Accrued Salaries and Benefits	92	-	92
Payroll Deductions and Withholdings	-	-	-
Prepayments	27,740	-	27,740
TOTAL CURRENT LIABILITIES	844,214	5,868	850,082
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	1,201	-	1,201
Net Pension Liability	1,104,301	-	1,104,301
Net OPEB Liability - Multiple Employer Plan	42,414	-	42,414
TOTAL NON-CURRENT LIABILITIES	1,147,916	-	1,147,916
TOTAL LIABILITIES	1,992,130	5,868	1,997,998
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources - Change in Proportion of NPL	-	-	-
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	-	-	-
Deferred Inflows of Resources - Changes in Assumptions	-	-	-
Deferred Inflows of Resources - Diff. in projected vs actual Contributions	1,587	-	1,587
Deferred Inflows of Resources - Diff. in projected vs actual Invest. Earnings	-	-	-
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	1,993,717	5,868	1,999,585
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	76,803	62,830	139,633
Restricted for Legal Purposes	-	-	-
Unrestricted	(990,263)	55,475	(934,788)
TOTAL FUND NET POSITION	(913,460)	118,305	(795,155)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 1,080,257	\$ 124,173	\$ 1,204,430

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, 2018

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Food Service Revenue	\$ 428,535	\$ 26,350	\$ 454,885
Charges for Services	-	-	-
Other Operating Revenues	7,001	6,029	13,030
TOTAL OPERATING REVENUES	<u>435,536</u>	<u>32,379</u>	<u>467,915</u>
OPERATING EXPENSES:			
Salaries	296,048	4,247	300,295
Employee benefits	156,255	1,621	157,876
Purchased Professional and Technical Services	240	-	240
Purchased Property Service	21,789	-	21,789
Other Purchased Services	1,120	-	1,120
Supplies	305,496	18,005	323,501
Depreciation	17,963	4,626	22,589
Dues and Fees	-	-	-
Claims and Judgments	-	-	-
Other Operating Expenses	2,611	-	2,611
TOTAL OPERATING EXPENSES	<u>801,522</u>	<u>28,499</u>	<u>830,021</u>
OPERATING INCOME (LOSS)	<u>(365,986)</u>	<u>3,880</u>	<u>(362,106)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Earnings on investments	-	130	130
Contributions and Donations	-	1,120	1,120
Gain/Loss on Sale of Fixed Assets	-	-	-
Revenue from Local Government Units	-	-	-
State Sources	72,957	810	73,767
Federal Sources	233,496	-	233,496
Interest Expenses	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>306,453</u>	<u>2,060</u>	<u>308,513</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(59,533)</u>	<u>5,940</u>	<u>(53,593)</u>
Capital contributions	-	-	-
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	<u>(59,533)</u>	<u>5,940</u>	<u>(53,593)</u>
FUND NET POSITION - BEGINNING	<u>(812,168)</u>	<u>112,365</u>	<u>(699,803)</u>
Prior Period Adjustment	<u>(41,759)</u>	<u>-</u>	<u>(41,759)</u>
FUND NET POSITION - ENDING	<u>\$ (913,460)</u>	<u>\$ 118,305</u>	<u>\$ (795,155)</u>

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

**Northwestern Lehigh School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2018**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 424,866	\$ 25,539	\$ 450,405
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	9,993	6,029	16,022
Cash Payments to Employees for Services	(427,822)	(5,868)	(433,690)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(276,673)	(12,031)	(288,704)
Cash Payments to Other Operating Expenses	(2,611)	-	(2,611)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(272,247)	13,669	(258,578)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	1,120	1,120
State Sources	72,950	810	73,760
Federal Sources	198,738	-	198,738
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	271,688	1,930	273,618
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facilities Acquisition/Const./Improvement Svcs.	(1)	(10,661)	(10,662)
Capital Contributions	-	-	-
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(1)	(10,661)	(10,662)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	-	130	130
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Withdrawals from Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	-	130	130
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(560)	5,068	4,508
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	560	54,185	54,745
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ 59,253	\$ 59,253

**Northwestern Lehigh School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2018**

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

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING INCOME (LOSS)	\$ (365,986)	\$ 3,880	\$ (362,106)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	17,963	4,626	22,589
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	29,119	-	29,119
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	(677)	-	(677)
(Increase) Decrease in Advances to Other Funds	(340,819)	(811)	(341,630)
(Increase) Decrease in Inventories	(3,448)	106	(3,342)
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Deferred Inflows of Resources - Change in Proportion of NPL	(6,793)	-	(6,793)
(Increase) Decrease in Deferred Inflows of Resources - Current Year Contributions	(12,540)	-	(12,540)
(Increase) Decrease in Deferred Inflows of Resources - Changes in Assumptions	10,648	-	10,648
(Increase) Decrease in Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	-	-	-
(Increase) Decrease in Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	32,614	-	32,614
(Increase) Decrease in Deferred Inflows of Resources - Diff. between Expected vs Actual Experience	(4,227)	-	(4,227)
(Increase) Decrease in Other Current Assets	-	-	-
Increase (Decrease) in Accounts Payable	5,641	-	5,641
Increase (Decrease) in Accrued Salaries and Benefits	(258)	-	(258)
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	655	-	655
Increase (Decrease) in Net Pension Liability	13,573	-	13,573
Increase (Decrease) in Deferred Inflows of Resources - Change in Proportion of NPL	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Changes in Assumptions	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual Contributions	(476)	-	(476)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual invest. Earnings	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	(8,715)	-	(8,715)
Increase (Decrease) in Advances from Other Funds	359,376	5,868	365,244
Increase (Decrease) in Prepayment from Students	2,103	-	2,103
TOTAL ADJUSTMENTS	93,739	9,789	103,528
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (272,247)	\$ 13,669	\$ (258,578)

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, 2018

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 137,918	\$ -	\$ 141,111
Investments	-	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	-
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	\$ 137,918	\$ -	\$ 141,111
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 137,918	\$ -	\$ 141,111
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 640
Intergovernmental Payable	-	-	-
Due to Other Funds	-	-	11,072
Due to Student Clubs	-	-	129,399
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	-	-	141,111
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	141,111
NET POSITION			
Restricted	-	-	-
Unrestricted	137,918	-	-
TOTAL NET POSITION	\$ 137,918	\$ -	\$ -

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, 2018**

	PRIVATE- PURPOSE TRUST FUND	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
ADDITIONS		
Contributions	\$ 10,734	\$ -
Transfers from other funds	-	-
Investment Earnings:		
Interest and Dividends	699	-
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	11,433	-
 DEDUCTIONS		
Transfers to other funds	-	-
Administrative charges	-	-
Scholarships	10,650	-
TOTAL DEDUCTIONS	10,650	-
 CHANGES IN NET POSITION	 783	 -
 NET POSITION - BEGINNING OF YEAR	 137,135	 -
 NET POSITION - END OF YEAR	 \$ 137,918	 \$ -

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, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL (BUDGETARY BASIS)</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>	<u>BUDGET TO GAAP DIFFERENCE</u>	<u>ACTUAL AMOUNTS GAAP BASIS</u>
	<u>ORIGINAL</u>	<u>FINAL</u>				
REVENUES						
Local Sources	\$ 28,518,184	\$ 28,518,184	\$ 28,779,500	\$ 261,316	\$ -	\$ 28,779,500
State Sources	13,021,145	13,021,145	13,187,374	166,229	-	13,187,374
Federal Sources	193,489	193,489	218,564	25,075	-	218,564
TOTAL REVENUES	<u>41,732,818</u>	<u>41,732,818</u>	<u>42,185,438</u>	<u>452,620</u>	<u>-</u>	<u>42,185,438</u>
EXPENDITURES						
Regular Instruction	16,840,303	16,673,871	16,669,692	4,179	-	16,669,692
Special Programs	5,843,847	5,454,094	5,444,497	9,597	-	5,444,497
Vocational Programs	1,044,092	1,044,092	1,022,483	21,609	-	1,022,483
Other Instructional Programs	1,412	4,412	3,530	882	-	3,530
Non-Public School Programs	-	-	-	-	-	-
Adult Education Programs	262,771	262,771	246,304	16,467	-	246,304
Community/Junior College Ed. Programs	-	10,000	9,240	760	-	9,240
Pupil Personnel Services	1,291,438	1,230,461	1,216,367	14,094	-	1,216,367
Instructional Staff Services	1,141,955	1,253,379	1,241,461	11,918	-	1,241,461
Administrative Services	2,414,509	2,530,620	2,459,788	70,832	-	2,459,788
Pupil Health	349,084	362,643	361,757	886	-	361,757
Business Services	704,772	733,272	716,107	17,165	-	716,107
Operation & Maintenance of Plant Services	3,844,831	4,211,744	3,699,422	512,322	-	3,699,422
Student Transportation Services	2,951,816	2,914,816	2,619,666	295,150	-	2,619,666
Central Support Services	673,470	748,140	702,870	45,270	-	702,870
Other Support Services	38,000	39,680	39,679	1	-	39,679
Student Activities	908,769	920,769	918,613	2,156	-	918,613
Community Services	35,000	34,400	34,070	330	-	34,070
Facilities, Acquisition and Construction	-	-	-	-	-	-
Debt Service	3,781,169	3,779,489	3,661,345	118,144	-	3,661,345
TOTAL EXPENDITURES	<u>42,127,238</u>	<u>42,208,653</u>	<u>41,066,891</u>	<u>1,141,762</u>	<u>-</u>	<u>41,066,891</u>
Excess (deficiency) of revenues over expenditures	(394,420)	(475,835)	1,118,547	1,594,382	-	1,118,547
OTHER FINANCING SOURCES (USES)						
Proceeds From Extended Term Financing	-	-	-	-	-	-
Interfund Transfers In	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	-	-	-	-	-	-
Fund Transfers Out	(763,636)	(707,423)	(588,356)	119,067	-	(588,356)
Budgetary Reserve	(400,000)	(374,798)	-	374,798	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,163,636)</u>	<u>(1,082,221)</u>	<u>(588,356)</u>	<u>493,865</u>	<u>-</u>	<u>(588,356)</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(1,558,056)	(1,558,056)	530,191	2,088,247	-	530,191
FUND BALANCE - JULY 1, 2017	<u>17,719,744</u>	<u>17,719,744</u>	<u>18,648,178</u>	<u>928,434</u>	<u>-</u>	<u>18,648,178</u>
FUND BALANCE - JUNE 30, 2018	<u>\$ 16,161,688</u>	<u>\$ 16,161,688</u>	<u>\$ 19,178,369</u>	<u>\$ 3,016,681</u>	<u>\$ -</u>	<u>\$ 19,178,369</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, 2018**

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, 2018**

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 2017-18 was \$1,022,483.

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 2017-18 was \$243,216.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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, 2018**

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, 2018**

The District has the following Capital Project Funds:

Capital Projects Fund (36)

This fund received the proceeds of General Obligation Bonds – Series of 2017 to fund certain capital projects.

Capital Projects Fund (37)

This Fund received the proceeds of General Obligation Notes – Series of 2018 to fund renovations and improvements to various facilities.

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, 2018**

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, 2018**

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 2017-18 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 2017-18 fiscal year the District implemented the following new generally accepted accounting principles:

- GASB Statement No. 75 (*Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*), which establishes new reporting requirements about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental employers.
- GASB Statement No. 81 (*Irrevocable Split-Interest Agreements*). The purpose of this standard 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 this type of agreement.

GASB Statement No. 85 (*Omnibus 2017*). This Statement amends previous standards associated with blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, blending a component unit in circumstances in which the primary government is a business-type activity, reporting amounts previously reported as goodwill

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

and “negative” goodwill, measuring certain money market investments at amortized cost, timing of the measurement of pension or OPEB liabilities using the current resources measurement focus, recognizing on-behalf payments for pensions or OPEB, presenting payroll-related measures in required supplementary information for purposes of reporting OPEB, and accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

- GASB Statement No. 86 (*Certain Debt Extinguishment Issues*). This Statement addresses accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt.
- GASB Implementation Guide 2017-1. This is the latest Implementation Guide to be utilized in answering pertinent questions about the previously issued standards.

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. Other Postemployment Benefits

Multiple Employer Cost Sharing OPEB Plan

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

Single Employer OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information was obtained from the Actuary Report conducted by Conrad Siegel. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The single employer plan is not funded.

J. 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 \$30,236 balance at year end.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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, 2018, 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, 2018

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, 2018, shows \$148,057 in the governmental activities column and \$22,725 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, 2018; 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, 2018, consist of:

Purchased Food	\$ 12,765
Purchased Supplies	5,364
Donated Commodities	<u>4,596</u>
TOTAL	<u>\$ 22,725</u>

Prepaid Expenses

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their 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, 2018**

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

Compensated Absences

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

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

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

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

Long-Term Obligations

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

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

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2018, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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.

