

**REPORT ON
NORTHWESTERN LEHIGH SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2020**

NORTHWESTERN LEHIGH SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2020

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INTRODUCTORY SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have performed the Single Audit of the Northwestern Lehigh School District for the fiscal year ended June 30, 2020, and have enclosed the Single Audit reporting package.

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

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

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

Respectfully submitted,

Gorman & Associates, P.C.

November 19, 2020



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, 2020, and have issued our report thereon dated November 19, 2020.

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 July 13, 2020.

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. 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 19, 2020. 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 2019-20 basic financial statements.

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

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

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

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

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

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

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

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

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

CONTROL DEFICIENCIES

Reimbursements to Employees

During the audit we randomly selected reimbursements paid to employees and discovered various errors in the calculations of mileage reimbursement and reimbursements for Pennsylvania Sales tax. For mileage reimbursement, there were instances where employees did not add up the miles correctly and/or used the wrong federal reimbursement rate. In regards to Pennsylvania Sales tax, the District has a sales tax-exempt number that should be used when purchasing supplies. Unless in very rare situations where it is unavoidable for the district to supply that exemption, employees should not be reimbursed for Pennsylvania sales tax. Management has been made aware of these issues and is now taking a closer look at the reimbursement submissions to ensure all are appropriately calculated and allowable.

OTHER INFORMATION

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 was extended with GASB Statement No. 95 pushing the date of implementation to the 2021-22 fiscal year.

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

Respectively submitted,



November 19, 2020

REPORT DISTRIBUTION LIST

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

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

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

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

FINANCIAL SECTION



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

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, 2020, 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, 2020, 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, 2019, the Northwestern Lehigh School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

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 9-16, 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 87-96, 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.

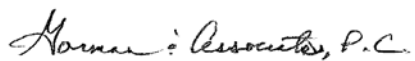
The *combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are the responsibility 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 19, 2020, 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 19, 2020

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, 2020

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, 2020, the District's net position equaled (\$16,778,993) for a decrease of \$643,277.
- The governmental net position equaled (\$15,778,919), for a decrease of \$672,846.
- The business-type net position equaled (\$1,000,074), for a decrease of \$185,845.

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.

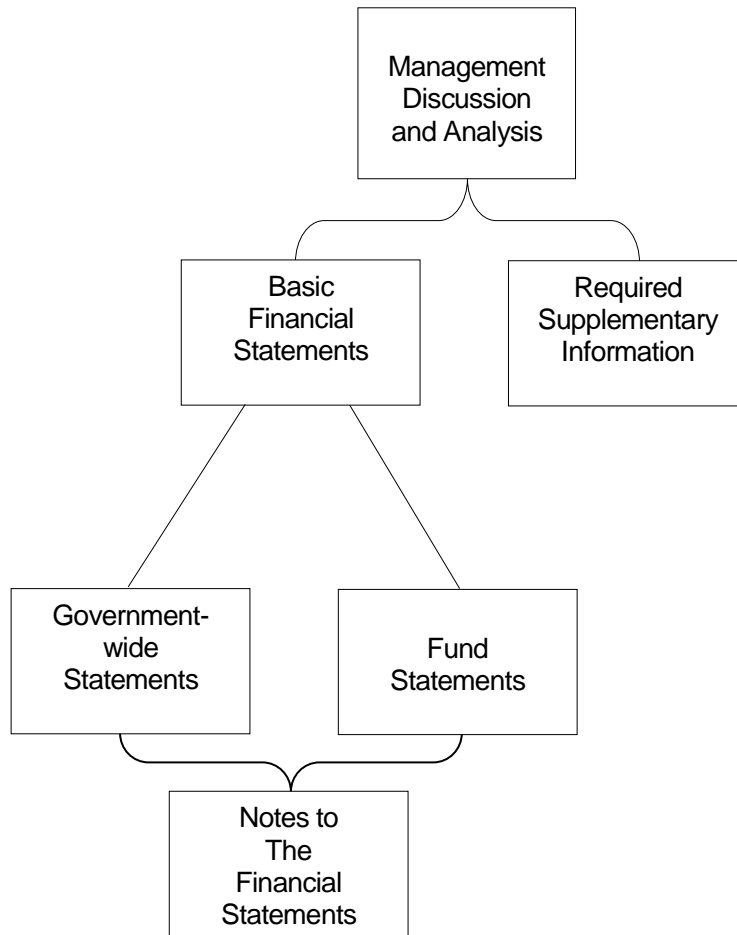
The first two statements are government-wide financial statements: the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

Fiduciary Funds - The District is the trustee, or fiduciary, for some scholarship funds. Custodial 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 \$232,840 less in General Fund revenue and other financing sources than originally budgeted. This negative variance is primarily attributed to the local and state revenues. In total, there were net negative budget variances in total expenditures and other financing uses amounting to \$1,671,086.

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

As of June 30, 2020, the District has committed and assigned \$7,094,293 and \$6,713,865, 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, 2020, the District has an unassigned fund balance of \$1,160,378.

Business-Type Activities

Food Service Fund – The Food Service operations experienced net loss of \$185,079, during the 2019-20 fiscal year, with depreciation expense of \$14,176.

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 #75 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

	<u>2020</u>			<u>2019</u>		
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total (1)</u>	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total (1)</u>
Current & Other Assets	\$ 25,727,722	\$ 444,925	\$ 26,172,647	\$ 29,171,817	\$ 172,946	\$ 29,344,763
Non-Current Assets	76,030,160	148,439	76,178,599	73,877,954	148,761	74,026,715
Deferred Outflows of Resources	9,577,842	134,974	9,712,816	10,036,359	148,747	10,185,106
Total Assets & Deferred Outflows of Resources	\$ 111,335,724	\$ 728,338	\$ 112,064,062	\$ 113,086,130	\$ 470,454	\$ 113,556,584
Current Liabilities	\$ 9,427,135	\$ 579,693	\$ 10,006,828	\$ 9,308,768	\$ 152,258	\$ 8,352,998
Non-Current Liabilities	115,026,455	1,113,029	116,139,484	117,905,605	1,123,026	123,375,953
Deferred Inflows of Resources	2,661,053	35,690	2,696,743	1,193,244	9,399	99,766
Total Liabilities & Deferred Inflows of Resources	127,114,643	1,728,412	128,843,055	128,407,617	1,284,683	131,828,717
Net Position:						
Net Investment in Capital Assets	28,679,785	148,439	28,828,224	24,472,073	148,761	20,334,384
Restricted	2,047,797	-	2,047,797	4,265,192	-	2,238,984
Unrestricted	(46,506,501)	(1,148,513)	(47,655,014)	(44,058,752)	(962,990)	(38,267,436)
Total Net Position	(15,778,919)	(1,000,074)	(16,778,993)	(15,321,487)	(814,229)	(16,135,716)
Total Liabilities, Deferred Inflows of Resources, & Net Position	\$ 111,335,724	\$ 728,338	\$ 112,064,062	\$ 113,086,130	\$ 470,454	\$ 113,556,584

(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

		2020			2019		
	Govern- mental	Business- Type			Govern- mental	Business- Type	
	Activities	Activities	Total		Activities	Activities	Total
REVENUES							
Program revenues:							
Charges for services	\$ 197,988	\$ 356,258	\$ 554,246	\$ 124,387	\$ 497,284	\$ 621,671	
Operating grants & contributions	7,605,809	289,112	7,894,921	7,301,811	348,337	7,650,148	
Capital grants & contributions	360,765	-	360,765	393,604	-	393,604	
General revenues:							
Property taxes	25,672,194	-	25,672,194	25,113,467	-	25,113,467	
Other taxes	3,368,329	-	3,368,329	3,356,437	-	3,356,437	
Grants, subsidies & contributions, not restricted	6,427,197	-	6,427,197	6,383,644	-	6,383,644	
Investment earnings	608,362	161	608,523	710,682	258	710,940	
Other	499,335	-	499,335	392,299	-	392,299	
Gain (Loss) on sale of capital assets	(1,882)	-	(1,882)	-	-	-	
Extraordinary items	-	-	-	-	-	-	
TOTAL REVENUES	44,738,097	645,531	45,383,628	43,776,331	845,879	44,622,210	
EXPENSES							
Instruction	25,748,097	-	25,748,097	25,277,089	-	25,277,089	
Instructional student support	3,153,826	-	3,153,826	3,068,437	-	3,068,437	
Admin. & Fin'l support services	4,785,059	-	4,785,059	4,420,985	-	4,420,985	
Oper. & Maint. of plant svcs.	4,600,461	-	4,600,461	4,520,844	-	4,520,844	
Pupil Transportation	2,789,719	-	2,789,719	2,897,585	-	2,897,585	
Student activities	1,050,581	-	1,050,581	1,059,767	-	1,059,767	
Community services	33,323	-	33,323	36,478	-	36,478	
Debt Service	13,450	-	13,450	1,395,907	-	1,395,907	
Unallocated depreciation expense	1,330,449	-	1,330,449	1,521,813	-	1,521,813	
Proprietary Funds	1,888,978	848,376	2,737,354	-	864,952	864,952	
TOTAL EXPENSES	45,393,943	848,376	46,242,319	44,198,905	864,952	45,063,857	
Income (Loss) Before Contributions	(655,846)	(202,845)	(858,691)	(422,574)	(19,073)	(441,647)	
Transfers In (Out)	(17,000)	17,000	-	-	-	-	
Changes in Net Position	(672,846)	(185,845)	(858,691)	(422,574)	(19,073)	(441,647)	
Total Net Position - Beginning	(15,321,487)	(814,229)	(16,135,716)	(14,898,913)	(795,156)	(15,694,069)	
Prior Period Adjustment	215,414	-	215,414	-	-	-	
Total Net Position - Ending	\$ (15,778,919)	\$ (1,000,074)	\$ (16,778,993)	\$ (15,321,487)	\$ (814,229)	\$ (16,135,716)	

NORTHWESTERN LEHIGH SCHOOL DISTRICT
Management's Discussion and Analysis

THE DISTRICT FUNDS

Governmental Funds

As of June 30, 2020, the governmental funds reported a combined fund balance of \$18,448,481, which decreased from the prior year by \$3,303,365.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

As of June 30, 2020, the District had \$105,261,920 invested in a broad range of capital assets including land, buildings, furniture and equipment, which represents a net increase (additions less retirements and depreciation) of \$2,228,930 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, 2020, the District had \$47,758,366 in debt (bonds and notes) outstanding compared to \$50,024,151 as of June 30, 2019. This represents a decrease of \$2,265,785. 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 2019-20 the District stayed within the adjusted ECI/SAWW and did not utilize any exceptions.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

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

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

Northwestern Lehigh School District
Statement of Net Position
As of June 30, 2020