Committed Fund Balance

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

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

Assigned Fund Balance

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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 \$125,210,659 difference are:

Bonds and Notes payable	\$ 52,195,000
Less: Issuance discount (to be amortized as interest expense)	(44,063)
Add: Issuance premium (to be amortized as a contra to interest expense)	317,737
Accrued interest payable	382,622
Accounts Payable	-
Other Retirement Benefits	38,417
Compensated absences	485,657
Net Pension Liability	65,682,630
Net OPEB Liability - Single Employer Plan	3,422,170
Net OPEB Liability - Multiple Employer Plan	<u>2,730,489</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	<u>\$ 125,210,659</u>

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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, 2018**

	TOTAL GOVERN- MENTAL FUNDS	LONG- TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANS- ACTIONS	TOTAL FOR STATEMENT OF ACTIVITIES
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 24,350,767	\$ (38,926)	\$ -	\$ -	\$ 24,311,841
Taxes levied for specific purposes	3,098,443	-	-	-	3,098,443
Interest and investment earnings	491,589	-	-	-	491,589
Miscellaneous	209,530	-	-	-	209,530
Contributions and Donations	180,365	-	-	-	180,365
Charges for Services	125,676	-	-	-	125,676
Grants, subsidies & contributions not restricted	6,369,180	-	-	-	6,369,180
Transfers In	-	-	-	-	-
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating and Capital grants and contributions	6,818,194	-	-	-	6,818,194
FEDERAL SOURCES:					
Operating and Capital grants and contributions	580,393	-	-	-	580,393
SPECIAL AND EXTRAORDINARY ITEMS:					
Bond Premium	-	-	-	-	-
Proceeds from Bond/Note Issues	6,775,000	-	-	(6,775,000)	-
Gain or (Loss) on disposal of assets	-	-	-	-	-
TOTAL REVENUES	<u>48,999,137</u>	<u>(38,926)</u>	<u>-</u>	<u>(6,775,000)</u>	<u>42,185,211</u>
EXPENDITURES/EXPENSES					
Instruction	23,586,176	1,100,976	(525)	-	24,686,627
Instructional Student Support	2,819,585	163,518	-	-	2,983,103
Admin. & Fin'l Support Services	3,918,444	182,971	14,147	-	4,115,562
Oper. & Maint. of Plant Svcs.	3,724,863	109,058	(21,589)	-	3,812,332
Pupil Transportation	2,619,666	192,199	(1,701)	-	2,810,164
Student activities	918,613	32,879	7,314	-	958,806
Community Services	34,070	-	1,350	-	35,420
Capital Outlay	8,064,496	-	(8,064,496)	-	-
Debt Service	3,661,345	-	-	(2,297,965)	1,363,380
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	1,515,827	-	1,515,827
TOTAL EXPENDITURES/EXPENSES	<u>49,347,258</u>	<u>1,781,601</u>	<u>(6,549,673)</u>	<u>(2,297,965)</u>	<u>42,281,221</u>
NET CHANGE FOR THE YEAR	<u>\$ (348,121)</u>	<u>\$ (1,820,527)</u>	<u>\$ 6,549,673</u>	<u>\$ (4,477,035)</u>	<u>\$ (96,010)</u>

Note 4 - Stewardship, Compliance, and Accountability

A. Compliance with finance related legal and contractual provisions

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

B. Deficit fund balance or net position of individual funds

No individual fund contains a deficit fund balance or net position at June 30, 2018, except the governmental activities and the business-type activities had deficits of \$14,898,913, and \$795,155 respectively. The Food Service Fund has a \$913,460 deficit.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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, 2018. 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, 2018, \$27,580,559 of the District's bank balance of \$28,080,560 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		-
Uninsured and collateral held by the pledging bank's trust department not in the District's name		27,580,559
TOTAL	\$	<u>27,580,559</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above		\$ 27,580,559
Plus: Insured Amount		500,000
Less: Outstanding Checks		<u>(2,797)</u>
Carrying Amount - Bank balances		28,077,762
Plus: Petty Cash		775
Deposits in Investment Pool Considered Cash Equivalent		57,348
Less: Certificates of Deposit considered Investment by School Code		<u>(18,987,479)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	\$	<u>9,148,406</u>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C; and,
4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. 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, 2018**

- 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.
11. 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, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Pa. Local Government Investment Trust		\$ 30,236
Certificates of Deposit		18,987,479
PA School District Liquid Asset Fund		27,112
TOTAL		\$ 19,044,827

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 no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2018, 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, 2018**

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. Of the General Fund's investments, 99.7% are in Certificates of Deposits with New Tripoli Bank. Of the governmental activities investments, 99.7% are in Certificates of Deposit at New Tripoli Bank. For entity-wide purposes, 99.7% of all investments are in Certificates of Deposit at New Tripoli.

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. Of the District's investments, \$18,750,000 was exposed to custodial credit risk.

Reconciliation to Financial Statements

Total Investments Above	\$ 19,044,827
Less: Deposits in Investment Pool Considered Cash Equivalents	(57,348)
Total Investments Per Financial Statements	<u>\$ 18,987,479</u>

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, 2018. 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 \$1,597,923,700. In accordance with Act 1 of 2006, the District received \$676,584 in property tax reduction funds for the 2017-18 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, 2018**

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

Receivables

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

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	1,319,275	-	-	-	-	1,319,275
Accounts	36,768	-	13,510	-	-	50,278
Intergovernmental	1,883,811	-	37,272	-	-	1,921,083
GROSS RECEIVABLES	3,239,854	-	50,782	-	-	3,290,636
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 3,239,854	\$ -	\$ 50,782	\$ -	\$ -	\$ 3,290,636

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:

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Delinquent Property Taxes - General Fund	\$ 995,493	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 995,493	\$ -

Capital Assets

Capital asset balances and activity for the year ending June 30, 2018 were:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 406,148	\$ -	\$ -	\$ 406,148
Construction in Progress	1,962,871	8,022,774	(508,818)	9,476,827
Total Capital Assets not being depreciated	<u>2,369,019</u>	<u>8,022,774</u>	<u>(508,818)</u>	<u>9,882,975</u>
Capital Assets being depreciated:				
Site Improvements	1,548,449	37,038	-	1,585,487
Buildings and Bldg. Improvements	79,835,756	471,780	-	80,307,536
Furniture and Equipment	6,194,849	304,228	-	6,499,077
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>87,579,054</u>	<u>813,046</u>	<u>-</u>	<u>88,392,100</u>
Less accumulated depreciation for:				
Site Improvements	(962,314)	(53,808)	-	(1,016,122)
Buildings and Bldg. Improvements	(18,847,665)	(1,468,355)	-	(20,316,020)
Furniture and Equipment	(4,550,450)	(255,171)	-	(4,805,621)
TOTAL ACCUMULATED DEPRECIATION	<u>(24,360,429)</u>	<u>(1,777,334)</u>	<u>-</u>	<u>(26,137,763)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	<u>63,218,625</u>	<u>(964,288)</u>	<u>-</u>	<u>62,254,337</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 65,587,644</u>	<u>\$ 7,058,486</u>	<u>\$ (508,818)</u>	<u>\$ 72,137,312</u>
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Buildings and Bldg. Improvements	\$ 127,948	\$ -	\$ -	\$ 127,948
Furniture and Equipment	641,400	10,662	-	652,062
Less accumulated depreciation	(617,789)	(22,589)	-	(640,378)
BUSINESS-TYPES ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 151,559</u>	<u>\$ (11,927)</u>	<u>\$ -</u>	<u>\$ 139,632</u>

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

Regular Instruction	\$ 53,657
Special Instruction	862
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Pupil Personnel Services	-
Instructional Support Svcs.	-
School Library Services	-
Administrative Services	-
Health Services	-
Business Services	105
Operation & Maintenance of Plant Svcs.	29,198
Pupil Transportation	154,978
Central Services	14,042
Other Support Services	-
School Sponsored Athletics	7,314
Community Services	1,351
Depreciation - unallocated	1,515,827
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 1,777,334</u>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

The District's governmental-type activities did not dispose of any equipment during the year. 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:

<u>VENDOR</u>	<u>CONTRACT AMOUNT</u>	<u>EXPENDED TO 6/30/18</u>	<u>OUTSTANDING COMMITMENTS</u>
High School Modernization:			
Gordon H. Bayer, Inc.	\$ 6,291,959	\$ 5,095,264	\$ 1,196,695
Master Mechanical Group	1,117,838	869,441	248,397
Albarell Electric, Inc.	2,312,512	1,898,573	413,939
DeWalt Plumbing	635,900	448,946	186,954
D'Huy Engineering	339,150	304,885	34,265
Asbestos Abatement:			
Sargent Enterprises, Inc.	95,250	50,760	44,490
NW Lehigh Electrical Upgrades:			
D'Huy Engineering	23,250	11,625	11,625
Maintenance Building Storage Tank/Pump:			
D'Huy Engineering	16,250	8,125	8,125
Water Storage Tank:			
D'Huy Engineering	16,250	8,125	8,125
TOTAL	\$ 10,848,359	\$ 8,695,744	\$ 2,152,615

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2018:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 824,345	\$ 755,927
Capital Projects (Capital Reserve) Fund	-	-
Enterprise (Food Service) Fund	754,591	807,405
Enterprise (Tiger Conc.) Fund	1,336	5,868
Agency (Payroll) Fund	-	10,866
Agency (Activity) Fund	-	206
TOTAL	\$ 1,580,272	\$ 1,580,272

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Interfund Transfers

The District did make the following transfers during the fiscal year ended June 30, 2018:

Fund	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 588,356
Enterprise (Food Service) Fund	-	
Capital Project (Capital Reserve) Fund	588,356	
Capital Project Fund (35)	-	-
TOTAL	\$ 588,356	\$ 588,356

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2018, were:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<u>GOVERNMENTAL ACTIVITIES</u>					
General Obligation Debt:					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 48,122,092	\$ 6,780,758	\$ 2,434,176	\$ 52,468,674	\$ 2,600,000
Other than capital projects	-	-	-	-	-
Capital Leases	-	-	-	-	-
Total general obligation debt	48,122,092	6,780,758	2,434,176	52,468,674	2,600,000
<i>Other liabilities:</i>					
Vested employee benefits:					
Vacation pay	193,930	9,313	-	203,243	34,731
Sick pay	345,004	-	3,347	341,657	24,512
Retirement Severance - Yrs. of Service	43,608	-	5,191	38,417	-
Net Pension Liability	64,806,428	876,202	-	65,682,630	-
Net OPEB Liability - Single Employer Plan	978,326	2,443,844	-	3,422,170	-
Net OPEB Liability - Multiple Employer Plan	2,730,489	-	-	2,730,489	-
Total other liabilities	69,097,785	3,329,359	8,538	72,418,606	59,243
TOTAL GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 117,219,877	\$ 10,110,117	\$ 2,442,714	\$ 124,887,280	\$ 2,659,243
<u>BUSINESS-TYPE ACTIVITIES:</u>					
<i>Other liabilities:</i>					
Vested employee benefits:					
Vacation pay	\$ 1,459	\$ -	\$ 258	\$ 1,201	\$ -
Sick pay	-	-	-	-	-
Net Pension Liability	1,090,728	14,173	-	1,104,901	-
Net OPEB Liability - Multiple Employer Plan	42,414	-	-	42,414	-
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	\$ 1,134,601	\$ 14,173	\$ 258	\$ 1,148,516	\$ -

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
Fiscal Year Ended June 30, 2018**

Total Interest paid and accrued during the year:

	EXPENSE	PAID
GOVERNMENTAL ACTIVITIES:		
General obligation debt	\$ 1,362,352	\$ 1,245,317
Refund of Prior Year Receipts	1,028	1,028
Short-term borrowings	-	-
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	\$ 1,363,380	\$ 1,246,345

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, 2018, using the variable rate of 2.50% are:

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ 800,000	\$ 117,447
2019-20	900,000	107,222
2020-21	900,000	84,440
2021-22	1,000,000	59,858
2022-23	1,000,000	34,858
2023-24	1,100,000	5,505
	5,700,000	\$ 409,330
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 5,700,000	

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 2.95% rate at year end. The outstanding debt service requirements at June 30, 2018, are:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ 140,000	\$ 221,058
2019-20	140,000	236,888
2020-21	150,000	231,919
2021-22	150,000	227,493
2022-23	160,000	222,872
2023-28	4,805,000	794,710
2028-30	2,610,000	68,682
SUB-TOTAL	8,155,000	\$ 2,003,622
Unamortized Discount	-	-
TOTAL OUTSTANDING	\$ 8,155,000	

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, 2018, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ 625,000	\$ 264,817
2019-20	635,000	252,318
2020-21	650,000	238,982
2021-22	665,000	224,358
2022-23	680,000	208,065
2023-28	3,690,000	751,185
2028-31	2,495,000	167,910
SUB-TOTAL	9,440,000	\$ 2,107,635
Unamortized Discount	(44,063)	
TOTAL OUTSTANDING	\$ 9,395,937	

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, 2018, are:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ 540,000	\$ 188,795
2019-20	490,000	177,995
2020-21	535,000	168,195
2021-22	500,000	157,495
2022-23	540,000	147,495
2023-28	3,230,000	551,775
2028-31	2,315,000	130,500
SUB-TOTAL	8,150,000	\$ 1,522,250
Unamortized Premium	7,636	
TOTAL OUTSTANDING	\$ 8,157,636	

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, 2018, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ 440,000	\$ 276,506
2019-20	455,000	267,706
2020-21	460,000	258,606
2021-22	470,000	248,026
2022-23	485,000	235,806
2023-28	2,650,000	948,862
2028-33	3,335,000	416,000
SUB-TOTAL	8,295,000	\$ 2,651,512
Unamortized Premium	28,880	
TOTAL OUTSTANDING	\$ 8,323,880	

General Obligation Bonds – Series of 2017

On May 15, 2017, the District issued \$5,685,000 of General Obligation Bonds – Series of 2017. The proceeds of the Bonds will be applied toward (1) the renovations, alterations, additions and improvement to its high school facilities, as well as certain other facilities and grounds and to otherwise furnish and equip its facilities and grounds, and (2) to pay the cost of issuing the Bonds. In accordance with the Local Governmental Debt Act, a sinking fund has been established with the paying agent. The Bonds mature from February 15, 2018 to February 15, 2033. Interest rates range from 3.0% to 4.0%. The outstanding debt service requirements at June 30, 2018, are:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ 5,000	\$ 226,500
2019-20	5,000	226,350
2020-21	5,000	226,200
2021-22	5,000	226,050
2022-23	5,000	225,900
2023-28	25,000	1,127,600
2028-33	5,630,000	913,650
SUB-TOTAL	5,680,000	\$ 3,172,250
Unamortized Premium	281,221	
TOTAL OUTSTANDING	\$ 5,961,221	

General Obligation Notes – Series of 2018

On March 26, 2018, the District issued \$6,775,000 of General Obligation Notes – Series of 2018 the proceeds of the bonds will be applied toward the renovations, alterations additions and improvement to its high school facilities, as well as certain other facilities and grounds and to otherwise furnish and equip its facilities and grounds, and to pay the cost of issuing the Bonds. The Notes mature from February 15, 2019 to February 15, 2035. Interest rates is fixed at 2.95% with a total interest indebtedness of \$2,992,701. The outstanding debt service requirements at June 30, 2018 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ 50,000	\$ 179,876
2019-20	50,000	198,387
2020-21	50,000	196,912
2021-22	50,000	195,437
2022-23	50,000	193,962
2023-28	250,000	947,687
2028-33	1,525,000	910,815
2033-35	4,750,000	169,625
SUB-TOTAL	6,775,000	\$ 2,992,701
Unamortized Premium	-	
TOTAL OUTSTANDING	\$ 6,775,000	

Lease Rental Debt

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

Specifically, Lehigh Career and Technical Institute issued \$32,000,000 of revenue bonds - Series of 2003 dated March 15, 2003, and \$21,715,000 of revenue bonds - Series of 2001 dated September 15, 2001, through the State Public School Building Authority (SPSBA). The bonds are special limited obligations of the SPSBA. 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
Fiscal Year Ended June 30, 2018**

Combined Long-Term Debt

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

<u>FISCAL YEAR</u>	<u>G.O.N. SERIES A OF 2007</u>	<u>G.O.B. SERIES OF 2009</u>	<u>G.O.B. SERIES OF 2012</u>	<u>G.O.B. SERIES OF 2013</u>	<u>G.O.B. SERIES OF 2014</u>	<u>G.O.B. SERIES OF 2017</u>	<u>G.O.N. SERIES OF 2018</u>	<u>TOTAL PRINCIPAL PAYMENTS</u>
2018-19	\$ 800,000	\$ 140,000	\$ 625,000	\$ 540,000	\$ 440,000	\$ 5,000	\$ 50,000	\$ 2,600,000
2019-20	900,000	140,000	635,000	490,000	455,000	5,000	50,000	2,675,000
2020-21	900,000	150,000	650,000	535,000	460,000	5,000	50,000	2,750,000
2021-22	1,000,000	150,000	665,000	500,000	470,000	5,000	50,000	2,840,000
2022-23	1,000,000	160,000	680,000	540,000	485,000	5,000	50,000	2,920,000
2023-28	1,100,000	4,805,000	3,690,000	3,230,000	2,650,000	25,000	250,000	15,750,000
2028-33	-	2,610,000	2,495,000	2,315,000	3,335,000	5,630,000	1,525,000	17,910,000
2033-35	-	-	-	-	-	-	4,750,000	4,750,000
TOTAL PRINCIPAL	5,700,000	8,155,000	9,440,000	8,150,000	8,295,000	5,680,000	6,775,000	52,195,000
LESS-PAYABLE WITHIN ONE YEAR	800,000	140,000	625,000	540,000	440,000	5,000	50,000	2,600,000
LONG-TERM PRINCIPAL AFTER ONE YEAR	\$ 4,900,000	\$ 8,015,000	\$ 8,815,000	\$ 7,610,000	\$ 7,855,000	\$ 5,675,000	\$ 6,725,000	\$ 49,595,000

<u>FISCAL YEAR</u>	<u>G.O.N. SERIES A OF 2007</u>	<u>G.O.B. SERIES OF 2009</u>	<u>G.O.B. SERIES OF 2012</u>	<u>G.O.B. SERIES OF 2013</u>	<u>G.O.B. SERIES OF 2014</u>	<u>G.O.B. SERIES OF 2017</u>	<u>G.O.N. SERIES OF 2018</u>	<u>TOTAL DEBT SERVICE PAYMENTS</u>
2018-19	\$ 917,447	\$ 361,058	\$ 889,817	\$ 728,795	\$ 716,506	\$ 231,500	\$ 229,876	\$ 4,074,999
2019-20	1,007,222	376,888	887,318	667,995	722,706	231,350	248,387	4,141,866
2020-21	984,440	381,919	888,982	703,195	718,606	231,200	246,912	4,155,254
2021-22	1,059,858	377,493	889,358	657,495	718,026	231,050	245,437	4,178,717
2022-23	1,034,858	382,872	888,065	687,495	720,806	230,900	243,962	4,188,958
2023-28	1,105,505	5,599,910	4,441,185	3,781,775	3,598,862	1,152,600	1,197,687	20,877,524
2028-33	-	2,678,682	2,662,910	2,445,500	3,751,000	6,543,650	2,435,815	20,517,557
2033-35	-	-	-	-	-	-	4,919,625	4,919,625
TOTAL	\$ 6,109,330	\$ 10,158,822	\$ 11,547,635	\$ 9,672,250	\$ 10,946,512	\$ 8,852,250	\$ 9,767,701	\$ 67,054,500

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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 \$24,512. 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 \$317,145 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, 2018, that will use currently available financial resources is \$34,731, including FICA tax and retirement contributions (net of reimbursement), which has been recorded in the General Fund and as a current liability in the governmental activities column of the government-wide statement of net position. The remaining vacation

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

pay earned at June 30, 2018, of \$168,512, 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 \$1,201 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.

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon 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, 2018**

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% (Membership Class T-C) or at 6.50% (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% (Membership Class T-C) or at 7.50% (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% (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, 2018 was 31.74% 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 \$5,883,090 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$66,786,931 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, with rolling forward the System's total pension liability as of June 30, 2017. 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, 2017, the District's proportion was 0.1359%, which was an increase of 0.0023% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$7,530,270. At June 30, 2018, 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
Fiscal Year Ended June 30, 2018**

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Proportionate Share vs Actual		
Paid Separately Finance Liabilities	\$ 4,602	\$ -
Changes in Assumptions	1,823,000	-
Net difference between projected and actual contributions made	-	101,281
Net difference between projected and actual earnings on pension plan investments	1,555,000	-
Difference between expected and actual experience	294,000	-
Changes in proportion of the Net Pension Liability	1,871,000	-
District contributions subsequent to the measurement date	5,883,090	-
Total	<u>\$ 11,430,692</u>	<u>\$ 101,281</u>

\$5,883,090 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Amount</u>
2018	\$ 1,508,000
2019	2,359,270
2020	1,609,223
2021	(27,303)
2022	<u>(2,869)</u>
Total	<u>\$ 5,446,321</u>

Actuarial assumptions

The total pension liability as of June 30, 2017, was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary increases – Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, and 2.25% for real wage growth and for merit or seniority increases

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

- Mortality rates were based on the RP-2014 Combined Healthy Annuitant Tables (male and female) adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.1%
Fixed Income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	100%	

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, 2017.

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.15%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 7.25%, 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate, using the net pension liability reported by PSERS before adjusting for differences on projected vs actual contributions made.

	<u>1% Decrease</u> <u>6.25%</u>	<u>Current</u> <u>Discount Rate</u> <u>7.25%</u>	<u>1% Increase</u> <u>8.25%</u>
District's proportionate share of the net pension liability	\$ 82,617,000	\$ 67,119,000	\$ 54,034,000

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.

Defined Pension Contribution Plan

Retirement Severance

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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

In accordance with GASB Statement 73, 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, 2018 of \$38,417, 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

General Information about the Health Insurance Premium Assistance Program – Multiple Employer OPEB Plan

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan description

PSERS is a governmental cost-sharing multiple-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.pa.gov.

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2017 was 0.83% 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 OPEB plan from the District were \$148,232 for the year ended June 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$2,772,903 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB 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, 2017, the District's proportion was 0.1359 percent, which was an increase of 0.0023 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$125,305. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Proportionate Share vs Actual		
Paid Separately Finance Liabilities	\$ 315	\$ -
Changes in Assumptions	-	129,000
Net difference between projected and actual contributions made	1,515	-
Net difference between projected and actual investment earnings	3,000	
Difference between expected and actual experience	-	-
Changes in proportion of the Net OPEB Liability	42,000	-
District contributions subsequent to the measurement date	153,843	-
Total	<u>\$ 200,673</u>	<u>\$ 129,000</u>

\$153,843 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2018	\$ (14,000)
2019	(13,695)
2020	(13,695)
2021	(13,695)
2022	(13,695)
Thereafter	<u>(13,390)</u>
Total	<u>\$ (82,170)</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2017, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 3.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
	100%	

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, 2017.

Discount rate

The discount rate used to measure the Total OPEB Liability was 3.13%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2017, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (Between 4% to 7%)	Current Trend Rate (Between 5% to 8%)	1% Increase (Between 6% to 9%)
System net OPEB liability	\$ 2,768,000	\$ 2,769,000	\$ 2,769,000

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

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	\$ 3,147,000	\$ 2,769,000	\$ 2,454,000

OPEB plan fiduciary net position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Single Employer OPEB Health Plan

The following table explains this benefit:

Summary of Plan Provisions											
Group	Eligibility	Coverage and Premium Sharing	Duration								
<u>I. TEACHERS</u>	<p>Must meet one of the following conditions to be eligible:</p> <p>i) Must be 25 years of PSERS service and at least 15 years with NWLSD</p> <p>ii) Act 110/43</p>	<ul style="list-style-type: none"> ● Coverage: Medical, Prescription Drug, and Dental. ● Premium Sharing: If the member reaches 25 years of PSERS service and 15 years of service with NWLSD, NWLSD will provide an account to the member that may be used to purchase medical, prescription drug, and dental benefits for the member. The spouse may elect coverage by paying the difference in premium between 2-party and single coverage. The initial account balance is determined by total PSERS service at retirement and follows the schedule below. (Note that past retirees may have followed a different schedule). <p style="text-align: center;"><u>Retired between July 1, 2014, and June 30, 2019</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Years of PSERS Service</th> <th style="text-align: right; border-bottom: 1px solid black;">Initial Account Balance</th> </tr> </thead> <tbody> <tr> <td style="border-bottom: 1px solid black;">Less than 31 years</td> <td style="text-align: right; border-bottom: 1px solid black;">\$ 11,000</td> </tr> <tr> <td style="border-bottom: 1px solid black;">31 years up to 36 years</td> <td style="text-align: right; border-bottom: 1px solid black;">\$ 8,000</td> </tr> <tr> <td style="border-bottom: 1px solid black;">More than 36 years</td> <td style="text-align: right; border-bottom: 1px solid black;">\$ 5,000</td> </tr> </tbody> </table> <p>The account will be drawn down each month at a rate equal to the premium for the coverage that is elected less the PSERS Supplement (this must be supplied to NWLSD by the member). If the account balance exhausts, the member and spouse may continue coverage by paying the full premium as determined for the purpose of Cobra.</p> <p>If the member does not reach eligibility for the account above, however, the member reaches eligibility through Act 110/43, the member and spouse may continue benefits by paying the full premium as determined for the purpose of Cobra.</p> <ul style="list-style-type: none"> ● Dependents: Spouses included. 	Years of PSERS Service	Initial Account Balance	Less than 31 years	\$ 11,000	31 years up to 36 years	\$ 8,000	More than 36 years	\$ 5,000	<p>Member may continue benefits until Medicare age or the exhaustion of the account.</p> <p>Benefits for the spouse will cease at the earlier of Medicare age, member Medicare age, or member death. If the member is still alive and receiving coverage, the spouse can continue coverage until the account is exhausted.</p>
Years of PSERS Service	Initial Account Balance										
Less than 31 years	\$ 11,000										
31 years up to 36 years	\$ 8,000										
More than 36 years	\$ 5,000										

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

<i>Continued</i>	Summary of Plan Provisions		
<i>Group</i>	<i>Eligibility</i>	<i>Coverage and Premium Sharing</i>	<i>Duration</i>
II. ADMINISTRATORS			
A) Current Superintendent	<p>Must meet one of the following conditions to be eligible.</p> <p>i) Must have at least 25 years of PSERS service and at least 15 years of service with NWLSD.</p> <p>ii) ACT 110/43</p>	<ul style="list-style-type: none"> ● Coverage: Medical, Prescription Drug, and Dental. <p>Premium Sharing: If the member reaches 25 years of PSERS service and 15 years of service with NWLSD, NWLSD the district will pay the single coverage premium for medical, prescription drug, and dental benefits for the member for three (3) years after retirement. The member is responsible for providing NWLSD with the PSERS Supplement while receiving the paid benefit. The spouse and/or dependent children may elect coverage by paying the additional premium due to the coverage of the spouse and/or dependent children.</p> <p>After those three years of 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"> ● Dependents: Family included. 	<p>Member may continue benefits until Medicare age.</p> <p>Benefits for the spouse will cease at the earlier of Medicare age, member Medicare age or member death.</p>
B) Current Business Administrator and Assistant Superintendent	<p>Must meet one of the following conditions to be eligible.</p> <p>i) Must have at least 25 years of PSERS service and at least 15 years of service with NWLSD.</p> <p>ii) ACT 110/43</p>	<ul style="list-style-type: none"> ● Coverage: Medical, Prescription Drug, and Dental. ● Premium Sharing: If the member reaches 25 years of PSERS service and 15 years of service with NWLSD, the district will pay the single coverage premium for medical, prescription drug and dental coverage for the for the member for two (2) years after retirement. The member is responsible for providing NWLSD with the PSERS Supplement while receiving the paid benefit. The spouse and/or dependent children may elect coverage by pay8ing the additional premium due to the coverage of the spouse and/or dependent children ● After those 2 years or if the member does eligibility for the above coverage but does reach eligibility through Act 11/43, the member and spouse may continue benefits by paying the full premium as determined for the purpose of COBRA. ● Dependents: Family included. 	Same as IIA
C) Act 93 Administrators who retired prior to June 30, 2015	<p>Must meet one of the following conditions to be eligible:</p> <p>i) Must have at least 25 years of PSERS Service and at least 15 years of service with NWLSD.</p> <p>ii) ACT 110/43</p>	<ul style="list-style-type: none"> ● Coverage: Medical, Prescription Drug, and Dental. ● Premium Sharing: If the member reaches 25 years of PSERS service and 15 years of service with NWLSD, member will be allowed to convert unused sick leave into medical, prescription drug and dental coverage for the for member's entire family. The member is responsible for providing NWLSD with the PSERS Supplement while receiving the paid benefit. The conversion rates for the different tiers of coverage are listed below. When the remaining sick leave reaches a level where a full year of coverage cannot be purchased, the monthly conversion will be used. 	<p>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.</p>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

<i>Continued</i>	Summary of Plan Provisions		
Group	Eligibility	Coverage and Premium Sharing	Duration
		<p style="text-align: center;"><u>Tier of Coverage</u> <u>Sick Leave Conversion Rate</u></p> <p style="text-align: center;">Single 25 days/year or 2 days/month Husband/Wife 45 days/year or 4 days/month Family 50 days/year or 4 days/month</p> <p>If coverage for either the member or spouse extends beyond age 65, the participant will be required to switch to a Medicare Supplemental plan.</p> <p>If the member does not reach eligibility for the sick leave conversion benefit but does reach eligibility through Act 110/43 or the member exhausts the sick leave benefit prior to age 65, the member and spouse may continue benefits by paying the full premium as determined for the purpose of COBRA.</p> <ul style="list-style-type: none"> • Dependents: Family included 	
D) Current Director of Human Resources and Act 93 Administrators who retire on or after July 1, 2015	Act 110/43	Act 110/43	Act 110/43
<u>III. SUPPORT STAFF</u>	Act 110/43	Act 110/43	Act 110/43

Notes: Act 110/43 Benefit: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement

Act 110/43 Coverage and Premium Sharing: Retiree 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 from PSERS if he (or she) meets one of the following qualifications at retirement:

1. 24.5 years of PSERS service
2. Upon superannuation retirement 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 employee 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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Employees covered by benefit terms:

At June 30, 2018, the following employees were covered by the benefit terms:

Active Participants	239
Vested Former Participants	0
Retired Participants	<u>26</u>
Total	265

Total OPEB Liability

The School's total OPEB liability under this single employer plan of \$3,422,170, was measured as of June 30, 2017, and was determined by an actuarial valuation as July 1, 2016.