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 4,458,796	\$ 55,312	\$ 4,514,108
Investments	17,000,000	-	17,000,000
Receivables, net	955,461	-	955,461
Internal Balances	248,715	353,805	- (1)
Due From Other Governments	2,051,226	731	2,051,957
Other Receivables	21,335	15,029	36,364
Inventories	300,690	20,048	320,738
Prepaid Expenses	690,862	-	690,862
Other Current Assets	637	-	637
Total Current Assets	25,727,722	444,925	25,570,127
Non-Current Assets:			
Restricted Cash and Cash Equivalents	213,204	-	213,204
Land	406,148	-	406,148
Site Improvements (net of depreciation)	460,083	-	460,083
Building and Bldg. Improvements (net of depreciation)	72,525,412	22,391	72,547,803
Furniture and Equipment (net of depreciation)	2,191,494	126,048	2,317,542
Construction in Progress	233,819	-	233,819
Total Non-Current Assets	76,030,160	148,439	76,178,599
Total Assets	101,757,882	593,364	101,748,726
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Related to Pension	8,584,567	130,843	8,715,410
Deferred Outflows of Resources - Related to OPEB	372,079	4,131	376,210
Deferred Amount on Debt Refundings, net	621,196	-	621,196
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 111,335,724	\$ 728,338	\$ 111,461,542
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 77,202	\$ 525,318	\$ - (1)
Due to other governments	270,697	-	270,697
Accounts Payable	1,311,452	1,167	1,312,619
Warrants Payable	-	-	-
Current Portion of Long-Term Obligations	2,669,575	-	2,669,575
Accrued Salaries and Benefits	2,480,747	939	2,481,686
Payroll Deductions and Withholdings	2,134,491	-	2,134,491
Prepayments from Students	101,823	52,269	154,092
Other Current Liabilities	381,148	-	381,148
Total Current Liabilities	9,427,135	579,693	9,404,308
Non-Current Liabilities:			
Bonds and Notes Payable	45,134,367	-	45,134,367
Extended Term Financing Agreements Payable	-	-	-
Lease Purchase Obligations	-	-	-
Long-Term Portion of Compensated Absences	552,750	1,210	553,960
Net Pension Liability	63,296,113	1,066,558	64,362,671
Net Defined Contribution Pension Liability	49,624	-	49,624
Net OPEB Liability - Single Employer Plan	3,083,240	-	3,083,240
Net OPEB Liability - Multiple Employer Plan	2,910,361	45,261	2,955,622
Other Retirement Benefits	-	-	-
Total Liabilities	124,453,590	1,692,722	125,543,792
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Related to Pension	2,063,147	35,688	2,098,835
Deferred Inflows of Resources - Related to OPEB	597,906	2	597,908
Unearned Revenue from Grants	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	127,114,643	1,728,412	128,240,535
NET POSITION			
Net Investment in Capital Assets	28,679,785	148,439	28,828,224
Restricted For:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	2,047,797	-	2,047,797
Other Restrictions	-	-	-
Unrestricted (deficit)	(46,506,501)	(1,148,513)	(47,655,014)
TOTAL NET POSITION	(15,778,919)	(1,000,074)	(16,778,993)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 111,335,724	\$ 728,338	\$ 111,461,542

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, 2020**

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 25,748,097	\$ 16,581	\$ 4,748,791	\$ -	\$ (20,982,725)	\$ -	\$ (20,982,725)
Instructional Student Support	3,153,826	-	550,334	-	(2,603,492)	-	(2,603,492)
Admin. & Fin'l Support Services	4,785,059	-	413,991	-	(4,371,068)	-	(4,371,068)
Oper. & Maint. Of Plant Svcs.	4,600,461	-	388,911	-	(4,211,550)	-	(4,211,550)
Pupil Transportation	2,789,719	-	1,400,117	-	(1,389,602)	-	(1,389,602)
Student activities	1,050,581	181,407	103,665	-	(765,509)	-	(765,509)
Community Services	33,323	-	-	-	(33,323)	-	(33,323)
Scholarships and Awards	13,450	-	-	-	(13,450)	-	(13,450)
Interest on Long-Term Debt	1,330,449	-	-	360,765	(969,684)	-	(969,684)
Unallocated Depreciation Expense	1,888,978	-	-	-	(1,888,978)	-	(1,888,978)
TOTAL GOVERNMENTAL ACTIVITIES	45,393,943	197,988	7,605,809	360,765	(37,229,381)	-	(37,229,381)
BUSINESS-TYPE ACTIVITIES:							
Food Services	799,882	309,696	288,107	-	-	(202,079)	(202,079)
Other Enterprise Funds	48,494	46,562	1,005	-	-	(927)	(927)
TOTAL PRIMARY GOVERNMENT	\$ 46,242,319	\$ 554,246	\$ 7,894,921	\$ 360,765	\$ (37,229,381)	\$ (203,006)	\$ (37,432,387)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 25,672,194	\$ -	\$ 25,672,194
Taxes levied for specific purposes					3,368,329	-	3,368,329
Grants, subsidies, & contributions not restricted					6,427,197	-	6,427,197
Investment Earnings					608,362	161	608,523
Miscellaneous Income					499,335	-	499,335
Special item - Gain (Loss) on sale of capital assets					(1,882)	-	(1,882)
Extraordinary Items					-	-	-
Transfers					(17,000)	17,000	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					36,556,535	17,161	36,573,696
CHANGES IN NET POSITION					(672,846)	(185,845)	(858,691)
NET POSITION - BEGINNING					(15,321,487)	(814,229)	(16,135,716)
PRIOR PERIOD ADJUSTMENT					215,414	-	215,414
NET POSITION - ENDING					\$ (15,778,919)	\$ (1,000,074)	\$ (16,778,993)

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

Northwestern Lehigh School District
Balance Sheet
Governmental Funds
As of June 30, 2020

	GENERAL	CAPITAL PROJECT FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,302,684	\$ 2,072,027	\$ 84,085	\$ 4,458,796
Restricted Cash	213,204	-	-	213,204
Investments	17,000,000	-	-	17,000,000
Taxes Receivable, net	955,461	-	-	955,461
Due from other funds	251,026	684,000	409	935,435
Due from Other Governments	2,051,226	-	-	2,051,226
Other Receivables	18,616	-	-	18,616
Inventories	-	-	-	-
Prepaid Expenditures	690,862	-	-	690,862
Other Current Assets	637	-	-	637
TOTAL ASSETS	23,483,716	2,756,027	84,494	26,324,237
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 23,483,716	\$ 2,756,027	\$ 84,494	\$ 26,324,237
<u>LIABILITIES:</u>				
Due to Other Funds	\$ 761,202	\$ -	\$ 431	\$ 761,633
Due to Other Governments	270,697	-	-	270,697
Accounts Payable	1,076,119	233,819	1,085	1,311,023
Warrants Payable	-	-	-	-
Current Portion of Long-Term Debt	45,575	-	-	45,575
Accrued Salaries and Benefits	2,480,747	-	-	2,480,747
Payroll Deductions and Withholdings	2,134,491	-	-	2,134,491
Prepayments	101,823	-	-	101,823
Other Current Liabilities	11,300	-	-	11,300
TOTAL LIABILITIES	6,881,954	233,819	1,516	7,117,289
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned Revenue from Property Taxes/Grants	758,467	-	-	758,467
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	7,640,421	233,819	1,516	7,875,756
<u>FUND BALANCES:</u>				
Nonspendable Fund Balance	690,862	-	-	690,862
Restricted Fund Balance	183,897	2,522,208	-	2,706,105
Committed Fund Balance	7,094,293	-	-	7,094,293
Assigned Fund Balance	6,713,865	-	82,978	6,796,843
Unassigned Fund Balance	1,160,378	-	-	1,160,378
TOTAL FUND BALANCES	15,843,295	2,522,208	82,978	18,448,481
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 23,483,716	\$ 2,756,027	\$ 84,494	\$ 26,324,237

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, 2020**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 18,448,481**

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 105,901,887 and the accumulated depreciation is \$30,084,931. 75,816,956

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. 621,196

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. 758,467

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. 300,690

This represents deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension/OPEB Liability 6,295,594

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	\$ (47,758,367)	
Accrued interest on the bonds	(369,848)	
Accounts Payable	-	
Compensated absences	(552,750)	
Net Pension Liability	(63,296,113)	
Net OPEB Liability - Single Employer Plan	(3,083,240)	
Net OPEB Liability - Multiple Employer Plan	(2,910,361)	
Net Defined Contribution Liability	(49,624)	(118,020,303)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (15,778,919)**

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, 2020

	GENERAL	CAPITAL PROJECT FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local Sources	\$ 30,740,271	\$ 52,015	\$ 57,020	\$ 30,849,306
State Sources	13,791,865	-	-	13,791,865
Federal Sources	228,995	-	-	228,995
TOTAL REVENUES	<u>44,761,131</u>	<u>52,015</u>	<u>57,020</u>	<u>44,870,166</u>
EXPENDITURES				
Instruction	24,842,882	-	-	24,842,882
Support Services	14,487,721	-	199,877	14,687,598
Operation of Non-Instructional Services	1,005,497	-	46,543	1,052,040
Capital Outlay	249	4,050,473	-	4,050,722
Debt Service	3,532,614	-	12,451	3,545,065
TOTAL EXPENDITURES	<u>43,868,963</u>	<u>4,050,473</u>	<u>258,871</u>	<u>48,178,307</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>892,168</u>	<u>(3,998,458)</u>	<u>(201,851)</u>	<u>(3,308,141)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	14,015,000	14,015,000
Bond Premium	-	-	-	-
Interfund Transfers In	2,091	684,000	199,876	885,967
Sale/Compensation for Fixed Assets	2,200	-	-	2,200
Other Financing Sources Not Listed Elsewhere	11,523	-	-	11,523
Payment to bond refunding escrow agent	-	-	(13,993,590)	(13,993,590)
Bond Discount	-	-	(13,356)	(13,356)
Refunds of Prior Year Receipts	-	-	-	-
Operating Transfers Out	(900,877)	-	(2,091)	(902,968)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(885,063)</u>	<u>684,000</u>	<u>205,839</u>	<u>4,776</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>7,105</u>	<u>(3,314,458)</u>	<u>3,988</u>	<u>(3,303,365)</u>
FUND BALANCES - BEGINNING	<u>15,693,277</u>	<u>5,836,666</u>	<u>6,489</u>	<u>21,536,432</u>
PRIOR PERIOD ADJUSTMENT	<u>142,913</u>	<u>-</u>	<u>72,501</u>	<u>215,414</u>
FUND BALANCES - ENDING	<u>\$ 15,843,295</u>	<u>\$ 2,522,208</u>	<u>\$ 82,978</u>	<u>\$ 18,448,481</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, 2020**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (3,303,365)

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	\$ 2,228,931	
less - capital outlays	<u>4,182,275</u>	1,953,344

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.

(4,082)

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.

(141,709)

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

2,280,000

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.

(80,001)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING

704,187

**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, 2020**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING (CONT'D) \$ 704,187

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.

(65,385)

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.

(8,053)

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.

141,026

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.

(1,444,621)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (672,846)

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, 2020

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ -	\$ 55,312	\$ 55,312
Investments	-	-	-
Due from other funds	350,929	2,876	353,805
Due From Other Governments	731	-	731
Other Receivables	15,029	-	15,029
Inventories	19,393	655	20,048
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	386,082	58,843	444,925
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	22,391	-	22,391
Machinery & Equipment (net)	45,130	80,918	126,048
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	67,521	80,918	148,439
TOTAL ASSETS	453,603	139,761	593,364
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources - Related to Pension	130,843	-	130,843
Deferred Outflows of Resources - Related to OPEB	4,131	-	4,131
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 588,577	\$ 139,761	\$ 728,338
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 507,837	\$ 17,481	\$ 525,318
Due to Other Governments	-	-	-
Accounts Payable	698	469	1,167
Current Portion of Long-Term Debt	-	-	-
Accrued Salaries and Benefits	939	-	939
Payroll Deductions and Withholdings	-	-	-
Prepayments	47,409	4,860	52,269
TOTAL CURRENT LIABILITIES	556,883	22,810	579,693
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	1,210	-	1,210
Net Pension Liability	1,066,558	-	1,066,558
Net OPEB Liability - Multiple Employer Plan	45,261	-	45,261
TOTAL NON-CURRENT LIABILITIES	1,113,029	-	1,113,029
TOTAL LIABILITIES	1,669,912	22,810	1,692,722
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources - Related to Pension	35,688	-	35,688
Deferred Inflows of Resources - Related to OPEB	2	-	2
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	1,705,602	22,810	1,728,412
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	67,521	80,919	148,440
Restricted for Legal Purposes	-	-	-
Unrestricted	(1,184,546)	36,032	(1,148,514)
TOTAL FUND NET POSITION	(1,117,025)	116,951	(1,000,074)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 588,577	\$ 139,761	\$ 728,338

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, 2020

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING REVENUES:			
Food Service Revenue	\$ 302,766	\$ 41,704	\$ 344,470
Charges for Services	-	-	-
Other Operating Revenues	6,930	4,858	11,788
TOTAL OPERATING REVENUES	<u>309,696</u>	<u>46,562</u>	<u>356,258</u>
	-----	-----	-----
OPERATING EXPENSES:			
Salaries	309,386	5,847	315,233
Employee benefits	156,924	2,010	158,934
Purchased Professional and Technical Services	3,945	3,200	7,145
Purchased Property Service	26,276	1,011	27,287
Other Purchased Services	779	-	779
Supplies	286,497	23,829	310,326
Depreciation	14,176	6,460	20,636
Dues and Fees	-	-	-
Claims and Judgments	-	-	-
Other Operating Expenses	1,899	6,137	8,036
TOTAL OPERATING EXPENSES	<u>799,882</u>	<u>48,494</u>	<u>848,376</u>
	-----	-----	-----
OPERATING INCOME (LOSS)	(490,186)	(1,932)	(492,118)
	-----	-----	-----
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Earnings on investments	-	161	161
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	-	-	-
Revenue from Local Government Units	-	-	-
State Sources	73,020	1,005	74,025
Federal Sources	215,087	-	215,087
Interest Expenses	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>288,107</u>	<u>1,166</u>	<u>289,273</u>
	-----	-----	-----
INCOME (LOSS) BEFORE CONTRIBUTIONS	(202,079)	(766)	(202,845)
Capital contributions	-	-	-
Transfers in (out)	17,000	-	17,000
	-----	-----	-----
CHANGES IN FUND NET POSITION	(185,079)	(766)	(185,845)
FUND NET POSITION - BEGINNING	<u>(931,946)</u>	<u>117,717</u>	<u>(814,229)</u>
	-----	-----	-----
FUND NET POSITION - ENDING	<u>\$ (1,117,025)</u>	<u>\$ 116,951</u>	<u>\$ (1,000,074)</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, 2020

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 294,731	\$ 40,699	\$ 335,430
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	11,746	4,858	16,604
Cash Payments to Employees for Services	(435,526)	(7,857)	(443,383)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(172,738)	(16,606)	(189,344)
Cash Payments to Other Operating Expenses	(1,899)	(6,137)	(8,036)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(303,686)	14,957	(288,729)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	76,050	1,005	77,055
Federal Sources	223,455	-	223,455
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	17,000	-	17,000
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	316,505	1,005	317,510
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facilities Acquisition/Const./Improvement Svcs.	(12,819)	(7,495)	(20,314)
Capital Contributions	-	-	-
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(12,819)	(7,495)	(20,314)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	-	161	161
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	-	161	161
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	8,628	8,628
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	-	46,684	46,684
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ 55,312	\$ 55,312

Northwestern Lehigh School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2020

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

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING INCOME (LOSS)	\$ (490,186)	\$ (1,932)	\$ (492,118)
	-----	-----	-----
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	14,176	6,460	20,636
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	27,621	-	27,621
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	(3,229)	-	(3,229)
(Increase) Decrease in Advances to Other Funds	(302,687)	(1,005)	(303,692)
(Increase) Decrease in Inventories	4,443	98	4,541
(Increase) Decrease in Prepaid Expenses	10	-	10
(Increase) Decrease in Deferred Outflows of Resources	14,108	-	14,108
(Increase) Decrease in Other Current Assets	-	-	-
Increase (Decrease) in Accounts Payable	(11,495)	469	(11,026)
Increase (Decrease) in Accrued Salaries and Benefits	721	-	721
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	1,649	-	1,649
Increase (Decrease) in Net Pension Liability	(11,650)	-	(11,650)
Increase (Decrease) in Deferred Inflows of Resources	25,956	-	25,956
Increase (Decrease) in Advances from Other Funds	408,631	7,857	416,488
Increase (Decrease) in Prepayment from Students	18,246	3,010	21,256
TOTAL ADJUSTMENTS	<u>186,500</u>	<u>16,889</u>	<u>203,389</u>
 NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	 <u><u>\$ (303,686)</u></u>	 <u><u>\$ 14,957</u></u>	 <u><u>\$ (288,729)</u></u>

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

Northwestern Lehigh School District
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2020

	PRIVATE PURPOSE- TRUST FUNDS	CUSTODIAL FUNDS
ASSETS		
Cash and cash equivalents	\$ -	\$ 91,671
Investments	-	-
Due from Other Funds	-	431
Other Receivables	-	-
Prepaid Expenses	-	-
Other Current Assets	-	-
TOTAL ASSETS	-	92,102
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refundings, net	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ 92,102
	-----	-----
LIABILITIES		
Accounts Payable	\$ -	\$ 4,399
Intergovernmental Payable	-	-
Due to Other Funds	-	2,720
Due to Student Clubs	-	-
Other Current Liabilities	-	-
TOTAL LIABILITIES	-	7,119
DEFERRED INFLOWS OF RESOURCES		
Unearned Revenue	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	7,119
NET POSITION		
Restricted for		
Individuals, organizations, and other governments	-	84,983
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	\$ -	\$ 92,102

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

Northwestern Lehigh School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	PRIVATE- PURPOSE TRUST FUND	CUSTODIAL FUNDS
ADDITIONS		
Contributions - Members	\$ -	\$ 8,123
Contributions - Employer	-	-
Special Events	-	16,760
Other Income		10,836
INVESTMENT EARNINGS:		
Interest and Dividends	-	181
Net increase (decrease) in fair value of investments	-	-
Less investment expense		
Tax collections for other governments	-	-
TOTAL ADDITIONS	<u>-</u>	<u>35,900</u>
DEDUCTIONS		
Administrative expense	-	-
Benefits paid to participants or beneficiaries	-	-
Payments for student club activities	-	38,228
Payments of tax collections to other governments	-	-
TOTAL DEDUCTIONS	<u>-</u>	<u>38,228</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	-	(2,328)
NET POSITION - BEGINNING OF YEAR	138,811	163,913
Prior Period Adjustment	<u>(138,811)</u>	<u>(76,602)</u>
NET POSITION - END OF YEAR	<u>\$ -</u>	<u>\$ 84,983</u>

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

Northwestern Lehigh School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -
General Fund
For the Year Ended June 30, 2020

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
REVENUES						
Local Sources	\$ 30,834,892	\$ 30,834,892	\$ 30,740,271	\$ (94,621)	\$ -	\$ 30,740,271
State Sources	13,939,079	13,939,079	13,791,865	(147,214)	-	13,791,865
Federal Sources	220,000	220,000	228,995	8,995	-	228,995
TOTAL REVENUES	44,993,971	44,993,971	44,761,131	(232,840)	-	44,761,131
EXPENDITURES						
Regular Instruction	18,115,365	17,620,865	17,369,758	251,107	-	17,369,758
Special Programs	6,076,801	6,174,301	5,972,444	201,857	-	5,972,444
Vocational Programs	1,191,488	1,250,488	1,250,246	242	-	1,250,246
Other Instructional Programs	-	1,000	847	153	-	847
Non-Public School Programs	-	-	-	-	-	-
Adult Education Programs	259,709	259,709	241,462	18,247	-	241,462
Community/Junior College Ed. Programs	-	8,500	8,125	375	-	8,125
Pupil Personnel Services	1,438,725	1,438,725	1,383,543	55,182	-	1,383,543
Instructional Staff Services	1,164,624	1,260,624	1,247,372	13,252	-	1,247,372
Administrative Services	2,549,848	2,578,348	2,530,449	47,899	-	2,530,449
Pupil Health	388,713	388,713	386,501	2,212	-	386,501
Business Services	774,568	774,568	735,852	38,716	-	735,852
Operation & Maintenance of Plant Services	4,262,808	4,324,408	4,297,315	27,093	-	4,297,315
Student Transportation Services	3,116,921	3,032,421	2,853,748	178,673	-	2,853,748
Central Support Services	760,327	1,063,327	1,010,847	52,480	-	1,010,847
Other Support Services	40,000	42,250	42,094	156	-	42,094
Student Activities	1,002,182	1,020,182	960,075	60,107	-	960,075
Community Services	35,000	37,900	31,972	5,928	-	31,972
Scholarships and Awards	-	14,000	13,450	550	-	13,450
Facilities, Acquisition and Construction	-	250	249	1	-	249
Debt Service	4,241,873	4,128,373	3,532,614	595,759	-	3,532,614
TOTAL EXPENDITURES	45,418,952	45,418,952	43,868,963	1,549,989	-	43,868,963
Excess (deficiency) of revenues over expenditures	(424,981)	(424,981)	892,168	1,317,149	-	892,168
OTHER FINANCING SOURCES (USES)						
Proceeds From Extended Term Financing	-	-	-	-	-	-
Other Financing Sources Not Listed Elsewhere	-	-	11,523	11,523	-	11,523
Interfund Transfers In	-	-	2,091	2,091	-	2,091
Sale/Compensation for Fixed Assets	-	-	2,200	2,200	-	2,200
Fund Transfers Out	(839,000)	(839,000)	(900,877)	(61,877)	-	(900,877)
Budgetary Reserve	(400,000)	(400,000)	-	400,000	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,239,000)	(1,239,000)	(885,063)	353,937	-	(885,063)
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(1,663,981)	(1,663,981)	7,105	1,671,086	-	7,105
FUND BALANCE - JULY 1, 2019	16,571,306	16,571,306	15,693,277	(878,029)	-	15,693,277
PRIOR PERIOD ADJUSTMENT	-	-	142,913	142,913	-	142,913
FUND BALANCE - JUNE 30, 2020	\$ 14,907,325	\$ 14,907,325	\$ 15,843,295	\$ 935,970	\$ -	\$ 15,843,295

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, 2020**

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 ensure 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, 2020**

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 2019-20 was \$1,250,246.

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 2019-20 was \$240,070.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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, 2020**

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.