Actuarial Assumptions and other inputs

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:

	Single Employer OPEB Healthcare Benefit
Actuarial Valuation Date	7/1/2016
Actuarial Cost Method	Entry Age Normal
Interest Rate	3.13%
Projected salary increases	3.75% to 6.25%
Healthcare inflation rate	6.0% in 2017, and 5.5% in 2018 through 2023. Rate gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Asset Valuation Method	pay as you go basis

The discount rate is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2017.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Mortality rates are assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into our retirement table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study on September, 2016.

Changes in the Total OPEB Liability

	<u>2017-18</u>
Total OPEB Liability	
Service Cost	\$ 210,587
Interest	83,759
Changes in Benefit Terms	-
Difference between expected and actual experience	-
Changes in assumptions	40,576
Benefit payments	<u>(144,009)</u>
Net change in total OPEB Liability	190,913
Total OPEB Liability - beginning	<u>3,231,257</u>
Total OPEB Liability - ending	<u><u>\$ 3,422,170</u></u>
Covered employee payroll	<u><u>\$ 14,898,772</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the School's single employer OPEB plan, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage point higher (4.13%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>2.13%</u>	<u>Discount Rate</u>	<u>4.13%</u>
	<u>2.13%</u>	<u>3.13%</u>	<u>4.13%</u>
District's proportionate share of the net OPEB liability	\$ 3,669,710	\$ 3,422,170	\$ 3,188,010

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the School's single employer OPEB plan, as well as what the School's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5.0% decreasing to 2.9%) or 1-percentage point higher (7.0% decreasing to 4.9%) than the current healthcare cost trend rates:

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

	1% Decrease (Between 2.9% to 5.0%)	Current Trend Rate (Between 3.9% to 6.0%)	1% Increase (Between 4.9% to 7.0%)
System net OPEB liability	\$ 3,053,615	\$ 3,422,170	\$ 3,861,338

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the School recognized OPEB expense of \$297,467. At June 30, 2018, the School reported deferred outflows of resource and deferred inflows of resources related to this single employer OPEB plan from the following sources:

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 37,455	\$ -
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	-	-
Changes in proportion of the Net OPEB Liability	-	-
District contributions subsequent to the measurement date	142,555	-
Total	<u>\$ 180,010</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to this single employer OPEB plan will be recognized in OPEB expense as follows:

Year ended June 30:	<u>Amount</u>
2019	\$ 3,121
2020	3,121
2021	3,121
2022	3,121
2023	3,121
Thereafter	<u>21,850</u>
Total	<u>\$ 37,455</u>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Combined Deferred Outflows/Inflows on Pensions and OPEB

As a result of having multiple pension and other post-employment benefit plans, the following schedule is prepared to illustrate the individual components reflected on the Statement of Net Position:

GOVERNMENTAL ACTIVITIES					STATEMENT OF NET POSITION	
RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS	<i>Pension - GASB 68</i>	<i>Single Employer OPEB - GASB 75</i>	<i>Multiple Employer OPEB - GASB 75</i>	<i>Pension & OPEB Total</i>	<i>Governmental & Business-Type Activities</i>	<i>Total</i>
	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	
	CURRENT YR BALANCE	CURRENT YR BALANCE	CURRENT YR BALANCE	CURRENT YR BALANCE	CURRENT YR BALANCE	CURRENT YR BALANCE
Change in Proportion	\$ 1,841,270	\$ -	\$ 41,357	\$ 1,882,627	\$ 1,913,000	\$ 1,913,000
Current Year Contributions	5,793,128	142,555	151,490	6,087,173	6,179,488	6,179,488
Change in Assumption	1,793,461	37,455	(127,026)	1,703,890	1,731,455	1,731,455
Diff in Projected Vs Actual Contributions	(99,671)	-	1,492	(98,179)	(99,766)	(99,766)
Difference in Investment Earnings	1,533,415	-	2,954	1,536,369	1,558,000	1,558,000
Diff. between Expected vs Actual Experience	289,773	-	-	289,773	294,000	294,000
Diff. between Prop. Share vs Actual POS	4,602	-	315	4,917	4,917	4,917
Net Pension Liability	\$ 65,682,630	\$ -	\$ 2,730,489	\$ 65,682,630	\$ 66,786,931	\$ 66,786,931
Net OPEB Liability	\$ -	\$ 3,422,170	\$ -	\$ 6,152,659	\$ 6,195,073	\$ 6,195,073

BUSINESS-TYPE ACTIVITIES				
RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS	<i>Pension - GASB 68</i>	<i>Single Employer OPEB - GASB 75</i>	<i>Multiple Employer OPEB - GASB 75</i>	<i>Pension & OPEB Total</i>
	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>
	CURRENT YR BALANCE	CURRENT YR BALANCE	CURRENT YR BALANCE	CURRENT YR BALANCE
Change in Proportion	\$ 29,730	\$ -	\$ 643	\$ 30,373
Current Year Contributions	89,962	-	2,353	92,315
Change in Assumption	29,539	-	(1,974)	27,565
Diff in Projected Vs Actual Contributions	(1,610)	-	23	(1,587)
Difference in Investment Earnings	21,585	-	46	21,631
Diff. between Expected vs Actual Experience	4,227	-	-	4,227
Diff. between Prop. Share vs Actual POS	-	-	-	-
Net Pension Liability	\$ 1,104,301	\$ -	\$ 42,414	\$ 1,104,301
Net OPEB Liability	\$ -	\$ -	\$ -	\$ 42,414

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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 – Tax Incremental Financing Agreement – West Hills Business Center

On August 17, 2011, Northwestern Lehigh School District entered a Tax Incremental Financing Agreement.

Under the authority of the Pennsylvania Tax Increment Financing Act, the local taxing body (Northwestern Lehigh School District) is to provide 50% of necessary funding to West Hills Business Center Tax Increment Financing District to undertake an estimated 2.3 million square feet of industrial and flex space on approximately 230 acres in Weisenberg Township.

Under the authority of the Pennsylvania Tax Increment Financing Act, the developer must complete the project dependent upon the requirements including the construction and improvement of required public infrastructure including (i) improvements to Pennsylvania State Route 863 and the bridge spanning Interstate 78 at Exit 45 New Smithville, together with appurtenances thereto road improvements, and (ii) the reconstruction of a wastewater treatment plant, together with appurtenances thereto to serve the property, adjoining property and Weisenberg Elementary School.

Full aggregate market value of all taxable real property located within the TIF district as of the effective date of creation was \$827,400.

Northwestern Lehigh School District pledges to pay over to the authority to be held in a TIF Agreement 50% of the real estate taxes assessed on the TIF District properties for each year within the agreement based upon the calculation below:

Northwestern Lehigh School District Pledged Increment = .50 x (the then Current Assessment less the Tax Increment Base) X School District millage at current year's calculation

The development is to pay annually assessed property taxes on all properties within the TIF District. The amounts pledged will be deposited by the School District and other TIF Agreement Parties into the School District Real Estate Tax Fund – West Hills Business Center TIF Project held by the Tax Fund Escrow Agent, to be used in payment or trust for Obligations associated with project expenses.

Upon completion of payment for project obligations, any remaining monies held within the School District's portion of the TIF Agreement Escrow account held by the Authority will be returned to the School District. Upon completion, the recipient of the TIF Tax Increment agrees to continue to pay 100% of real estate taxes on land and improvements in which the School District will keep 100% of going forward. Additionally, the recipient agrees not to file any tax assessment appeal during the term of the TIF debt.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Projected Tax Revenue Reduction for School District of TIF Agreement

Tax Year Ending	Estimated Incremental TIF Contribution
6/30/2013 *	\$ 0
6/30/2014 *	108,042
6/30/2015 *	412,744
6/30/2016 *	523,559
6/30/2017 *	813,820
6/30/2018	813,820
6/30/2019	813,820
6/30/2020	856,117
6/30/2021	873,306
6/30/2022	1,093,099
6/30/2023	1,114,931
6/30/2024	1,137,318
6/30/2025	1,160,076
6/30/2026	1,183,203
6/30/2027	1,206,886
6/30/2028	1,230,939
6/30/2029	1,255,546
6/30/2030	1,280,709
6/30/2031	1,306,242
6/30/2032	1,332,330
6/30/2033	1,358,972
Total	\$19,875,479

*Actual TIF Pledged Increment

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Note 8 – Prior Adjustments – General Fund/Net Position

	Food Service Fund	Business-Type Activities	Governmental Activities
Fund Balance/Net Position - June 30, 2017 (as reported)	\$ (812,168)	\$ (699,803)	\$ (10,005,972)
Adjustments to the fund balance:			
As a result of the new accounting principle GASB Statement No. 75, a prior period adjustment needed to be made pertaining to the multiple employer cost sharing OPEB plan on health assistance handled by PSERS reporting the net opeb liability at June 30, 2016.	(41,759)	(41,759)	(2,688,009)
As a result of the new accounting principle GASB Statement No. 75, a prior period adjustment needed to be made pertaining to the the single employer OPEB plan dealing with age-adjusted vs global healthcare rates, reporting the net opeb liability at June 30, 2016.	-	-	(2,108,922)
Fund Balance/Net Position - June 30, 2017 (restated)	<u>\$ (853,927)</u>	<u>\$ (741,562)</u>	<u>\$ (14,802,903)</u>

Note 9 – Fund Balance Allocations

Nonspendable Fund Balance

The General Fund had \$311,272, in nonspendable fund balance at June 30, 2018, comprised of prepaid expenditures.

Restricted Fund Balance

The Capital Project Fund has restrictions on the use of the resources at year end. The Capital Reserve Fund's \$2,238,984, 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 Capital Projects (Construction) Fund has \$3,680,847 in restricted fund balance.

The General Fund has restricted \$69,027 on their grants received from the Foundation.

Committed Fund Balance

The governing body (Board of School Directors) has committed \$8,342,659, of the General Fund's year end fund balance for the following purposes:

Future Retirement Rate increases	\$2,553,626
Other Post-Employment Benefits	\$2,963,082
Future Debt Service Rate increases	\$ 412,434
Millage Rate Stabilization	\$ 343,517
Increases in Healthcare	\$1,420,000
Energy Rate increases	\$ 650,000

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Assigned Fund Balance

The General Fund has (\$720,000), assigned for future technology purchases (\$2,136,036), for purchases of textbooks, (\$460,000) for purchases of buses, (\$1,464,000) for capital projects and (\$3,833,963) to balance the 2018-19 budget.

Note 10 – Restricted Net Position

Net Investment in Capital Assets

The components of this restriction in the governmental activities column is total capital assets of \$72,137,312, with related debt of \$51,942,560, which includes unamortized bonds discounts, premiums, and deferred refunding charges. In addition, the governmental activities column has \$2,238,484 restricted for capital projects. The business-type activities column reflects \$139,632 invested in capital assets with no related debt.

Note 11 – 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, 2018.

Litigation

In accordance with the solicitor's legal letter, there is no pending litigation involving contingent liabilities, as of June 30, 2018, that would materially affect the financial position of the District.

Note 12 – New Accounting Pronouncements

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

- Statement No. 83, *Certain Asset Retirement Obligations* – This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. Effective date: for periods beginning after June 15, 2018.
- Statement No. 84, *Fiduciary Activities* – This Statement is designed to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Effective date: Periods beginning after December 15, 2018.
- Statement No. 87, *Leases* – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

governments. This Statement requires certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Effective date: Periods beginning after December 15, 2019.

- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* – The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash or other assets in or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires additional essential information related to debt be disclosed, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to default events. Effective date: for periods beginning after June 15, 2018.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – The objectives of the statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before construction ends. This standard requires expensing interest costs when incurred rather than capitalizing the costs.

Note 13 – Subsequent Events

General Obligation (Limited Tax) Bonds – Series of 2018

On September 19, 2018, the District approved the issuance of the General Obligation (Limited Tax) Bonds – Series of 2018, in the principal amount of \$6,560,000. Proceeds of the Bonds will be used to pay the costs associated with the issuance of the bonds as well as currently refund a portion of the School District's outstanding General Obligation Bonds, Series of 2014.

As of the issuance date of this report, we are unable provide further disclosure on the future principal and interest requirements as the amortization rates were not available.

**REQUIRED
SUPPLEMENTAL INFORMATION**

NORTHWESTERN LEHIGH 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, 2018

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
District's proportion of the net pension liability (asset)	0.1359%	0.1336%	0.1309%	0.1295%
District's proportionate share of the net pension liability (asset)	\$ 67,119,000	\$ 66,208,000	\$ 56,700,000	\$ 51,257,000
District's covered employee payroll	18,535,256	17,859,218	20,940,434	16,751,309
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	362.12%	370.72%	270.77%	305.99%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	50.14%	54.36%	57.24%

NORTHWESTERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2017-18</u>	<u>2016-17</u>	<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>
Contractually required contribution	\$ 5,883,090	\$ 5,214,892	\$ 4,335,578	\$ 3,434,018	\$ 2,694,402	\$ 1,855,090	\$ 1,266,388	\$ 799,251	\$ 648,501	\$ 633,453
Contributions in relation to the contractually required contribution	<u>5,883,090</u>	<u>5,214,892</u>	<u>4,335,578</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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 18,535,256	\$ 17,859,218	\$ 17,342,310	\$ 16,751,309	\$ 16,840,014	\$ 16,131,219	\$ 15,829,855	\$ 15,985,015	\$ 16,212,532	\$ 15,836,313
Contributions as a percentage of covered employee payroll	31.74%	29.20%	25.00%	20.50%	16.00%	11.50%	8.00%	5.00%	4.00%	4.00%

**NORTHWESTERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
MULTIPLE EMPLOYER TEACHERS OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2017-18</u>	<u>2016-17</u>
District's proportion of the net OPEB liability	0.1359%	0.1336%
District's proportionate share of the net OPEB liability (asset)	\$ 2,769,000	\$ 2,878,000
District's covered-employee payroll	18,535,256	17,859,218
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	14.94%	16.11%
Plan fiduciary net position as a percentage of the total OPEB liability	5.73%	5.47%

NORTHWESTERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
MULTIPLE EMPLOYER TEACHERS OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2017-18</u>	<u>2016-17</u>	<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>
Contractually required contribution	\$ 153,843	\$ 148,232	\$ 145,675	\$ 150,762	\$ 156,613	\$ 138,727	\$ 102,892	\$ 102,305	\$ 126,455	\$ 120,355
Contributions in relation to the contractually required contribution	<u>153,843</u>	<u>148,232</u>	<u>145,675</u>	<u>150,762</u>	<u>156,613</u>	<u>138,727</u>	<u>102,892</u>	<u>102,305</u>	<u>126,455</u>	<u>120,355</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 18,535,256	\$ 17,859,218	\$ 17,342,310	\$ 16,751,309	\$ 16,840,014	\$ 16,131,219	\$ 15,829,855	\$ 15,985,015	\$ 16,212,532	\$ 15,836,313
Contributions as a percentage of covered employee payroll	0.83%	0.83%	0.84%	0.90%	0.93%	0.86%	0.65%	0.64%	0.78%	0.76%

**NORTHWESTERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
SINGLE EMPLOYER HEALTH INSURANCE PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

		<u>2017-18</u>
Total OPEB Liability		
Service Cost	\$	210,587
Interest		83,759
Changes in Benefit Terms		-
Difference between expected and actual experience		-
Changes in assumptions		40,576
Benefit payments		(144,009)
Net change in total OPEB Liability		<u>190,913</u>
Total OPEB Liability - beginning		<u>3,231,257</u>
Total OPEB Liability - ending	\$	<u><u>3,422,170</u></u>
Covered employee payroll	\$	<u><u>14,898,772</u></u>
Total OPEB Liability as a percentage of covered employee payroll		22.97%

**Northwestern Lehigh School District
Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2018**

Public School Employees' Retirement System

Changes of benefit terms

None

Changes in assumptions

- During this fiscal year, there were no changes in assumptions used in the prior reporting period.

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions, by PSERS, are calculated as of the June 30 preceding the fiscal year in which contributions are made. It does not include an adjustment made for the difference between projected vs actual contributions or separately financed liabilities. The following methods and assumptions were used to determine contribution rates reported:

- Investment return – 7.25%, includes inflation at 2.75%.
- Salary increases – Effective average of 5.0%, which reflects an allowance for inflation of 2.75%, and 2.25% for real wage growth and merit or seniority increases.
- 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 and the adjustment for the difference between proportionate share vs actual paid separately financed liabilities.

Other Post-Employment Benefits – Teachers Health Insurance Assistance

Changes of benefit terms

None

Changes in assumptions

- The discount rate used to measure the Total OPEB liability increased from 2.71% as of June 30, 2016 to 3.13% as of June 30, 2017.

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions, by PSERS, are calculated as of the June 30 preceding the fiscal year in which contributions are made. It does not include an adjustment made for the difference between projected vs actual contributions or separately financed liabilities. The following methods and assumptions were used to determine contribution rates reported:

Northwestern Lehigh School District
Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2018

- Investment return – 3.13% - S&P 20 Year Municipal Bond Rate.
- Salary increases – Effective average of 5.0%, which reflects an allowance for inflation of 2.75%, and 2.25% for real wage growth and merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Proportionate Share of the Net OPEB Liability

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

Other Post-Employment Benefits – Single Employer Healthcare Plan

Changes of benefit terms

Changes were made to the current Executive Director's eligibility and dependent coverage, but had no effect on liability. Written notification of retirement language was added to the Administrators, Administrative Support, and Teacher groups, but had no effect on liability do to current assumptions.

Changes in assumptions

The discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Northwestern Lehigh School District
Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2018

Methods and assumptions used in calculations of actuarially determined contributions

- Actuarial Cost Method – Entry Age Normal
- Salary Increases – 3.50% to 5.25%
- Healthcare cost trend rate – 6.0% in 2017, and 5.5% in 2018 to 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model
- Asset Valuation Method – Pay as you go basis
- Discount Rate – The rate of 3.13% is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2017.

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, 2018

	CARL BETZ SCHOLAR. FUND	STUDENT COUNCIL SCHOLAR. FUND	LAURETTA LEAR SCHOLAR. FUND	DAVID FALLINGER SCHOLAR. FUND	ROTH MARZ SCHOLAR. FUND	MORTON GENERAL SCHOLAR. FUND	STEPHEN KOHLER MEMORIAL SCHOLAR. FUND	WEISEN- BERG SCHOLAR. FUND	KEY CLUB SCHOLAR. FUND
ASSETS & DEFERRED OUTFLOWS OF RESOURCES									
Cash	\$ 6,754	\$ 274	\$ 3,571	\$ 5,814	\$ 10,455	\$ 52,632	\$ 8,477	\$ 2,653	\$ 33
Investments	-	-	-	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-
Deferred Charges on Rfdgs.	-	-	-	-	-	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 6,754	\$ 274	\$ 3,571	\$ 5,814	\$ 10,455	\$ 52,632	\$ 8,477	\$ 2,653	\$ 33
LIABILITIES & DEFERRED INFLOWS OF RESOURCES									
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund Payables	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-
NET POSITION									
Held in Trust for future recipients	<u>\$ 6,754</u>	<u>\$ 274</u>	<u>\$ 3,571</u>	<u>\$ 5,814</u>	<u>\$ 10,455</u>	<u>\$ 52,632</u>	<u>\$ 8,477</u>	<u>\$ 2,653</u>	<u>\$ 33</u>

Northwestern Lehigh School District
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2018

	CARL BETZ SCHOLAR. FUND	STUDENT COUNCIL SCHOLAR. FUND	LAURETTA LEAR SCHOLAR. FUND	DAVID FALLINGER SCHOLAR. FUND	ROTH MARZ SCHOLAR. FUND	MORTON GENERAL SCHOLAR. FUND	STEPHEN KOHLER MEMORIAL SCHOLAR. FUND	WEISEN- BERG SCHOLAR. FUND	KEY CLUB SCHOLAR. FUND
ADDITIONS:									
Contributions	\$ -	\$ 800	\$ -	\$ -	\$ -	\$ 4,650	\$ -	\$ 2,424	\$ 150
Interfund Transfers In	-	-	-	-	-	-	-	-	-
INVESTMENT EARNINGS:									
Interest and dividends	34	2	18	29	53	273	43	10	-
TOTAL ADDITIONS	34	802	18	29	53	4,923	43	2,434	150
DEDUCTIONS:									
Interfund Transfers Out	-	-	-	-	-	-	-	-	-
Awards	50	800	-	50	100	5,050	50	2,300	150
TOTAL DEDUCTIONS	50	800	-	50	100	5,050	50	2,300	150
CHANGES IN NET POSITION	(16)	2	18	(21)	(47)	(127)	(7)	134	-
NET POSITION - BEG. OF YR	6,770	272	3,553	5,835	10,502	52,759	8,484	2,519	33
NET POSITION - END OF YR	\$ 6,754	\$ 274	\$ 3,571	\$ 5,814	\$ 10,455	\$ 52,632	\$ 8,477	\$ 2,653	\$ 33

JUSTIN HUMMEL SCHOLAR. FUND	LYNDSAY BLOSE SCHOLAR. FUND	NWLSD SCHOLAR. FUND	FISHER SCHOLAR. FUND	RESH SCHOLAR. FUND	KISTLER SCHOLAR. FUND	NEMES FISHER SCHOLAR. FUND	NICK GUSTAFSON SCHOLAR. FUND	ALUMNI SCHOLAR. FUND	BETSY ADAMS SCHOLAR. FUND	SCIENCE CLUB SCHOLAR. FUND	TOTAL
\$ 4,716	\$ 8,597	\$ 2	\$ 41	\$ 16,962	\$ 3	\$ 4,240	\$ 2,215	\$ 9,864	\$ 612	\$ 3	\$ 137,918
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
\$ 4,716	\$ 8,597	\$ 2	\$ 41	\$ 16,962	\$ 3	\$ 4,240	\$ 2,215	\$ 9,864	\$ 612	\$ 3	\$ 137,918
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
\$ 4,716	\$ 8,597	\$ 2	\$ 41	\$ 16,962	\$ 3	\$ 4,240	\$ 2,215	\$ 9,864	\$ 612	\$ 3	\$ 137,918

JUSTIN HUMMEL SCHOLAR. FUND	LYNDSAY BLOSE SCHOLAR. FUND	NWLSD SCHOLAR. FUND	FISHER SCHOLAR. FUND	RESH SCHOLAR. FUND	KISTLER SCHOLAR. FUND	NEMES FISHER SCHOLAR. FUND	NICK GUSTAFSON SCHOLAR. FUND	ALUMNI SCHOLAR. FUND	BETSY ADAMS SCHOLAR. FUND	SCIENCE CLUB SCHOLAR. FUND	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ 950	\$ -	\$ -	\$ -	\$ -	\$ 1,610	\$ 150	\$ 10,734
-	-	-	-	-	-	-	-	-	-	-	-
24	43	-	-	82	-	21	12	53	2	-	699
24	43	-	-	1,032	-	21	12	53	1,612	150	11,433
-	-	-	-	-	-	-	-	-	-	-	-
-	50	-	-	500	-	100	100	200	1,000	150	10,650
-	50	-	-	500	-	100	100	200	1,000	150	10,650
24	(7)	-	-	532	-	(79)	(88)	(147)	612	-	783
4,692	8,604	2	41	16,430	3	4,319	2,303	10,011	-	3	137,135
\$ 4,716	\$ 8,597	\$ 2	\$ 41	\$ 16,962	\$ 3	\$ 4,240	\$ 2,215	\$ 9,864	\$ 612	\$ 3	\$ 137,918

Northwestern Lehigh School District
Combining Statement of Fund Net Position - All Enterprise Funds
As of June 30, 2018

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
ASSETS			
Cash	\$ 59,253	\$ -	\$ 59,253
Investments	-	-	-
Due From Other Funds	1,336	754,591	755,927
Due From Other Governments	-	37,272	37,272
Other Receivables	-	13,510	13,510
Inventory	755	21,970	22,725
Prepaid Expenses	-	-	-
Building Improvements, net of Accum. depreciation	-	28,789	28,789
Equipment, net of Accum. Depreciation	62,829	48,014	110,843
TOTAL ASSETS	\$ 124,173	\$ 904,146	\$ 1,028,319
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Change in Proportion of NPL	-	30,373	30,373
Deferred Outflows of Resources - Current Year Contributions	-	92,315	92,315
Deferred Outflows of Resources - Changes in Assumptions	-	27,565	27,565
Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	-	-	-
Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	-	21,631	21,631
Deferred Outflows of Resources - Diff. between Expected vs Actual Experience	-	4,227	4,227
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 124,173	\$ 1,080,257	\$ 1,204,430
LIABILITIES			
Due To Other Funds	\$ 5,868	\$ 807,405	\$ 813,273
Accounts Payable	-	8,977	8,977
Intergovernmental Payables	-	-	-
Accrued Salaries and Benefits	-	92	92
Accrued Compensated Absences	-	1,201	1,201
Net Pension Liability	-	1,104,301	1,104,301
Net OPEB Liability - Multiple Employer Plan	-	42,414	42,414
Prepayments	-	27,740	27,740
TOTAL LIABILITIES	5,868	1,992,130	1,997,998
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Change in Proportion of NPL	-	-	-
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	-	-	-
Deferred Inflows of Resources - Changes in Assumptions	-	-	-
Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	-	1,587	1,587
Deferred Inflows of Resources - Diff. in projected vs actual invest. Earnings	-	-	-
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	5,868	1,993,717	1,999,585
FUND NET POSITION			
Net Investment in Capital Assets	62,829	76,803	139,632
Unrestricted	55,476	(990,263)	(934,787)
TOTAL FUND NET POSITION	118,305	(913,460)	(795,155)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 124,173	\$ 1,080,257	\$ 1,204,430

Northwestern Lehigh School District
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - All Enterprise Funds
For the Year Ended June 30, 2018