Student Sponsored Activity Fund

This fund is set up in accordance with Section 511 of the PA School Code for student sponsored school organizations and publication which do not meet the criteria to be reported as custodial funds per GASB Statement 84.

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, 2020**

The District has the following Capital Project Funds:

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. The Proprietary Funds of the School District have operating and nonoperating revenues and/or expenses. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are reported as nonoperating revenues and/or expenses, including subsidies received from the state and federal government for school lunches, donated commodities, and amounts received for fICA and retirement subsidies. Operating revenues reported are consistent with the fees or charges incurred based on the intent of the individual proprietary fund.

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 (and other employee benefit) trust funds, investment trust funds, Private-purpose trust funds and Custodial funds. The School District has two Fiduciary Funds

Student Activity Fund

This fund is considered a custodial fund and is reported as such in the Statement of Net Position Fiduciary Funds and the Statement of Changes in Fiduciary Net Position. Custodial funds are used to report fiduciary activities that are not required to be reported in one of the other three Fiduciary fund types.

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities, 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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Accelerated Budget Process Option

Under this option, a preliminary budget must be prepared 150 days prior to the primary election. Under this Option, the preliminary budget must be available for public inspection at least 110 days prior to the primary election. The Board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption. The adoption must occur at least 90 days prior to the primary election. If the preliminary budget exceeds the increase authorized by the Index, an application for an exception may be filed with either a Court of Common Pleas with jurisdiction or PDE and made available for public inspection. The Board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

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

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 2018-19 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 2019-20 fiscal year the School District implemented the following new generally accepted accounting principles:

GASB 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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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 \$3,534 balance at year end.

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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, 2020, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

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

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

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. A physical inventory taken at June 30, 2020, shows \$300,690 in the governmental activities column and \$20,048 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, 2020; 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.

Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020

Inventories on hand at June 30, 2020, consist of:

Purchased Food	\$ 14,157
Purchased Supplies	5,530
Donated Commodities	361
TOTAL	\$ 20,048

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 five hundred (\$2,500) dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise funds is also capitalized.

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

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

Compensated Absences

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

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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, 2020, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis.

Net Position

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

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

Fund Balance Categories

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Contributions of Capital

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

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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 \$118,020,303 difference are:

Bonds and Notes payable	\$ 47,235,000
Less: Issuance discount (to be amortized as interest expense)	(13,075)
Add: Issuance premium (to be amortized as a contra to interest expense)	536,442
Accrued interest payable	369,848
Accounts Payable	-
Compensated absences	552,750
Net Defined Benefit Pension Liability	63,296,113
Net Defined Contribution Pension Liability	49,624
Net OPEB Liability - Single Employer Plan	3,083,240
Net OPEB Liability - Multiple Employer Plan	<u>2,910,361</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	<u>\$ 118,020,303</u>

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

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

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

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

Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020

- 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.

Explanation of Differences between Governmental Fund Statements and District-Wide Statements

	TOTAL GOVERN- MENTAL FUNDS	LONG- TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANS- ACTIONS	TOTAL FOR STATEMENT OF ACTIVITIES
<u>REVENUES AND OTHER SOURCES</u>					
LOCAL SOURCES:					
Property Taxes	\$ 25,813,903	\$ (141,709)	\$ -	\$ -	\$ 25,672,194
Taxes levied for specific purposes	3,368,329	-	-	-	3,368,329
Interest and investment earnings	608,362	-	-	-	608,362
Miscellaneous	273,762	-	-	-	273,762
Contributions and Donations	225,573	-	-	-	225,573
Charges for Services	197,988	-	-	-	197,988
Grants, subsidies & contributions not restricted	6,427,197	-	-	-	6,427,197
Transfers In	-	-	-	-	-
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating and Capital grants and contributions	7,364,668	-	-	-	7,364,668
FEDERAL SOURCES:					
Operating and Capital grants and contributions	601,906	-	-	-	601,906
SPECIAL AND EXTRAORDINARY ITEMS:					
Bond Premium	-	-	-	-	-
Proceeds from Bond/Note Issues	14,015,000	-	-	(14,015,000)	-
Gain or (Loss) on disposal of assets	2,200	-	(4,082)	-	(1,882)
TOTAL REVENUES	58,898,888	(141,709)	(4,082)	(14,015,000)	44,738,097
<u>EXPENDITURES/EXPENSES</u>					
Instruction	24,842,882	914,381	(9,166)	-	25,748,097
Instructional Student Support	3,017,416	136,410	-	-	3,153,826
Admin. & Fin'l Support Services	4,519,119	254,872	11,068	-	4,785,059
Oper. & Maint. of Plant Svcs.	4,297,315	44,682	258,464	-	4,600,461
Pupil Transportation	2,853,748	(3,706)	(60,323)	-	2,789,719
Student activities	1,006,617	36,958	7,006	-	1,050,581
Community Services	31,972	-	1,351	-	33,323
Scholarships and Awards	13,450	-	-	-	13,450
Capital Outlay	4,050,723	-	(4,050,723)	-	-
Debt Service	17,552,010	-	-	(16,221,561)	1,330,449
Transfers Out	17,000	-	-	-	17,000
Depreciation - unallocated	-	-	1,888,978	-	1,888,978
TOTAL EXPENDITURES/EXPENSES	62,202,252	1,383,597	(1,953,345)	(16,221,561)	45,410,943
NET CHANGE FOR THE YEAR	\$ (3,303,364)	\$ (1,525,306)	\$ 1,949,263	\$ 2,206,561	\$ (672,846)

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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, 2020, except the governmental activities and the business-type activities had deficits of \$15,778,919 and \$1,000,074, respectively. The Food Service Fund has a \$1,117,025 deficit.

C. Excess of expenditures over appropriations in individual funds

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

D. Budgetary compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2020. 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, 2020, \$21,253,209 of the District's bank balance of \$21,815,488 and restricted cash of \$62,279 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 62,279
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the District's name	21,253,209
TOTAL	\$ 21,315,488

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 21,315,488
Plus: Insured Amount	500,000
Less: Outstanding Checks	<u>(891)</u>
Carrying Amount - Bank balances	21,814,597
Plus: Petty Cash	775
Deposits in Investment Pool Considered Cash Equivalent	3,611
Less: Certificates of Deposit considered Investment by School Code	<u>(17,000,000)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	<u>\$ 4,818,983</u>

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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:
- 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, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Pa. Local Government Investment Trust		\$ 3,541
Certificates of Deposit		17,000,000
PA School District Liquid Asset Fund		70
TOTAL		<u>\$ 17,003,611</u>

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2020, the District's investments in the PA School District Liquid Asset Fund and PA Local Government Investment Trust were rated AAA by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. Of the General Fund's investments, 99.98% are in Certificates of Deposit with New Tripoli Bank. Of the governmental activities investments, 99.98% are in Certificates of Deposit at New Tripoli Bank. For entity-wide purposes, 99.98% 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. The District did not have investments exposed to custodial credit risk.

Reconciliation to Financial Statements

Total Investments Above	\$ 17,003,611
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(3,611)</u>
Total Investments Per Financial Statements	<u>\$ 17,000,000</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, 2020. 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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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 \$1,649,109,000. In accordance with Act 1 of 2006, the District received \$672,229 in property tax reduction funds for the 2019-20 fiscal year. The tax rate for the year was \$16.6138 per \$100 of assessed valuation or 16.6138 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 board approved delinquent tax collector for collections.

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	955,461	-	-	-	-	955,461
Accounts	18,616	-	15,029	-	-	33,645
Intergovernmental	2,051,226	-	731	-	-	2,051,957
GROSS RECEIVABLES	3,025,303	-	15,760	-	-	3,041,063
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 3,025,303	\$ -	\$ 15,760	\$ -	\$ -	\$ 3,041,063

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

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 758,467	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 758,467	\$ -

Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020

Capital Assets

Capital asset balances and activity for the year ending June 30, 2020 were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 406,148	\$ -	\$ -	\$ 406,148
Construction in Progress	12,396,738	3,350,593	(15,513,512)	233,819
Total Capital Assets not being depreciated	12,802,886	3,350,593	(15,513,512)	639,967
Capital Assets being depreciated:				-
Site Improvements	1,585,487	-	-	1,585,487
Buildings and Bldg. Improvements	80,435,671	15,716,625	-	96,152,296
Furniture and Equipment	7,006,742	628,569	(111,174)	7,524,137
TOTAL CAPITAL ASSETS BEING DEPRECIATED	89,027,900	16,345,194	(111,174)	105,261,920
Less accumulated depreciation for:				
Site Improvements	(1,070,763)	(54,641)		(1,125,404)
Buildings and Bldg. Improvements	(21,792,183)	(1,834,701)		(23,626,884)
Furniture and Equipment	(5,100,147)	(339,588)	107,092	(5,332,643)
TOTAL ACCUMULATED DEPRECIATION	(27,963,093)	(2,228,930)	107,092	(30,084,931)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	61,064,807	14,116,264	(4,082)	75,176,989
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 73,867,693	\$ 17,466,857	\$ (15,517,594)	\$ 75,816,956
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Buildings and Bldg. Improvements	\$ 127,948	\$ -	\$ -	\$ 127,948
Furniture and Equipment	680,823	20,315	-	701,138
Less accumulated depreciation	(660,010)	(20,637)	-	(680,647)
BUSINESS-TYPES ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 148,761	\$ (322)	\$ -	\$ 148,439

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

Regular Instruction	\$ 58,314
Special Instruction	862
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Pupil Personnel Services	-
Instructional Support Svcs.	-
School Library Services	-
Administrative Services	-
Health Services	-
Business Services	52
Operation & Maintenance of Plant Svcs.	48,567
Pupil Transportation	212,785
Central Services	11,016
Other Support Services	-
School Sponsored Athletics	7,005
Community Services	1,351
Depreciation - unallocated	1,888,978
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$ 2,228,930

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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 6/30/20</u>	<u>OUTSTANDING COMMITMENTS</u>
High School Track Resurfacing			
Beynon Sports Surfaces	\$ 263,406	\$ 231,236	\$ 32,170
TOTAL	<u>\$ 263,406</u>	<u>\$ 231,236</u>	<u>\$ 32,170</u>

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2020:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 251,026	\$ 761,202
Special Revenue (Activity) Fund	409	431
Capital Projects (Capital Reserve) Fund	684,000	-
Enterprise (Food Service) Fund	350,929	507,837
Enterprise (Tiger Conc.) Fund	2,876	17,481
Custodial (Activity) Fund	431	2,720
TOTAL	<u>\$ 1,289,670</u>	<u>\$ 1,289,670</u>

Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020

Interfund Transfers

The District did make the following transfers during the fiscal year ended June 30, 2020:

Fund	TRANSFER IN	TRANSFER OUT
General Fund	\$ 2,091	\$ 900,877
Enterprise (Food Service) Fund	17,000	
Capital Project (Capital Reserve) Fund	684,000	
GOB 2019 A Bond Fund	151,439	
GOB 2020 Bond Fund	48,437	2,091
Capital Project Fund (37)	-	-
TOTAL	\$ 902,968	\$ 902,968

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2020, 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	\$ 50,024,151	\$ 14,017,475	\$ 16,283,260	\$ 47,758,366	\$ 2,624,000
Other than capital projects	-	-	-	-	-
Capital Leases	-	-	-	-	-
Total general obligation debt	50,024,151	14,017,475	16,283,260	47,758,366	2,624,000
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	208,817	54,030	-	262,847	38,928
Sick pay	332,782	2,697	-	335,479	6,647
Net Defined Benefit Pension Liability	64,004,860	-	708,747	63,296,113	-
Net Defined Contribution Pension Liability	46,144	3,480	-	49,624	-
Net OPEB Liability - Single Employer Plan	2,954,825	128,415	-	3,083,240	-
Net OPEB Liability - Multiple Employer Plan	2,807,878	102,483	-	2,910,361	-
Total other liabilities	70,355,306	291,105	708,747	69,937,664	45,575
TOTAL GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 120,379,457	\$ 14,308,580	\$ 16,992,007	\$ 117,696,030	\$ 2,669,575
<u>BUSINESS-TYPE ACTIVITIES:</u>					
<i>Other liabilities:</i>					
<i>Vested employee benefits</i>					
Vacation pay	\$ 1,206	\$ 4	\$ -	\$ 1,210	\$ -
Sick pay	-	-	-	-	-
Net Pension Liability	1,078,208	-	11,650	1,066,558	-
Net OPEB Liability - Multiple Employer Plan	43,612	1,649	-	45,261	-
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	\$ 1,123,026	\$ 1,653	\$ 11,650	\$ 1,113,029	\$ -

Payments on bonds and notes are made by the general fund. Vested employee benefits will be liquidated by governmental and proprietary funds. The School District currently does not have any bonds or notes payable in business-type activities.