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
OPERATING REVENUES			
Food Service Revenue	\$ 26,350	\$ 428,535	\$ 454,885
Other Operating Revenue	<u>6,029</u>	<u>7,001</u>	<u>13,030</u>
TOTAL OPERATING REVENUES	<u>32,379</u>	<u>435,536</u>	<u>467,915</u>
	-----	-----	-----
OPERATING EXPENSES			
Salaries	4,247	296,048	300,295
Employee Benefits	1,621	156,255	157,876
Professional Services	-	240	240
Purchased Property Services	-	21,789	21,789
Other Purchased Services	-	1,120	1,120
Supplies	18,005	305,496	323,501
Depreciation	4,626	17,963	22,589
Other Operating Expenses	-	2,611	2,611
TOTAL OPERATING EXPENSES	<u>28,499</u>	<u>801,522</u>	<u>830,021</u>
	-----	-----	-----
OPERATING PROFIT (LOSS)	3,880	(365,986)	(362,106)
	-----	-----	-----
NON-OPERATING REVENUES			
Earnings on Investments	130	-	130
Contributions/Donations	1,120	-	1,120
Revenue from Local Government Units	-	-	-
State Sources	810	72,957	73,767
Federal Sources	-	233,496	233,496
TOTAL NON-OPERATING REVENUES	<u>2,060</u>	<u>306,453</u>	<u>308,513</u>
	-----	-----	-----
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	5,940	(59,533)	(53,593)
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>
	-----	-----	-----
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	5,940	(59,533)	(53,593)
Capital Contributions	-	-	-
Gain or Loss on Sale of Fixed Assets	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
	-----	-----	-----
CHANGES IN FUND NET POSITION	5,940	(59,533)	(53,593)
FUND NET POSITION - JULY 1, 2017	112,365	(812,168)	(699,803)
Prior Period Adjustment	<u>-</u>	<u>(41,759)</u>	<u>(41,759)</u>
	-----	-----	-----
FUND NET POSITION - JUNE 30, 2018	<u>\$ 118,305</u>	<u>\$ (913,460)</u>	<u>\$ (795,155)</u>

**Northwestern Lehigh School District
Combining Statement of Cash Flows - All Enterprise Funds
For the Year Ended June 30, 2018**

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from users	\$ 25,539	\$ 424,866	\$ 450,405
Cash received from assessments to other funds	-	-	-
Cash received from earnings on investments	-	-	-
Cash received from other operating revenue	6,029	9,993	16,022
Cash paid to employees	(5,868)	(427,822)	(433,690)
Cash payments to insurance claims	-	-	-
Cash paid to suppliers	(12,031)	(276,673)	(288,704)
Cash payments for other operating expenses	-	(2,611)	(2,611)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>13,669</u>	<u>(272,247)</u>	<u>(258,578)</u>
	-----	-----	-----
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Contributions	1,120	-	1,120
Local Sources	-	-	-
State Sources	810	72,950	73,760
Federal Sources	-	198,738	198,738
Interfund Transfers	-	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>1,930</u>	<u>271,688</u>	<u>273,618</u>
	-----	-----	-----
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(10,661)	(1)	(10,662)
Capital Contributions	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(10,661)</u>	<u>(1)</u>	<u>(10,662)</u>
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	<u>130</u>	<u>-</u>	<u>130</u>
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,068	(560)	4,508
CASH AND CASH EQUIVALENTS - JULY 1, 2017	<u>54,185</u>	<u>560</u>	<u>54,745</u>
	-----	-----	-----
CASH AND CASH EQUIVALENTS - JUNE 30, 2018	<u>\$ 59,253</u>	<u>\$ -</u>	<u>\$ 59,253</u>
	-----	-----	-----

Northwestern Lehigh School District
Combining Statement of Cash Flows - All Enterprise Funds
For the Year Ended June 30, 2018

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

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
	<u> </u>	<u> </u>	<u> </u>
OPERATING INCOME (LOSS)	\$ 3,880	\$ (365,986)	\$ (362,106)
	-----	-----	-----
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Depreciation	4,626	17,963	22,589
Donated Commodities used	-	29,119	29,119
NET CHANGES IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	-	(677)	(677)
(Increase) Decrease in Interfund Receivable	(811)	(340,819)	(341,630)
(Increase) Decrease in Inventories	106	(3,448)	(3,342)
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Deferred Inflows of Resources - Change in Proportion of NPL	-	(6,793)	(6,793)
(Increase) Decrease in Deferred Inflows of Resources - Current Year Contributions	-	(12,540)	(12,540)
(Increase) Decrease in Deferred Inflows of Resources - Changes in Assumptions	-	10,648	10,648
(Increase) Decrease in Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	-	-	-
(Increase) Decrease in Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	-	32,614	32,614
(Increase) Decrease in Deferred Inflows of Resources - Diff. between Expected vs Actual Experience	-	(4,227)	(4,227)
Increase (Decrease) in Interfund Payable	5,868	359,376	365,244
Increase (Decrease) in Accounts Payable	-	5,641	5,641
Increase (Decrease) in Accrued Salaries and Benefits	-	(258)	(258)
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	-	655	655
Increase (Decrease) in Net Pension Liability	-	13,573	13,573
Increase (Decrease) in Deferred Inflows of Resources - Change in Proportion of NPL	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Changes in Assumptions	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual Contributions	-	(476)	(476)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual invest. Earnings	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	-	(8,715)	(8,715)
Increase (Decrease) in Prepayments	-	2,103	2,103
TOTAL ADJUSTMENTS	<u>9,789</u>	<u>93,739</u>	<u>103,528</u>
NET CASH PROVIDED (USED) BY			
OPERATING ACTIVITIES	<u>\$ 13,669</u>	<u>\$ (272,247)</u>	<u>\$ (258,578)</u>

**Northwestern Lehigh School District
Combining Balance Sheet
All Agency Funds
As of June 30, 2018**

ASSETS	ACTIVITY FUND	PAYROLL FUND	TOTAL
Cash	\$ 130,245	\$ 10,866	\$ 141,111
Due from Other Funds	-	-	-
Accounts Receivable	-	-	-
Prepaid Expenses	-	-	-
TOTAL ASSETS	<u>\$ 130,245</u>	<u>\$ 10,866</u>	<u>\$ 141,111</u>
LIABILITIES			
Accounts Payable	\$ 640	\$ -	\$ 640
Intergovernmental Payable	-	-	-
Due Student Organizations	129,399	-	129,399
Payroll Deductions	-	-	-
Interfund Payable	206	10,866	11,072
TOTAL LIABILITIES	<u>\$ 130,245</u>	<u>\$ 10,866</u>	<u>\$ 141,111</u>

**Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2018**

<u>ACTIVITY FUND</u>	<u>BALANCE 7/1/17</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE 6/30/18</u>
ASSETS:				
Cash	\$ 135,698	\$ 221,960	\$ 227,413	\$ 130,245
Interfund Receivable	-	-	-	-
Accounts Receivable	553	-	553	-
Prepaid Expenses	-	-	-	-
TOTAL ASSETS	<u>\$ 136,251</u>	<u>\$ 221,960</u>	<u>\$ 227,966</u>	<u>\$ 130,245</u>
LIABILITIES:				
Accounts Payable	\$ 2,072	\$ 640	\$ 2,072	\$ 640
Intergovernmental Payable	-	-	-	-
Interfund Payables	1,002	206	1,002	206
Due to Student Organizations	133,177	221,114	224,892	129,399
TOTAL LIABILITIES	<u>\$ 136,251</u>	<u>\$ 221,960</u>	<u>\$ 227,966</u>	<u>\$ 130,245</u>
 <u>PAYROLL FUND</u>				
ASSETS:				
Cash	\$ 10,855	\$ 11	\$ -	\$ 10,866
Other Accounts Receivable	-	-	-	-
Interfund Receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 10,855</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 10,866</u>
LIABILITIES:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Interfund Payable	10,855	10,866	10,855	10,866
Accrued Payroll Deductions	-	(10,855)	(10,855)	-
TOTAL LIABILITIES	<u>\$ 10,855</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 10,866</u>
 <u>ALL AGENCY FUNDS</u>				
ASSETS:				
Cash	\$ 146,553	\$ 221,971	\$ 227,413	\$ 141,111
Interfund Receivables	-	-	-	-
Accounts Receivable	553	-	553	-
Prepaid Expenses	-	-	-	-
TOTAL ASSETS	<u>\$ 147,106</u>	<u>\$ 221,971</u>	<u>\$ 227,966</u>	<u>\$ 141,111</u>
LIABILITIES:				
Accounts Payable	\$ 2,072	\$ 640	\$ 2,072	\$ 640
Intergovernmental Payable	-	-	-	-
Due to Student Organizations	133,177	221,114	224,892	129,399
Accrued Payroll Deductions	-	(10,855)	(10,855)	-
Interfund Payable	11,857	11,072	11,857	11,072
TOTAL LIABILITIES	<u>\$ 147,106</u>	<u>\$ 221,971</u>	<u>\$ 227,966</u>	<u>\$ 141,111</u>

**Northwestern Lehigh School District
Combining Balance Sheet - All Capital Project Funds
As of June 30, 2018**

	CAPITAL RESERVE FUND	CAPITAL PROJECTS (36) FUND	CAPITAL PROJECTS (37) FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,249,129	\$ 2,065	\$ 4,162,245	\$ 6,413,439
Investments	-	-	-	-
Due from other funds	-	-	-	-
Accrued Interest Receivables	-	-	-	-
Prepaid Expenditures	-	-	-	-
Other Current Assets	-	-	-	-
TOTAL ASSETS	\$ 2,249,129	\$ 2,065	\$ 4,162,245	\$ 6,413,439
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 2,249,129	\$ 2,065	\$ 4,162,245	\$ 6,413,439
<u>LIABILITIES</u>				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Accounts Payable	10,145	2,065	481,398	493,608
Intergovernmental Payables	-	-	-	-
Prepayments	-	-	-	-
Other Current Liabilities	-	-	-	-
TOTAL LIABILITIES	10,145	2,065	481,398	493,608
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned/Unavailable Revenue	-	-	-	-
	10,145	2,065	481,398	493,608
	-----	-----	-----	-----
FUND BALANCES:				
Restricted Fund Balance	2,238,984	-	3,680,847	5,919,831
Assigned Fund Balance	-	-	-	-
TOTAL FUND BALANCES	2,238,984	-	3,680,847	5,919,831
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,249,129	\$ 2,065	\$ 4,162,245	\$ 6,413,439

Northwestern Lehigh School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2018

	CAPITAL RESERVE FUND	CAPITAL PROJECTS (36) FUND	CAPITAL PROJECTS (37) FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES				
Local Sources	\$ 13,898	\$ 10,863	\$ 13,938	\$ 38,699
State Sources	-	-	-	-
Federal Sources	-	-	-	-
TOTAL REVENUES	<u>13,898</u>	<u>10,863</u>	<u>13,938</u>	<u>38,699</u>
EXPENDITURES				
Instruction	-	24,296	166,133	190,429
Support Services	25,441	-	-	25,441
Operation of Non-Instructional Services	-	-	-	-
Capital Outlay	521,800	4,600,739	2,941,958	8,064,497
Debt Service	-	-	-	-
TOTAL EXPENDITURES	<u>547,241</u>	<u>4,625,035</u>	<u>3,108,091</u>	<u>8,280,367</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(533,343)</u>	<u>(4,614,172)</u>	<u>(3,094,153)</u>	<u>(8,241,668)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	6,775,000	6,775,000
Refunding Bond Proceeds	-	-	-	-
Bond Discount	-	-	-	-
Interfund Transfers In	588,356	-	-	588,356
Bond Premium	-	-	-	-
Sale/Compensation for Fixed Assets	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Refunds of Prior Year Receipts	-	-	-	-
Operating Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>588,356</u>	<u>-</u>	<u>6,775,000</u>	<u>7,363,356</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	55,013	(4,614,172)	3,680,847	(878,312)
FUND BALANCES - BEGINNING	<u>2,183,971</u>	<u>4,614,172</u>	<u>-</u>	<u>6,798,143</u>
FUND BALANCES - ENDING	<u>\$ 2,238,984</u>	<u>\$ -</u>	<u>\$ 3,680,847</u>	<u>\$ 5,919,831</u>

**Northwestern Lehigh School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2018**

<u>CURRENT REAL ESTATE TAXES</u>	<u>HEIDELBERG TOWNSHIP</u>	<u>LOWHILL TOWNSHIP</u>	<u>LYNN TOWNSHIP</u>	<u>WEISENBERG TOWNSHIP</u>	<u>TOTALS</u>
Original Assessment	\$ 269,891,000	\$ 255,460,500	\$ 352,891,700	\$ 719,680,500	\$ 1,597,923,700
Millage Rate	<u>0.015963</u>	<u>0.015963</u>	<u>0.015963</u>	<u>0.015963</u>	<u>0.015963</u>
Total Assessed Tax Amount	4,308,297	4,077,942	5,633,245	11,488,332	25,507,816
Less: Act 1 Reduction	<u>151,823</u>	<u>103,331</u>	<u>190,187</u>	<u>232,031</u>	<u>677,372</u>
TAX PER DUPLICATE	4,156,474	3,974,611	5,443,058	11,256,301	24,830,444
PLUS - Additions	-	-	-	-	-
- Penalties	<u>13,264</u>	<u>5,481</u>	<u>14,453</u>	<u>19,085</u>	<u>52,283</u>
TAXES TO BE COLLECTED	4,169,738	3,980,092	5,457,511	11,275,386	24,882,727
LESS - Discounts	65,675	64,113	87,557	193,980	411,325
- Reductions	3,236	2,334	-	714,244	719,814
- Refunds	3,993	196	6,109	1,959	12,257
- Returned to County	178,064	149,488	199,403	316,676	843,631
- Exonerations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CURRENT R. E. TAXES COLLECTED	<u>\$ 3,918,770</u>	<u>\$ 3,763,961</u>	<u>\$ 5,164,442</u>	<u>\$ 10,048,527</u>	<u>\$ 22,895,700</u>
 INTERIM R. E. TAXES COLLECTED	 <u>\$ 16,622</u>	 <u>\$ 32,389</u>	 <u>\$ 45,617</u>	 <u>\$ 307,617</u>	 <u>\$ 402,245</u>

**Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2018**

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
6000 - Revenue from Local Sources				
6111	Current Real Estate Taxes	\$ 23,193,746	\$ 22,895,700	\$ (298,046)
6112	Interim Real Estate Taxes	350,000	402,245	52,245
6113	Public Utility	33,000	27,548	(5,452)
6114	Payment in Lieu of Taxes	5,700	5,733	33
6143	Occupational Privilege Tax	50,000	57,919	7,919
6151	Earned Income Tax	2,500,000	2,524,982	24,982
6153	Real Estate Transfer Tax	350,000	482,190	132,190
6411	Delinquent Real Estate Taxes	875,000	1,046,228	171,228
6412	Delinquent Interim Real Estate Taxes	10,000	6,594	(3,406)
6420	Delinquent Per Capita Taxes	-	71	71
6510	Interest	400,000	452,890	52,890
6710	Admissions	60,000	55,767	(4,233)
6740	Fees	40,500	56,439	15,939
6790	Other Student Activity Income	1,500	-	(1,500)
6832	I/U Services - Federal	346,238	361,829	15,591
6910	Rentals	15,000	18,841	3,841
6920	Contributions	210,000	180,365	(29,635)
6921	Capital Contributions	-	-	-
6943	Adult School	10,000	5,129	(4,871)
6944	Receipts from Other LEA's - Education	10,000	8,341	(1,659)
6961	Transportation Services Provided Other PA LEAs	7,500	-	(7,500)
6991	Refunds of Prior Yr. Expenditures	-	105,552	105,552
6992	Energy Efficiency Revenue	-	-	-
6999	Other Revenues Not Specified Above	50,000	85,137	35,137
	TOTAL REVENUE FROM LOCAL SOURCES	\$ 28,518,184	\$ 28,779,500	\$ 261,316
7000 - Revenue from State Sources				
7110	Basic Subsidy - ESBE	5,699,784	5,692,596	(7,188)
7160	Orphan Tuition	20,000	26,930	6,930
7271	Special Education	1,367,075	1,355,362	(11,713)
7311	Transportation (Regular and Additional)	914,887	1,042,890	128,003
7312	Transportation (Nonpublic and Charter School)	-	71,610	71,610
7320	Rentals	400,000	387,110	(12,890)
7330	Health Services	41,000	39,211	(1,789)
7340	State Property Tax Reduction Allocation	676,584	676,584	-
7505	Ready to Learn Grant	230,490	230,490	-
7810	FICA Revenue	707,625	690,877	(16,748)
7820	Retirement Revenue	2,963,700	2,973,714	10,014
	TOTAL REVENUE FROM STATE SOURCES	13,021,145	13,187,374	166,229
8000 - Revenue from Federal Sources				
8514	Title I	154,124	162,471	8,347
8515	Title II A	35,865	46,093	10,228
8517	Title IV	-	10,000	10,000
8820	Medical Assistance Reimbursement	3,500	-	(3,500)
	TOTAL REVENUE FROM FEDERAL SOURCES	193,489	218,564	25,075
9000 - Other Financing Sources				
9300	Proceeds From Extended Term Financing	-	-	-
9400	Sale of or Compensation For Loss of Fixed Assets	-	-	-
	TOTAL REVENUE FROM OTHER FINANCING SOURCES	-	-	-
	TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 41,732,818	\$ 42,185,438	\$ 452,620

**Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2018**

1000 - Instruction		Budget	Actual	Variance
1110	Regular Programs - Elem./Secondary	\$ 16,500,747	\$ 16,497,221	\$ 3,526
1190	Federally Funded Regular Programs	173,124	172,471	653
1211	Life Skills Support - Public	85,979	84,014	1,965
1225	Speech & Language Impaired	209,254	208,267	987
1231	Emotional Support - Public	633,460	632,518	942
1241	Learning Support - Public	2,870,598	2,866,494	4,104
1243	Gifted Support	138,003	137,212	791
1290	Other Support	1,516,800	1,515,992	808
1390	Other Vocational Education Programs	1,044,092	1,022,483	21,609
1410	Drivers' Education	-	-	-
1430	Homebound Instruction	4,412	3,530	882
1500	Non-Public School Programs	-	-	-
1691	Adult Education	12,055	3,088	8,967
1693	Community College Sponsorship	250,716	243,216	7,500
1700	Higher Education Programs	10,000	9,240	760
	Total Instruction	23,449,240	23,395,746	53,494
2000 - Support Services				
2111	Supervision of Pupil Personnel Services- Head	269,411	268,504	907
2122	Counseling Services	751,704	749,330	2,374
2142	Psychological Testing Services	208,888	198,366	10,522
2170	Student Accounting Services	458	167	291
2230	Educational Television Services	4,000	3,703	297
2240	Computer Assisted Instruction Services	133,404	127,192	6,212
2250	School Library Services	616,851	615,083	1,768
2260	Instructional & Curriculum Dev. Service	364,715	363,952	763
2271	Instructional Staff Development	130,759	129,714	1,045
2272	Instructional Staff Development - Non-certified	3,650	1,817	1,833
2310	Board Services	74,297	54,011	20,286
2330	Tax Assessment & Collection Service	89,379	88,575	804
2340	Staff Relations	-	-	-
2350	Legal Services	100,000	81,010	18,990
2360	Office of the Superintendent Services	598,159	592,205	5,954
2370	Community Relations Services	21,500	-	21,500
2380	Office of the Principal Services	1,584,785	1,582,152	2,633
2390	Other Administration Services	62,500	61,835	665
2420	Medical Services	362,143	361,567	576
2430	Dental Services	500	190	310
2511	Supervision of Fiscal Services	408,855	408,230	625
2519	Other Fiscal Services	324,417	307,877	16,540
2611	Supervision of Operation and Maintenance of Plant - Head	280,235	144,519	135,716
2620	Operation of Building Services	3,164,612	2,790,502	374,110
2630	Care and Upkeep of Grounds Services	626,944	625,696	1,248
2660	Security Services	139,953	138,705	1,248
2711	Supervision of Student Transportation Services - Head	217,627	216,321	1,306
2719	Supervision of Student Transportation Services - All Other	20,000	18,720	1,280
2720	Vehicle Operation Services	2,103,245	1,822,951	280,294
2740	Vehicle Servicing and Maintenance Services	573,944	561,674	12,270
2818	System-Wide Technology Services	383,178	382,049	1,129
2832	Recruitment and Placement Services	291,746	281,031	10,715
2834	Staff Development Services	56,806	27,154	29,652
2836	Non-Instructional Dev - Non Cert	16,410	12,636	3,774
2900	Other Support Services	-	-	-
2910	Support services not listed elsewhere in the 2000	39,680	39,679	1
	Total Support Services	14,024,755	13,057,117	967,638

**Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2018**

<u>3000 - Operation of Non-Instructional Services</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
3210	School Sponsored Student Activities	240,568	239,502	1,066
3250	School Sponsored Athletics	680,201	679,111	1,090
3300	Community Services	8,000	7,670	330
3350	Welfare Activities	<u>26,400</u>	<u>26,400</u>	<u>-</u>
	Total Non-Instructional Services	955,169	952,683	2,486
<u>4000 - Facilities Acquisition, Construction, and Improvement Services</u>				
4200	Existing Site Improvement Services	-	-	-
4500	Building Acquisition and Construction Services - Original	-	-	-
4600	Existing Building Improvement Services	<u>-</u>	<u>-</u>	<u>-</u>
	Total Facilities Acquisition, Construction, and Improvement Services	-	-	-
<u>5000 - Other Expenditures and Financing Uses</u>				
5110	Debt Service	3,776,169	3,660,317	115,852
5130	Refund of Prior Yr. Receipts	3,320	1,028	2,292
5230	Transfers to Capital Project Funds	707,423	588,356	119,067
5900	Budgetary Reserve	<u>374,798</u>	<u>-</u>	<u>374,798</u>
	Total Other Expenditures and Financing Uses	<u>4,861,710</u>	<u>4,249,701</u>	<u>612,009</u>
	TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 43,290,874</u>	<u>\$ 41,655,247</u>	<u>\$ 1,635,627</u>
 TOTAL REVENUES AND OTHER FINANCING SOURCES		 \$ 41,732,818	 \$ 42,185,438	 \$ 452,620
 TOTAL EXPENDITURES AND OTHER FINANCING USES		 <u>43,290,874</u>	 <u>41,655,247</u>	 <u>1,635,627</u>
 NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES		 \$ (1,558,056)	 \$ 530,191	 \$ 2,088,247
 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		 \$ (1,558,056)	 \$ 530,191	 \$ 2,088,247
 FUND BALANCE - JULY 1, 2017		 <u>17,719,744</u>	 <u>18,648,178</u>	 <u>928,434</u>
 FUND BALANCE - JUNE 30, 2018		 <u>\$ 16,161,688</u>	 <u>\$ 19,178,369</u>	 <u>\$ 3,016,681</u>

Northwestern Lehigh School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2018

REVENUES

Student Payments	\$ 425,184	
Adult Payments	359	
Kitchen Sales	2,992	
Miscellaneous	-	
Revenue from Local Government Units	-	
Federal Donated Commodities	32,572	
Federal Subsidies	200,924	
Other Unrestricted Federal Grant	-	
State Subsidies	72,957	
Other State Revenue	-	
Transfer from General Fund	-	
Interest	-	
Special Events	<u>7,001</u>	\$ 741,989

COST OF SALES

Beginning Inventory - July 1, 2017	15,069	
Purchases - Food and Milk	241,304	
- Donated Commodities	32,572	
- Supplies	38,521	
LESS: Ending Inventory - June 30, 2018	<u>(21,970)</u>	<u>305,496</u>

GROSS PROFIT

436,493

EXPENSES

Payroll	296,048	
Taxes and Benefits	156,255	
Professional Services	240	
Purchased Property Services	21,789	
Travel	1,120	
Books	-	
Tech Communications	-	
Printing & Binding	-	
Depreciation	17,963	
Equipment	-	
Dues & Fees	<u>2,611</u>	<u>496,026</u>

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS

(59,533)

Gain or Loss on Sale of Fixed Assets

-

Capital Contributions

-

CHANGES IN FUND NET POSITION

(59,533)

FUND NET POSITION - JULY 1, 2017

(812,168)

Prior Period Adjustment

(41,759)

FUND NET POSITION - JUNE 30, 2018

\$ (913,460)

**Northwestern Lehigh School District
Food Service Fund
Statement of Fund Net Position
As of June 30, 2018**

ASSETS & DEFERRED OUTFLOWS OF RESOURCES

Cash	\$ -
Interfund Receivables	754,591
Subsidies Receivable	37,272
Other Receivable	13,510
Inventories	21,970
Prepaid Expenses	-
Building Improvements, net of Accum. Depreciation	28,789
Equipment, net of Accum. Depreciation	48,014
Deferred Outflows of Resources - Change in Proportion of NPL	30,373
Deferred Outflows of Resources - Current Year Contributions	92,315
Deferred Outflows of Resources - Changes in Assumptions	27,565
Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	-
Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	21,631
Deferred Outflows of Resources - Diff. between Expected vs Actual Experience	<u>4,227</u>

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES

\$ 1,080,257

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION

Accounts Payable	8,977
Interfund Accounts Payable	807,405
Accrued Salaries and Benefits	92
Accrued Compensated Absences	1,201
Net Pension Liability	1,104,301
Net OPEB Liability - Multiple Employer Plan	42,414
Prepayments	27,740
Deferred Inflows of Resources - Change in Proportion of NPL	-
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	-
Deferred Inflows of Resources - Changes in Assumptions	-
Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	1,587
Deferred Inflows of Resources - Diff. in projected vs actual invest. Earnings	-
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	-
FUND NET POSITION - JUNE 30, 2018	<u>(913,460)</u>

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

\$ 1,080,257

**Northwestern Lehigh School District
Tiger Concession Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2018**

REVENUES

Concession Stand Revenues	\$ 26,350	
Other Revenue	6,029	
Interest	130	
Contributions/Donations	1,120	
State Sources	810	
Transfer from the General Fund	-	\$ 34,439

COST OF SALES

Beginning Inventory - July 1, 2017	861	
Food	11,187	
Supplies	6,712	
Less: Ending Inventory - June 30, 2018	(755)	<u>18,005</u>

GROSS PROFIT

16,434

EXPENSES

Payroll	4,247	
Taxes and Benefits	1,621	
Other Professional Services	-	
Repairs and Maintenance	-	
Dues and Fees	-	
Depreciation	4,626	<u>10,494</u>

CHANGES IN FUND NET POSITION

5,940

FUND NET POSITION - JULY 1, 2017

112,365

FUND NET POSITION - JUNE 30, 2018

\$ 118,305

**Northwestern Lehigh School District
Payroll Fund
Statement of Additions and Deletions
For the Year Ended June 30, 2018**

CASH BALANCE - JULY 1, 2017		\$ 10,855
<u>ADDITIONS</u>		
Transfers From Other Funds	\$ -	
Interest	11	11
TOTAL FUNDS AVAILABLE		10,866

<u>DELETIONS</u>		-
CASH BALANCE - JUNE 30, 2018		<u>\$ 10,866</u>

<u>RECONCILIATION</u>		
Interfund Receivable	\$ -	
Accounts Payable	-	
Misc. deductions	-	
Retro Retirement	-	
Occupational Tax	-	
Due to General Fund	10,866	
Fica	-	
Flex Spending	-	
Dependent Care	-	
TOTAL LIABILITIES		<u>\$ (10,866)</u>

**Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2018**

FUND BALANCE - JULY 1, 2017		\$ 2,183,971
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Interest	\$ 13,898	
Transfer from General Fund	588,356	602,254
TOTAL FUNDS AVAILABLE		2,786,225

<u>EXPENDITURES</u>		
INSTRUCTIONAL:		
Equipment	-	
SUPPORT SERVICES:		
Repairs & Maintenance	-	
Equipment	25,441	
CAPITAL OUTLAY:		
Rentals	-	
Professional Services	50,020	
Construction	-	
Site Improvements	471,780	
Fees	-	547,241
FUND BALANCE - JUNE 30, 2018		<u>\$ 2,238,984</u>

**Northwestern Lehigh School District
Capital Projects Fund (36)
Statement of Revenues and Expenditures
For the Year Ended June 30, 2018**