Total Interest paid and accrued during the year:

	EXPENSE	PAID
GOVERNMENTAL ACTIVITIES:		
General obligation debt	\$ 1,320,054	\$ 1,254,669
Refund of Prior Year Receipts	10,395	-
Short-term borrowings	-	-
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	\$ 1,330,449	\$ 1,254,669

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

General Obligation Notes – Series A of 2007

On October 31, 2007, the District issued \$8,500,000 of General Obligation Notes – Series A of 2007. The proceeds will be used to carry out the current refunding of the District's outstanding General Obligation Notes – 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 notes mature 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, 2020, using the variable rate of 2.50% are:

FISCAL YEAR	PRINCIPAL	INTEREST
2020-21	\$ 900,000	\$ 95,586
2021-22	1,000,000	67,759
2022-23	1,000,000	39,459
2023-24	1,100,000	6,232
	4,000,000	\$ 209,036
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 4,000,000	

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, 2020, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2020-21	\$ 150,000	\$ 240,566
2021-22	150,000	235,976
2022-23	160,000	231,183
2023-24	165,000	226,800
2024-25	1,090,000	202,292
2025-30	6,160,000	466,702
SUB-TOTAL	7,875,000	\$ 1,603,519
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 7,875,000	

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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.

On October 29, 2019 the District (1) refunded a portion of the GOB Series 2013, currently outstanding in the aggregate principal amount of \$7,610,000 of which \$3,065,000 was refunded with interest rates ranging from 2.0% to 2.8%. (2) The District refunded the GON Series of 2018 currently outstanding in the aggregate principal amount of \$6,725,000 with interest at 2.95% being refunded with GOB Series A of 2019 in the amount of \$9,860,000 with fixed interest rates that range from 2.0% to 5.0%

SOURCES

Gross Proceeds of Bonds	\$ 9,860,000
Plus: Accrued Interest	-
Premium	-
Contribution by District	151,439
Less: Original Issue Discount	(13,356)
Underwriter's Discount	(74,344)
TOTAL SOURCES	<u>\$ 9,923,739</u>

USES

Escrow Deposit	\$ 9,840,681
Issuance Costs	77,096
Sinking Fund Deposit	5,962
TOTAL USES	<u>\$ 9,923,739</u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows	\$ 13,310,759
Cash Flows From New Debt:	
New Debt Service Cash Flow	\$ 12,642,279
Plus Amount Contributed by District	151,439
Less: Excess Funds Deposited in Sinking Fund	(5,962)
Net Cash Flows From New Debt	<u>12,787,756</u>
Net Difference in Cash Flows	<u>523,003</u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows	\$ 10,285,330
Present Value of New Debt Service Cash Flows	\$ 9,695,204
Plus Amount Contributed by District	151,439
Less: Excess Funds Deposited in Sinking Fund	(5,962)
Total	<u>9,840,681</u>
Economic Gain(Loss)	<u>\$ 444,649</u>

Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020

On June 18, 2020 the District refunded the GOB Series of 2013 with the remaining principal amount of \$4,130,000 interest rates ranging from 2.0% to 2.5% being refunded with GON Series of 2020 in the amount of \$4,155,000 with a fixed interest rate of 0.98%.

SOURCES

Gross Proceeds of Bonds	\$ 4,155,000
Plus: Accrued Interest	-
Premium	-
Contribution by District	48,437
Less: Original Issue Discount	-
Underwriter's Discount	-
TOTAL SOURCES	<u>\$ 4,203,437</u>

USES

Escrow Deposit	\$ 4,152,909
Issuance Costs	48,437
Sinking Fund Deposit	2,091
TOTAL USES	<u>\$ 4,203,437</u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows	\$ 4,518,840
Cash Flows From New Debt:	
New Debt Service Cash Flow	\$ 4,320,822
Plus Amount Contributed by District	48,437
Less: Excess Funds Deposited in Sinking Fund	<u>(2,091)</u>
Net Cash Flows From New Debt	<u>4,367,168</u>
Net Difference in Cash Flows	<u><u>151,672</u></u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows	\$ 4,302,581
Present Value of New Debt Service Cash Flows	\$ 4,106,563
Plus Amount Contributed by District	48,437
Less: Excess Funds Deposited in Sinking Fund	<u>(2,091)</u>
Total	<u>4,152,909</u>
Economic Gain(Loss)	<u>\$ 149,672</u>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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.

On November 19, 2018 the District refunded a portion of GOB Series of 2014. Aggregate principal amount of \$8,925,000 of which \$6,470,000 was refunded. The GOB Series 2014 being refinanced had interest rates ranging from 3.0% to 4.0% being refunded with new debt in the amount of \$6,490,000. Interest rates range from 3.0% to 5.0%.

The remaining debt service requirements at June 30, 2020, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2020-21	\$ 460,000	\$ 22,800
2021-22	470,000	12,220
SUB-TOTAL	930,000	\$ 35,020
Unamortized Premium	381	
TOTAL OUTSTANDING	\$ 930,381	

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, 2020, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2020-21	5,000	226,200
2021-22	5,000	226,050
2022-23	5,000	225,900
2023-24	5,000	225,775
2024-25	5,000	225,650
2025-30	25,000	1,126,225
2030-33	5,620,000	463,600
SUB-TOTAL	5,670,000	\$ 2,719,400
Unamortized Premium	241,076	
TOTAL OUTSTANDING	\$ 5,911,076	

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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 notes 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 Notes. The Notes mature from February 15, 2019 to February 15, 2035. Interest rates are fixed at 2.95% with a total interest indebtedness of \$2,992,701.

**This issue was refunded with the GOB Series A 2020. The economic gain calculation is shown under the GOB Series 2013.*

General Obligation Bonds – Series of 2018

On November 19, 2018, the District issued \$6,490,000 of General Obligation Bonds – Series of 2018 proceeds of the Bonds, along with a School District cash contribution, were used to currently refund a portion of the District's outstanding GOB Series of 2014, currently outstanding in aggregate principal amount of \$8,925,000 of which \$6,470,000 was refunded, and to pay the costs of issuing the Bonds, the notes mature from February 15, 2020 to February 15, 2033. Interest rates are fixed that range from 3.0% to 5.0% with a total interest indebtedness of \$2,078,032.

The outstanding debt service requirements at June 30, 2020 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2020-21	\$ 5,000	\$ 217,730
2021-22	5,000	217,580
2022-23	480,000	217,430
2023-24	505,000	193,430
2024-25	515,000	178,280
2025-30	2,875,000	641,278
2030-33	2,100,000	142,376
SUB-TOTAL	6,485,000	\$ 1,808,104
Unamortized Premium	59,630	
TOTAL OUTSTANDING	\$ 6,544,630	

General Obligation Bonds – Series of 2019

On May 21, 2019, the District issued \$8,620,000 of General Obligation Bonds – Series of 2019. Proceeds of the Bonds along with a School District's cash contribution, were used to (1) currently refund the District's outstanding GOB Series of 2012, currently outstanding in the aggregate principal amount of \$8,815,000 and (2) pay the costs of issuing the Bonds. The Bonds mature from February 15, 2020 to February 15, 2031. Interest rates are fixed and range from 2.0% to 5.0% with a total interest indebtedness of \$1,691,218.

The outstanding debt service requirements at June 30, 2020 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2020-21	\$ 615,000	\$ 268,762
2021-22	650,000	238,012
2022-23	680,000	205,513
2023-24	710,000	171,512
2024-25	755,000	136,013
2025-30	3,995,000	435,464
2030-31	855,000	25,650
SUB-TOTAL	8,260,000	\$ 1,480,926
Unamortized Premium	235,353	
TOTAL OUTSTANDING	\$ 8,495,353	

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

General Obligation Bonds – Series A of 2019

On October 29, 2019, the District issued \$9,860,000 of General Obligation Bonds - Series A of 2019. The proceeds will be used to: (1) currently refund a portion of the School District's outstanding General Obligation Bonds, Series of 2013, currently outstanding in the aggregate principal amount of \$7,610,000 (the "2013 Bonds") of which \$3,065,000 shall be refunded (the "Refunded 2013 Bonds"), (2) currently refund all of the School District's outstanding General Obligation Note, Series of 2018, currently outstanding in the aggregate principal amount of \$6,725,000 (the "2018 Note") and (3) pay the costs of issuing the Bonds. The bonds mature from February 1, 2021 to February 1, 2035. Interest rates range from 2.0% to 5.0% with total interest indebtedness of \$2,782,279.

The outstanding debt service requirements at June 30, 2020 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2020-21	\$ 70,000	\$ 268,762
2021-22	75,000	238,012
2022-23	75,000	205,513
2023-24	75,000	171,512
2024-25	80,000	136,013
2025-30	2,300,000	435,464
2030-35	7,185,000	25,650
SUB-TOTAL	9,860,000	\$ 1,480,926
Unamortized Discounts	(13,075)	
TOTAL OUTSTANDING	\$ 9,846,925	

General Obligation Notes – Series of 2020

On June 18, 2020, the District issued \$4,155,000 of General Obligation Note - Series of 2020. The proceeds will be used to: (1) currently refund the School District's outstanding General Obligation Bonds, Series of 2013, currently outstanding in the aggregate principal amount of \$4,130,000 (the "2013 Bonds"), (2) pay the costs of issuing the Bonds. The bonds mature from September 15, 2020 to March 15, 2028. Interest rate is stated at 0.98% with total interest indebtedness of \$163,822.