FUND BALANCE - JULY 1, 2017 \$ 4,614,172

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Bond Issues	\$	-	
Bond Premium		-	
Transfer from General Fund		-	
Interest		10,863	10,863
TOTAL FUNDS AVAILABLE		10,863	4,625,035

EXPENDITURES AND OTHER FINANCING USES

INSTRUCTIONAL SERVICES:

Repairs and Maintenance		1,754	
Supplies		12,047	
Equipment		10,495	

SUPPORT SERVICES:

Professional Services		-	
Insurance		-	
Printing		-	

CAPITAL OUTLAY:

Professional Services		224,817	
Advertising		-	
Construction		4,374,600	
Supplies		-	
Equipment		-	
Dues and Fees		1,322	

OTHER FINANCING USES:

Transfer to 2009 Construction Fund		-	4,625,035
		-	4,625,035

FUND BALANCE - JUNE 30, 2018 **\$ -**

**Northwestern Lehigh School District
Capital Projects Fund (37)
Statement of Revenues and Expenditures
For the Year Ended June 30, 2018**

FUND BALANCE - JULY 1, 2017	\$	-
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Bond Issues	\$ 6,775,000	
Bond Premium	-	
Transfer from General Fund	-	
Interest	13,938	<u>6,788,938</u>
TOTAL FUNDS AVAILABLE		6,788,938
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
INSTRUCTIONAL SERVICES:		
Supplies	166,133	
SUPPORT SERVICES:		
Professional Services	-	
Insurance	-	
Printing	-	
CAPITAL OUTLAY:		
Professional Services	118,422	
Advertising	-	
Construction	2,823,536	
Supplies	-	
Equipment	-	
Dues and Fees	-	
OTHER FINANCING USES:		
Transfer to other Capital Project Funds	-	<u>3,108,091</u>
 FUND BALANCE - JUNE 30, 2018		 <u>\$ 3,680,847</u>

**Northwestern Lehigh School District
Schedule on General Obligation Notes - Series A of 2007
For the Year Ended June 30, 2018**

<u>MATURITY DATE</u>	<u>VARIABLE INTEREST RATE PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2018-19	2.500%	\$ 117,447	\$ 800,000
2019-20	2.500%	107,222	900,000
2020-21	2.500%	84,440	900,000
2021-22	2.500%	59,858	1,000,000
2022-23	2.500%	34,858	1,000,000
2023-24	2.500%	5,505	1,100,000
TOTAL OUTSTANDING		<u>\$ 409,330</u>	<u>\$ 5,700,000</u>

**Schedule on General Obligation Bonds - Series of 2009
For the Year Ended June 30, 2018**

<u>MATURITY DATE</u>	<u>VARIABLE INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2018-19	2.950%	\$ 221,058	\$ 140,000
2019-20	2.950%	236,888	140,000
2020-21	2.950%	231,919	150,000
2021-22	2.950%	227,493	150,000
2022-23	2.950%	222,872	160,000
2023-24	2.950%	218,647	165,000
2024-25	2.950%	195,020	1,090,000
2025-26	2.950%	161,883	1,140,000
2026-27	2.950%	127,467	1,180,000
2027-28	2.950%	91,893	1,230,000
2028-29	2.950%	54,408	1,280,000
2029-30	2.950%	14,274	1,330,000
TOTAL OUTSTANDING		<u>\$ 2,003,822</u>	<u>\$ 8,155,000</u>

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2012
For the Year Ended June 30, 2018**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2018-19	2.000%	\$ 264,817	\$ 625,000
2019-20	2.100%	252,318	635,000
2020-21	2.250%	238,982	650,000
2021-22	2.450%	224,358	665,000
2022-23	2.550%	208,065	680,000
2023-24	2.700%	190,725	695,000
2024-25	2.800%	171,960	720,000
2025-26	3.000%	151,800	735,000
2026-27	3.000%	129,750	760,000
2027-28	3.150%	106,950	780,000
2028-29	3.200%	82,380	810,000
2029-30	3.300%	56,460	830,000
2030-31	3.400%	29,070	855,000
TOTAL OUTSTANDING		<u>\$ 2,107,635</u>	<u>\$ 9,440,000</u>

**Schedule on General Obligation Bonds - Series of 2013
For the Year Ended June 30, 2018**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2018-19	2.00%	\$ 188,795	\$ 540,000
2019-20	2.00%	177,995	490,000
2020-21	2.00%	168,195	535,000
2021-22	2.00%	157,495	500,000
2022-23	2.00%	147,495	540,000
2023-24	2.10%	136,695	505,000
2024-25	2.15%	126,090	660,000
2025-26	2.25%	111,900	670,000
2026-27	2.40%	96,825	690,000
2027-28	2.50%	80,265	705,000
2028-29	2.60%	62,640	720,000
2029-30	2.70%	43,920	740,000
2030-31	2.80%	23,940	855,000
TOTAL OUTSTANDING		<u>\$ 1,522,250</u>	<u>\$ 8,150,000</u>

**Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2014
For the Year Ended June 30, 2018**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2018-19	1.52%	\$ 276,506	\$ 440,000
2019-20	2.00%	267,706	455,000
2020-21	2.37%	258,606	460,000
2021-22	2.67%	248,026	470,000
2022-23	2.87%	235,806	485,000
2023-24	3.01%	221,256	500,000
2024-25	3.11%	206,256	510,000
2025-26	3.26%	190,956	530,000
2026-27	3.45%	174,394	545,000
2027-28	3.71%	156,000	565,000
2028-29	3.75%	133,400	590,000
2029-30	3.85%	109,800	615,000
2030-31	3.95%	85,200	680,000
2031-32	4.00%	58,000	710,000
2032-33	4.00%	29,600	740,000
TOTAL OUTSTANDING		\$ 2,651,512	\$ 8,295,000

**Schedule on General Obligation Bonds - Series of 2017
For the Year Ended June 30, 2018**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2018-19	3.00%	\$ 226,500	\$ 5,000
2019-20	3.00%	226,350	5,000
2020-21	3.00%	226,200	5,000
2021-22	3.00%	226,050	5,000
2022-23	2.50%	225,900	5,000
2023-24	2.50%	225,775	5,000
2024-25	2.50%	225,650	5,000
2025-26	2.50%	225,525	5,000
2026-27	3.00%	225,400	5,000
2027-28	3.00%	225,250	5,000
2028-29	3.00%	225,100	5,000
2029-30	3.00%	224,950	5,000
2030-31	4.00%	224,800	1,235,000
2031-32	4.00%	175,400	2,800,000
2032-33	4.00%	63,400	1,585,000
TOTAL OUTSTANDING		\$ 3,172,250	\$ 5,680,000

**Northwestern Lehigh School District
Schedule on General Obligation Notes - Series of 2018
For the Year Ended June 30, 2018**

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2018-19	2.95%	\$ 179,876	\$ 50,000
2019-20	2.95%	198,387	50,000
2020-21	2.95%	196,912	50,000
2021-22	2.95%	195,437	50,000
2022-23	2.95%	193,962	50,000
2023-24	2.95%	192,487	50,000
2024-25	2.95%	191,012	50,000
2025-26	2.95%	189,537	50,000
2026-27	2.95%	188,063	50,000
2027-28	2.95%	186,588	50,000
2028-29	2.95%	185,113	50,000
2029-30	2.95%	183,638	50,000
2030-31	2.95%	182,163	50,000
2031-32	2.95%	180,688	50,000
2032-33	2.95%	179,213	1,325,000
2033-34	2.95%	140,125	3,750,000
2034-35	2.95%	29,500	1,000,000
TOTAL OUTSTANDING		<u>\$ 2,992,701</u>	<u>\$ 6,775,000</u>

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

NORTHWESTERN LEHIGH SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NO.	PASS THROUGH GRANTOR NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) 7/1/2017	REVENUE	EXPEND.	ACCRUED OR (DEFERRED) 6/30/2018	FOOTNOTES
U.S. DEPT. OF EDUCATION											
PASSED THROUGH THE PDE											
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-17-0305 A	7/1/16 - 9/30/17	\$ 167,829	11,013	11,013	-	-	-	2
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-18-0305 A	7/1/17 - 9/30/18	\$ 162,471	141,095	-	162,471	162,471	21,376	
TOTAL TITLE I PROGRAM						152,108	11,013	162,471	162,471	21,376	
PASSED THROUGH THE PDE											
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	020-17-0305 A	7/1/16 - 9/30/17	\$ 33,601	8,865	8,865	-	-	-	2
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	020-18-0305 A	7/1/17 - 9/30/18	\$ 46,093	33,903	-	46,093	46,093	12,190	
TOTAL TITLE II PROGRAM						42,768	8,865	46,093	46,093	12,190	
PASSED THROUGH THE PDE											
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	144-18-0305 A	7/1/17 - 9/30/18	\$ 10,000	10,000	-	10,000	10,000	-	2
PASSED THROUGH THE CARBON LEHIGH I.U.											
IDEA - B	I	84.027	N/A	7/1/16 - 9/30/17	\$ 360,906	360,906	360,906	-	-	-	2
IDEA - B	I	84.027	N/A	7/1/17 - 9/30/18	\$ 350,046	-	-	350,046	350,046	350,046	1
IDEA - SECTION 619	I	84.173	N/A	7/1/16 - 9/30/17	\$ 1,633	1,633	1,633	-	-	-	1
IDEA - SECTION 619	I	84.173	N/A	7/1/17 - 9/30/18	\$ 2,460	-	-	2,460	2,460	2,460	1
TOTAL IDEA CLUSTER						362,539	362,539	352,506	352,506	352,506	
TOTAL U. S. DEPARTMENT OF EDUCATION						567,415	382,417	571,070	571,070	386,072	
U. S. DEPARTMENT OF AGRICULTURE											
PASSED THROUGH THE PA DEPARTMENT OF EDUCATION:											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/16 - 6/30/17	N/A	29,054	29,054	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/17 - 6/30/18	N/A	149,986	-	180,893	180,893	30,907	6
NATIONAL SCHOOL BREAKFAST	I	10.553	N/A	7/1/17 - 6/30/18	N/A	-	-	-	-	-	
NATIONAL SCHOOL BREAKFAST - SEVERE NEED	I	10.553	N/A	7/1/16 - 6/30/17	N/A	3,357	3,357	-	-	-	7
NATIONAL SCHOOL BREAKFAST - SEVERE NEED	I	10.553	N/A	7/1/17 - 6/30/18	N/A	16,340	-	20,031	20,031	3,691	
PASSED THROUGH THE PA DEPT. OF AGRICULTURE:											
NATIONAL SCHOOL LUNCH - U.S.D.A. COMMODITIES	I	10.555	N/A	7/1/17 - 6/30/18	N/A	32,572	(1,222)	29,119	29,119	(4,675)	2
TOTAL CHILD NUTRITION CLUSTER						231,309	31,189	230,043	230,043	29,923	3,4
TOTAL U.S. DEPARTMENT OF AGRICULTURE						231,309	31,189	230,043	230,043	29,923	
TOTAL FEDERAL FINANCIAL AWARDS						\$ 798,724	\$ 413,606	\$ 801,113	\$ 801,113	\$ 415,995	

SOURCE: D -DIRECT; I -INDIRECT

**Northwestern Lehigh School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

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 31.0% 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 minimis 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	\$ 419,994	\$ 419,488
Carbon-Lehigh I.U.	715,045	352,506
PA Department of Agriculture	N/A	29,119
Totals	<u>\$ 1,135,039</u>	<u>\$ 801,113</u>

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$32,572, in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2017-18 fiscal year, the District used \$29,119 in commodities and established a year-end inventory of \$4,675 at June 30, 2018.
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.

Northwestern Lehigh School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

5. The Transportation Access passed through the Carbon Lehigh I.U. is reflected as federal local source local source revenue on the basic financial statements; however, pursuant to instructions from the Commonwealth of PA, it is not reported as revenue on the Schedule of Federal Awards.

6. The opening balance in the Accrued/(Deferred) column, as of July 1, 2017 is not equal to the prior year's ending Accrued/(Deferred) column as of June 30, 2017 by \$29,054. This was a result of a calculation error made when preparing the prior year's Schedule of Expenditures of Federal Awards. The prior year's National School Lunch program was reported as having revenue and expenditures of \$186,630 at June 30, 2017, when in fact, the revenue and expenditures should have been \$157,576, with an outstanding receivable of \$29,054 at June 30, 2017.

7. The opening balance in the Accrued/(Deferred) column, as of July 1, 2017 is not equal to the prior year's ending Accrued/(Deferred) column as of June 30, 2017 by \$3,357. This was a result of a calculation error made when preparing the prior year's Schedule of Expenditures of Federal Awards. The prior year's Severe Need Breakfast program was reported as having revenue and expenditures of \$18,794 at June 30, 2017, when in fact, the revenue and expenditures should have been \$15,437, with an outstanding receivable of \$3,357 at June 30, 2017.

FINANCIAL STATEMENT RECONCILIATION

General Fund Federal Source Revenues	\$ 218,564
Federal Grants in Local Sources	361,829
Food Service Fund Federal Revenue	<u>233,496</u>
Total Federal Revenue, per financial statements	813,889
Less: Transportation Access Reimbursement	(9,323)
Change in Donated Commodities	<u>(3,453)</u>
Total Federal Revenue Reported on SEFA	<u>\$ 801,113</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement of the general fund of the Northwestern Lehigh School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Northwestern Lehigh School District's basic financial statements, and have issued our report thereon dated November 28, 2018.

Internal Control over Financial Reporting

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

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

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

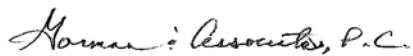
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



November 28, 2018



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT UNDER 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, 2018*. 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, 2018.

Report on Internal Control over Compliance

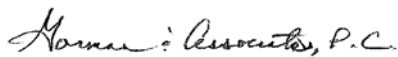
Management of Northwestern Lehigh School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northwestern Lehigh School District's 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,



November 28, 2018

**Northwestern Lehigh School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required
to be reported in accordance with section
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 28.7%

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, 2018**

Section II - Financial Statement Findings

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

Section III - Findings and Questioned Costs for Federal Awards

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