The outstanding debt service requirements at June 30, 2020 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2020-21	\$ 419,000	\$ 30,200
2021-22	535,000	36,613
2022-23	571,000	31,370
2023-24	532,000	25,774
2024-25	683,000	20,560
2025-28	1,415,000	21,305
SUB-TOTAL	4,155,000	\$ 165,822
Unamortized Discounts	-	
TOTAL OUTSTANDING	\$ 4,155,000	

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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, 2020**

PRINCIPAL REQUIREMENTS

<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 2014</u>	<u>G.O.B. SERIES OF 2017</u>	<u>G.O.B. SERIES OF 2018</u>	<u>G.O.B. SERIES OF 2019</u>	<u>G.O.B. SERIES A OF 2019</u>	<u>G.O.N. SERIES OF 2020</u>	<u>TOTAL PRINCIPAL PAYMENTS</u>
2020-21	900,000	150,000	460,000	5,000	5,000	615,000	70,000	419,000	2,624,000
2021-22	1,000,000	150,000	470,000	5,000	5,000	650,000	75,000	535,000	2,890,000
2022-23	1,000,000	160,000	-	5,000	480,000	680,000	75,000	571,000	2,971,000
2023-24	1,100,000	165,000	-	5,000	505,000	710,000	75,000	532,000	3,092,000
2024-25		1,090,000	-	5,000	515,000	755,000	80,000	683,000	3,128,000
2025-30	-	6,160,000	-	25,000	2,875,000	3,995,000	2,300,000	1,415,000	16,770,000
2030-35	-	-	-	5,620,000	2,100,000	855,000	7,185,000	-	15,760,000
TOTAL PRINCIPAL	4,000,000	7,875,000	930,000	5,670,000	6,485,000	8,260,000	9,860,000	4,155,000	47,235,000
LESS-PAYABLE WITHIN ONE YEAR	900,000	150,000	460,000	5,000	5,000	615,000	70,000	419,000	2,624,000
LONG-TERM PRINCIPAL AFTER ONE YEAR	\$ 3,100,000	\$ 7,725,000	\$ 470,000	\$ 5,665,000	\$ 6,480,000	\$ 7,645,000	\$ 9,790,000	\$ 3,736,000	\$ 44,611,000

PRINCIPAL AND INTEREST REQUIREMENTS

<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 2014</u>	<u>G.O.B. SERIES OF 2017</u>	<u>G.O.B. SERIES OF 2018</u>	<u>G.O.B. SERIES OF 2019</u>	<u>G.O.B. SERIES A OF 2019</u>	<u>G.O.N. SERIES OF 2020</u>	<u>TOTAL DEBT SERVICE PAYMENTS</u>
2020-21	995,586	390,566	482,800	231,200	222,730	883,762	299,050	449,200	3,954,894
2021-22	1,067,759	385,976	482,220	231,050	222,580	888,012	300,550	571,613	4,149,760
2022-23	1,039,459	391,183	-	230,900	697,430	885,513	296,800	602,370	4,143,655
2023-24	1,106,232	391,800	-	230,775	698,430	881,512	293,050	557,774	4,159,573
2024-25	-	1,292,292	-	230,650	693,280	891,013	294,300	703,560	4,105,095
2025-30	-	6,626,702	-	1,151,225	3,516,278	4,430,464	3,310,500	1,436,305	20,471,474
2030-35	-	-	-	6,083,600	2,242,376	880,650	7,789,494	-	16,996,120
TOTAL	\$ 4,209,036	\$ 9,478,519	\$ 965,020	\$ 8,389,400	\$ 8,293,104	\$ 9,740,926	\$ 12,583,744	\$ 4,320,822	\$ 57,980,571

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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 \$6,647. 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 \$328,832 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, 2020, that will use currently available financial resources is \$38,928, including FICA tax and retirement contributions (net of reimbursement), which has been recorded in the General Fund and as a current liability in the governmental activities column of the government-wide statement of net position. The remaining vacation pay earned at June 30, 2020, of \$223,919, 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 \$1,210 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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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.

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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, 2020 was 33.45% 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 \$6,476,594 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$64,362,671 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. 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, 2020, the District's proportion was 0.1388%, which was an increase of 0.0022% from its proportion measured as of June 30, 2019.

Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$7,824,769. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Proportionate Share vs Actual Paid Separately Finance Liabilities	\$ 14,820	\$ -
Changes in Assumptions	621,000	-
Net difference between projected and actual contributions made	-	118,449
Net difference between projected and actual earnings on pension plan investments	-	186,000
Difference between expected and actual experience	-	1,794,000
Changes in proportion of the Net Pension Liability	1,596,000	-
District contributions subsequent to the measurement date	<u>6,476,594</u>	<u>-</u>
Total	<u>\$ 8,708,414</u>	<u>\$ 2,098,449</u>

\$6,476,594 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, 2021. 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>
2020	\$ 1,097,000
2021	(625,757)
2022	(420,323)
2023	90,548
Thereafter	<u>(8,097)</u>
Total	<u>\$ 133,371</u>

Actuarial assumptions

The total pension liability as of June 30, 2019, was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019 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
- 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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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%	5.6%
Fixed Income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	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, 2019.

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 80,883,000	\$ 64,934,000	\$ 51,430,000

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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.

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
<u>I. Act 93 Administrators</u>	Must have at least 25 years of PSERS Service and at least 15 years of service with NWLSD	<ul style="list-style-type: none">• Coverage: Lump Sum• Premium Sharing: If the member reaches 25 years of PSERS service and 15 years of service with NWLSD, the district will contribute \$300 per year of credited service into a 403 (b) account.	One-time payment
<u>II. SUPPORT STAFF</u>	Must have at least 15 years of service with NWLSD	<ul style="list-style-type: none">• Coverage: Lump Sum• Premium Sharing: If the member reaches 15 years of service with NWLSD, the district will provide a \$2,000 cash payment for full time employees and \$1,000 cash payment for part time employees.	One-time payment

Benefits not included in the calculation:

The unused sick leave payments that convert each sick day into dollars to be placed into the retiree's 403(b) or provided as cash payment are assumed to be valued under GASB Statement 16.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

At June 30, 2020, the following employees were covered by benefit terms:

Active Participants	59
Vested Former Participants	0
Retired Participants	<u>0</u>
Total	59

Total Defined Contribution Liability

In accordance with GASB Statement 73, the portion of this severance for service liability, known as a defined contribution pension plan that will use current available financial resources is \$-0-. The remaining portion of the retirement severance earned at June 30, 2020, of \$49,624 is recorded as a long-term liability in the governmental activities column of the government-wide Statement of Net Position.

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 type 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 Defined Contribution Benefit	
Actuarial Valuation Date	7/1/2018
Actuarial Cost Method	Entry Age Normal
Interest Rate	3.36%
Projected salary increases	2.50% to 6.25%
Eligible Retirees	100% of eligible retirees are assumed to receive this benefit.
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, 2018.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Changes in the Total Defined Contribution Pension Liability

	2019-20
Total Defined Contribution Pension Liability - beginning	\$ 46,144
Service Cost	2,696
Interest	1,456
Changes in Benefit Terms	-
Difference between expected and actual experience	-
Changes in assumptions	(672)
Benefit payments	-
Net change in total Pension Liability	<u>3,480</u>
Total Defined Contribution Pension Liability - ending	\$ 49,624
Interest Rate	3.36%
Plan Members	59
Covered Payroll	\$ 3,254,657

Defined Contribution Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2020, the District recognized Defined Contribution Pension expense of \$4,116. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to this defined contribution pension plan as follows:

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ -	\$ 386
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	-	-
Changes in proportion of the net defined contribution pension liability	-	-
District contributions subsequent to the measurement date	<u>6,996</u>	<u>-</u>
Total	\$ 6,996	\$ 386

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Sensitivity of the total Defined Contribution Pension liability to changes in the discount rate

The following presents the total Defined Contribution Pension liability of the District's single employer plan, as well as what the District's total liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.36%) or 1-percentage point higher (4.36%) than the current discount rate:

	1% Decrease 2.36%	Current Discount Rate 3.36%	1% Increase 4.36%
District's proportionate share of the net OPEB Pension liability	\$ 51,392	\$ 49,624	\$ 47,868

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, 2019, there were no assumed future benefit increases to participating eligible retirees.

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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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, 2019, 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, 2020 was 0.84% 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 \$162,641 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$2,955,622 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. 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, 2020, the District's proportion was 0.1388 percent, which was an increase of 0.0022 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$161,186. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Proportionate Share vs Actual		
Paid Separately Finance Liabilities	\$ 703	\$ -
Changes in Assumptions	10,000	-
Net difference between projected and actual contributions made	-	114
Net difference between projected and actual investment earnings	5,000	-
Difference between expected and actual experience	17,000	-
Changes in proportion of the Net OPEB Liability	79,000	-
District contributions subsequent to the measurement date	162,641	-
Total	\$ 274,344	\$ 114

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

\$162,641 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	<u>Amount</u>
2020	\$ 17,000
2021	17,186
2022	16,186
2023	15,186
2024	30,186
Thereafter	<u>15,845</u>
Total	<u>\$ 111,589</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2019, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.79% - 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. 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 actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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 2019.
- 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.)

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	3.7%	0.0%
	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, 2019.

Discount rate

The discount rate used to measure the Total OPEB Liability was 2.79%. 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 2.79% which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

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, 2019, 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, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 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.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

The following presents the System net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (Between 4% to 6.50%)	Current Trend Rate (Between 5% to 7.50%)	1% Increase (Between 6% to 8.50%)
System net OPEB liability	\$ 2,952,000	\$ 2,952,000	\$ 2,952,000

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 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's proportionate share of the net OPEB liability	\$ 3,363,000	\$ 2,952,000	\$ 2,611,000

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, 2020**

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><u>Retired between July 1, 2014, and June 30, 2019</u></p> <table><tr><td>Years of PSERS Service</td><td>Initial Account Balance</td></tr><tr><td>Less than 31years</td><td>\$ 11,000</td></tr><tr><td>31 years up to 36 years</td><td>\$ 8,000</td></tr><tr><td>More than 36 years</td><td>\$ 5,000</td></tr></table> <p>The account will be drawn down each month at a rate equal to the premium for the coverage that is elected less the PSERS Supplement (this must be supplied to NWLSD by the member). If the account balance exhausts, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA.</p> <p>If the member does not reach eligibility for the account above, however, the member reaches eligibility through Act 110/43, the member and spouse may continue benefits by paying the full premium as determined for the purpose of COBRA.</p> <ul style="list-style-type: none">Dependents: Families included.	Years of PSERS Service	Initial Account Balance	Less than 31years	\$ 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 31years	\$ 11,000										
31 years up to 36 years	\$ 8,000										
More than 36 years	\$ 5,000										
<u>II. ADMINISTRATORS</u>											
A) Former Superintendent	N/A – Already Retired	<ul style="list-style-type: none">Coverage: Medical, Prescription Drug, and Dental.Premium Sharing: If the member reaches 25 years of PSERS service and 15 years of service with NWLSD, NWLSD the 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.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.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>								

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

<i>Continued</i>		<i>Summary of Plan Provisions</i>	
<i>Group</i>	<i>Eligibility</i>	<i>Coverage and Premium Sharing</i>	<i>Duration</i>
<u>II. ADMINISTRATORS</u>			
B) Current Superintendent	Must Retire from the district	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug, and Dental • Premium Sharing: Upon retirement from the district, the district will pay the single coverage premium for medical, prescription drug, and dental for the member for five (5) years after retirement. The member is responsible for providing NWLSD with the PSERS Supplement while receiving the paid benefit. The spouse may elect coverage by paying the additional premium due to the coverage of the spouse provided the member had met eligibility requirements under Act 110/43. • After those 5 years, 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) Current Business Administrator and Assistant Superintendent	Must Retire from the district	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug and Dental • Premium Sharing: Upon retirement from the district, the district will pay the single coverage premium for medical, prescription drug, and dental 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 paying the additional premium due to the coverage of the spouse and or dependent children. • After those 2 years, 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
D) 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. As long as the member is also currently electing coverage.</p>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

<i>Continued</i>		Summary of Plan Provisions	
Group	Eligibility	Coverage and Premium Sharing	Duration
<u>II. ADMINISTRATORS</u>			
		<p><u>Tier of Coverage</u></p> <p>Single Husband/Wife Family</p> <p><u>Sick Leave Conversion Rate</u></p> <p>25 days/year or 2 days/month 45 days/year or 4 days/month 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 	
E) 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: Retire employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

PSERS Supplement: A retiree may receive a \$100 monthly medical reimbursement 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, 2020**

Employees covered by benefit terms:

At June 30, 2020, the following employees were covered by the benefit terms:

Active Participants	232
Vested Former Participants	0
Retired Participants	<u>14</u>
Total	246

Total OPEB Liability

The School's total OPEB liability under this single employer plan of \$3,083,240, was measured as of June 30, 2020, and was determined by an actuarial valuation as July 1, 2018.

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	7/1/2018
Actuarial Cost Method	Entry Age Normal
Interest Rate	3.36%
Projected salary increases	2.50% to 6.25%
Healthcare inflation rate	6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% 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, 2018.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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.

Changes in the Total OPEB Liability

	<u>2019-20</u>
Total OPEB Liability	
Service Cost	\$ 193,595
Interest	92,603
Changes in Benefit Terms	-
Difference between expected and actual experience	-
Changes in assumptions	(82,221)
Benefit payments	(75,562)
Net change in total OPEB Liability	128,415
Total OPEB Liability - beginning	2,954,825
Total OPEB Liability - ending	<u>\$ 3,083,240</u>
 Covered employee payroll	 <u>\$ 15,478,481</u>

Total OPEB Liability as a percentage of covered employee payroll 19.92%

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

For the year ended June 30, 2020, the School recognized OPEB expense of \$232,711. At June 30, 2020, 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	\$ -	\$ 41,002
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	-	556,792
Changes in proportion of the Net OPEB Liability	-	-
District contributions subsequent to the measurement date	101,866	-
Total	<u>\$ 101,866</u>	<u>\$ 597,794</u>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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>
2021	\$ (53,487)
2022	(53,487)
2023	(53,487)
2024	(53,487)
2025	(53,487)
Thereafter	<u>(330,359)</u>
Total	<u>\$ (597,794)</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 (2.36%) or 1-percentage point higher (4.36%) than the current discount rate:

	1% Decrease 2.36%	Current Discount Rate 3.36%	1% Increase 4.36%
District's proportionate share of the net OPEB liability	\$ 3,302,825	\$ 3,083,240	\$ 2,874,624

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 or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease 4.50%	Current Trend Rate 5.50%	1% Increase 6.50%
System net OPEB liability	\$ 2,754,139	\$ 3,083,240	\$ 3,474,375

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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					
	<i>Pension - GASB 68</i>	<i>Pension - GASB 73</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>	<u>DR OR (CR)</u>
	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>
<u>RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>
Change in Proportion	\$ 1,570,401	\$ -	\$ -	\$ 77,773	\$ 1,648,174
Current Year Contributions	6,382,144	6,996	101,866	160,269	6,651,275
Change in Assumption	610,205	(386)	(41,002)	9,804	578,621
Diff in Projected Vs Actual Contributions	(116,599)	-	-	(112)	(116,711)
Difference in Investment Earnings	(180,655)	-	-	4,924	(175,731)
Diff. between Expected vs Actual Experience	(1,765,507)	-	(556,792)	16,741	(2,305,558)
Diff. between Prop. Share vs Actual POS	14,820	-	-	703	15,523
Net Pension Liability	\$ 63,296,113				\$ 63,296,113
Net Defined Contribution Pension Liability		\$ 49,624			\$ 49,624
Net OPEB Liability			\$ 3,083,240	\$ 2,910,361	\$ 5,993,601

BUSINESS-TYPE ACTIVITIES					
	<i>Pension - GASB 68</i>	<i>Pension - GASB 73</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>	<u>DR OR (CR)</u>
	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>
<u>RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>
Change in Proportion	\$ 25,599	\$ -	\$ -	\$ 1,227	\$ 26,826
Current Year Contributions	94,450	-	-	2,372	96,822
Change in Assumption	10,795	-	-	196	10,991
Diff in Projected Vs Actual Contributions	(1,850)	-	-	(2)	(1,852)
Difference in Investment Earnings	(5,345)	-	-	76	(5,269)
Diff. between Expected vs Actual Experience	(28,493)	-	-	259	(28,234)
Diff. between Prop. Share vs Actual POS	-	-	-	-	-
Net Pension Liability	\$ 1,066,558				\$ 1,066,558
Net Defined Contribution Pension Liability		\$ -			\$ -
Net OPEB Liability			\$ -	\$ 45,261	\$ 45,261

STATEMENT OF NET POSITION	
<i>Governmental & Business-Type Activities</i>	<i>Total</i>
	<u>DR OR (CR)</u>
	<u>CURRENT YR</u>
<u>RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS</u>	<u>BALANCE</u>
Change in Proportion	\$ 1,675,000
Current Year Contributions	6,748,097
Change in Assumption	589,612
Diff in Projected Vs Actual Contributions	(118,563)
Difference in Investment Earnings	(181,000)
Diff. between Expected vs Actual Experience	(2,333,792)
Diff. between Prop. Share vs Actual POS	15,523
Net Pension Liability	\$ 64,362,671
Net Defined Contribution Pension Liability	\$ 49,624
Net OPEB Liability	\$ 6,038,862

RECONCILIATION TO FINANCIAL STATEMENTS		
	<i>Bus. Type Activities</i>	<i>Governmental Activities</i>
<u>Pension Plan</u>		
Net Pension Liability	\$ 1,066,558	\$ 63,296,113
Deferred Outflows Related to Pension	(130,843)	(8,584,567)
Deferred Inflows Related to Pension	35,688	2,063,147
Total liab. Net deferred inflows/outflows	\$ 971,403	\$ 56,774,692
OPEB - Single & Multiple Employer Plans		
Net OPEB Liability	\$ 45,261	\$ 5,993,601
Deferred Outflows Related to OPEB	(4,131)	(372,079)
Deferred Inflows Related to OPEB	2	597,906
Total liab. Net deferred inflows/outflows	\$ 41,132	\$ 6,219,428

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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 there 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, 2020

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	<u>1,358,972</u>
Total	\$19,875,479

*Actual TIF Pledged Increment

Note 8 – Prior Period Adjustments

	Fiduciary Funds	Special Revenue Fund	General Fund	Governmental Activities
Fund Balance/Net Position - June 30, 2019 (as reported)	\$ 302,724	\$ -	\$ 15,693,277	\$ (15,321,487)
As a result of the new accounting principle GASB Statement No. 84, a prior period adjustment needed to be made pertaining to certain Student Activity Accounts that no longer met the new definition of a Fiduciary Fund and as a result needed to be reclassified into the General Fund or moved to the newly created Special Revenue Fund	(76,602)	72,501	4,101	76,602
As a result of the new accounting principle GASB Statement No. 84, a prior period adjustment needed to be made pertaining to Scholarship Funds that no longer met the new definition of a Fiduciary Fund and as a result needed to be reclassified into the General Fund	<u>(138,812)</u>	<u>-</u>	<u>138,812</u>	<u>138,812</u>
Fund Balance/Net Position - June 30, 2019 (restated)	<u>\$ 87,310</u>	<u>\$ 72,501</u>	<u>\$ 15,836,190</u>	<u>\$ (15,106,073)</u>

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Note 9 – Fund Balance Allocations

Nonspendable Fund Balance

The General Fund had \$690,862, in nonspendable fund balance at June 30, 2020, 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 \$2,047,797, 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 \$474,411 in restricted fund balance.

The General Fund has restricted \$36,513 on their grants received from the Foundation and \$147,384 restricted for scholarships and awards received from outside sources.

Committed Fund Balance

The governing body (Board of School Directors) has committed \$7,094,293, of the General Fund's year end fund balance for the following purposes:

Future Retirement Rate increases	\$2,053,626
Other Post-Employment Benefits	\$2,933,082
Future Debt Service Rate increases	\$ 204,934
Millage Rate Stabilization	\$ 22,651
Increases in Healthcare	\$1,420,000
Energy Rate increases	\$ 460,000

Assigned Fund Balance

The General Fund has \$811,000, assigned for future technology purchases \$2,167,999, for purchases of textbooks, \$460,000 for purchases of buses, \$1,464,000 for capital projects and \$1,810,866 to balance the 2020-21 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 \$75,816,955, with related debt of \$47,137,170, which includes unamortized bonds discounts, premiums, and deferred refunding charges. In addition, the governmental activities column has \$2,047,797 restricted for capital projects. The business-type activities column reflects \$148,439 invested in capital assets with no related debt.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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, 2020.

Litigation

In accordance with the solicitor's legal letter, there is no pending litigation involving contingent liabilities, as of June 30, 2020, 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. 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 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 June 15, 2021. Implementation of this standard was postponed 18 months with Statement No 95. The original effective date was December 15, 2019.
- 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. Effective date: Periods beginning after December 15, 2020. Implementation of this standard was postponed 12 months with Statement No 95. The original effective date was December 15, 2019.
- Statement No. 90, *Accounting and Financial Reporting for Majority Equity Interests* – The primary objective is to improve consistency and comparability when a government has a majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Effective date: Periods beginning after December 15, 2018. Periods beginning after December 15, 2021. Implementation of this standard was postponed 12 months with Statement No 95. The original effective date was December 15, 2019.
- Statement No. 91, *Conduit Debt Obligations* – The primary objective is to provide a single method of reporting conduit debt obligations by issuers associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Effective date: Periods beginning after December 15, 2021. Implementation of this standard was postponed 12 months with Statement No 95. The original effective date was December 15, 2020.

**Northwestern Lehigh School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

- Statement No. 92, *Omnibus 2020* – The primary objective is to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including (1) effective date of Statement No 87, Leases for interim financial reports (2) Reporting of intra-entity transfers between primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan (3) Applicability of certain requirements of Statement No 84 (4) Measurement of liabilities related to AROs (5) Reporting risk pools for amounts that are recoverable from reinsurers or excess insurers (6) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (7) Terminology used to refer to derivative instruments. Effective date: Periods beginning after June 15, 2021. The original effective date was June 15, 2020.
- Statement No. 93, *Replacement of Interbank Offered Rates* – The primary objective of this Statement is to address the issue the London Interbank Offered Rate (LIBOR) is being replaced with an interbank offered rate (IBOR). Effective date: Periods beginning after June 15, 2021. Implementation of this standard was postponed 12 months with Statement No 95. The original effective date was June 15, 2021.
- Statement No. 94, *PPP's* – The primary objective of this Statement is to improve financial reporting related to public-private and public-public partnership arrangements (PPPs). A PPP is defined in which (1) the operator collects and is compensated by fees from third parties: (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services: and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. Effective date: Periods beginning after June 15, 2022.

**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, 2020**

	<u>2019-20</u>	<u>2018-19</u>	<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)	0.1388%	0.1366%	0.1359%	0.1336%	0.1309%	0.1295%
District's proportionate share of the net pension liability (asset)	\$ 64,934,000	\$ 65,575,000	\$ 67,119,000	\$ 66,208,000	\$ 56,700,000	\$ 51,257,000
District's covered employee payroll	19,362,014	19,229,768	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	335.37%	341.01%	362.12%	370.72%	270.77%	305.99%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

NORTHWESTERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2019-20</u>	<u>2018-19</u>	<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>
Contractually required contribution	\$ 6,476,594	\$ 6,268,904	\$ 5,883,090	\$ 5,214,892	\$ 4,335,578	\$ 3,434,018	\$ 2,694,402	\$ 1,855,090	\$ 1,266,388	\$ 799,251
Contributions in relation to the contractually required contribution	<u>6,476,594</u>	<u>6,268,904</u>	<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>
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	\$ 19,362,014	\$ 19,229,768	\$ 18,535,256	\$ 17,859,218	\$ 17,342,310	\$ 16,751,309	\$ 16,840,014	\$ 16,131,219	\$ 15,829,855	\$ 15,985,015
Contributions as a percentage of covered employee payroll	33.45%	32.60%	31.74%	29.20%	25.00%	20.50%	16.00%	11.50%	8.00%	5.00%

**NORTHWESTERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S DEFINED CONTRIBUTION PENSION LIABILITY
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2019-20</u>	<u>2018-19</u>
Total Defined Contribution Pension Liability - beginning	\$ 46,144	\$ 41,922
Service Cost	2,696	2,554
Interest	1,456	1,393
Changes in Benefit Terms	-	-
Difference between expected and actual experience	-	-
Changes in assumptions	(672)	275
Benefit payments	-	-
Net change in total Pension Liability	<u>3,480</u>	<u>4,222</u>
Total Defined Contribution Pension Liability - ending	\$ 49,624	\$ 46,144
Interest Rate	3.36%	2.98%
Plan Members	59	59
Covered Payroll	\$ 3,254,657	\$ 3,254,657

NORTHWESTERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET DEFINED CONTRIBUTION PENSION LIABILITY
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2019-20</u>	<u>2018-19</u>
District's proportionate share of the net defined contribution pension liability (asset)	\$ 49,624	\$ 46,144
District's covered employee payroll	\$ 3,254,657	\$ 3,254,657
District's proportionate share of the net defined contribution pension liability (asset) as a percentage of its covered employee payroll	1.52%	1.42%

**NORTHWESTERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
District's proportion of the net OPEB liability	0.1388%	0.1366%	0.1359%	0.1336%
District's proportionate share of the net OPEB liability (asset)	\$ 2,952,000	\$ 2,848,000	\$ 2,769,000	\$ 2,878,000
District's covered-employee payroll	19,362,014	19,229,768	18,535,256	17,859,218
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	15.25%	14.81%	14.94%	16.11%
Plan fiduciary net position as a percentage of the total OPEB liability	5.56%	5.56%	5.73%	5.47%

NORTHWESTERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2019-20</u>	<u>2018-19</u>	<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>
Contractually required contribution	\$ 162,641	\$ 159,607	\$ 153,843	\$ 148,232	\$ 145,675	\$ 150,762	\$ 156,613	\$ 138,727	\$ 102,892	\$ 102,305
Contributions in relation to the contractually required contribution	<u>162,641</u>	<u>159,607</u>	<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>
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	\$ 19,362,014	\$ 19,229,768	\$ 18,535,256	\$ 17,859,218	\$ 17,342,310	\$ 16,751,309	\$ 16,840,014	\$ 16,131,219	\$ 15,829,855	\$ 15,985,015
Contributions as a percentage of covered employee payroll	0.84%	0.83%	0.83%	0.83%	0.84%	0.90%	0.93%	0.86%	0.65%	0.64%

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, 2020

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total OPEB Liability			
Service Cost	\$ 193,595	\$ 212,891	\$ 210,587
Interest	92,603	111,360	83,759
Changes in Benefit Terms	-	4,636	-
Difference between expected and actual experience	-	(658,028)	-
Changes in assumptions	(82,221)	4,351	40,576
Benefit payments	(75,562)	(142,555)	(144,009)
Net change in total OPEB Liability	128,415	(467,345)	190,913
Total OPEB Liability - beginning	2,954,825	3,422,170	3,231,257
Total OPEB Liability - ending	<u>\$ 3,083,240</u>	<u>\$ 2,954,825</u>	<u>\$ 3,422,170</u>
 Covered employee payroll	 <u>\$ 15,478,481</u>	 <u>\$ 15,478,481</u>	 <u>\$ 14,898,772</u>
 Total OPEB Liability as a percentage of covered employee payroll	 19.92%	 19.09%	 22.97%

**Northwestern Lehigh School District
Notes to Required Supplemental Information
Fiscal Year Ended June 30, 2020**

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.

**Northwestern Lehigh School District
Notes to Required Supplemental Information
Fiscal Year Ended June 30, 2020**

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 decreased from 2.98% as of June 30, 2019 to 2.79% as of June 30, 2020.

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 – 2.79% - 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, 2016 determined the employer contribution rate for fiscal year 2019.
- 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.

**Northwestern Lehigh School District
Notes to Required Supplemental Information
Fiscal Year Ended June 30, 2020**

Other Post-Employment Benefits – Single Employer Healthcare Plan

Changes of benefit terms

None

Changes in assumptions

The discount rate changed from 2.98% to 3.36%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

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 2018, and 5.5% in 2019 to 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% 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 3.36% is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2019.

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 Fund Net Position - All Enterprise Funds
As of June 30, 2020

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
ASSETS			
Cash	\$ 55,312	\$ -	\$ 55,312
Investments	-	-	-
Due From Other Funds	2,876	350,929	353,805
Due From Other Governments	-	731	731
Other Receivables	-	15,029	15,029
Inventory	655	19,393	20,048
Prepaid Expenses	-	-	-
Building Improvements, net of Accum. depreciation	-	22,391	22,391
Equipment, net of Accum. Depreciation	80,918	45,130	126,048
TOTAL ASSETS	\$ 139,761	\$ 453,603	\$ 593,364
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Change in Proportion of NPL	-	26,826	26,826
Deferred Outflows of Resources - Current Year Contributions	-	96,822	96,822
Deferred Outflows of Resources - Changes in Assumptions	-	10,991	10,991
Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	-	-	-
Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	-	-	-
Deferred Outflows of Resources - Diff. between Expected vs Actual Experience	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 139,761	\$ 588,242	\$ 728,003
LIABILITIES			
Due To Other Funds	\$ 17,481	\$ 507,837	\$ 525,318
Accounts Payable	469	698	1,167
Intergovernmental Payables	-	-	-
Accrued Salaries and Benefits	-	939	939
Accrued Compensated Absences	-	1,210	1,210
Net Pension Liability	-	1,066,558	1,066,558
Net OPEB Liability - Multiple Employer Plan	-	45,261	45,261
Prepayments	4,860	47,409	52,269
TOTAL LIABILITIES	22,810	1,669,912	1,692,722
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	-	1,852	1,852
Deferred Inflows of Resources - Diff. in projected vs actual invest. Earnings	-	5,269	5,269
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	-	28,234	28,234
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	22,810	1,705,267	1,728,077
FUND NET POSITION			
Net Investment in Capital Assets	80,918	67,521	148,439
Unrestricted	36,033	(1,184,546)	(1,148,513)
TOTAL FUND NET POSITION	116,951	(1,117,025)	(1,000,074)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 139,761	\$ 588,242	\$ 728,003

Northwestern Lehigh School District
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - All Enterprise Funds
For the Year Ended June 30, 2020

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
OPERATING REVENUES			
Food Service Revenue	\$ 41,704	\$ 302,766	\$ 344,470
Other Operating Revenue	<u>4,858</u>	<u>6,930</u>	<u>11,788</u>
TOTAL OPERATING REVENUES	<u>46,562</u>	<u>309,696</u>	<u>356,258</u>
OPERATING EXPENSES			
Salaries	5,847	309,386	315,233
Employee Benefits	2,010	156,924	158,934
Professional Services	3,200	3,945	7,145
Purchased Property Services	1,011	26,276	27,287
Other Purchased Services	-	779	779
Supplies	23,829	286,497	310,326
Depreciation	6,460	14,176	20,636
Other Operating Expenses	<u>6,137</u>	<u>1,899</u>	<u>8,036</u>
TOTAL OPERATING EXPENSES	<u>48,494</u>	<u>799,882</u>	<u>848,376</u>
OPERATING PROFIT (LOSS)	<u>(1,932)</u>	<u>(490,186)</u>	<u>(492,118)</u>
NON-OPERATING REVENUES			
Earnings on Investments	161	-	161
Contributions/Donations	-	-	-
Revenue from Local Government Units	-	-	-
State Sources	1,005	73,020	74,025
Federal Sources	<u>-</u>	<u>215,087</u>	<u>215,087</u>
TOTAL NON-OPERATING REVENUES	<u>1,166</u>	<u>288,107</u>	<u>289,273</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	<u>(766)</u>	<u>(202,079)</u>	<u>(202,845)</u>
Interfund Transfers	<u>-</u>	<u>17,000</u>	<u>17,000</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(766)</u>	<u>(185,079)</u>	<u>(185,845)</u>
Capital Contributions	-	-	-
Gain or Loss on Sale of Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND NET POSITION	<u>(766)</u>	<u>(185,079)</u>	<u>(185,845)</u>
FUND NET POSITION - JULY 1, 2019	<u>117,717</u>	<u>(931,946)</u>	<u>(814,229)</u>
FUND NET POSITION - JUNE 30, 2020	<u>\$ 116,951</u>	<u>\$ (1,117,025)</u>	<u>\$ (1,000,074)</u>

Northwestern Lehigh School District
Combining Statement of Cash Flows - All Enterprise Funds
For the Year Ended June 30, 2020

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from users	\$ 40,699	\$ 294,731	\$ 335,430
Cash received from assessments to other funds	-	-	-
Cash received from earnings on investments	-	-	-
Cash received from other operating revenue	4,858	11,746	16,604
Cash paid to employees	(7,857)	(435,526)	(443,383)
Cash payments to insurance claims	-	-	-
Cash paid to suppliers	(16,606)	(172,738)	(189,344)
Cash payments for other operating expenses	(6,137)	(1,899)	(8,036)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>14,957</u>	<u>(303,686)</u>	<u>(288,729)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Contributions	-	-	-
Local Sources	-	-	-
State Sources	1,005	76,050	77,055
Federal Sources	-	223,455	223,455
Interfund Transfers	-	17,000	17,000
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>1,005</u>	<u>316,505</u>	<u>317,510</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(7,495)	(12,819)	(20,314)
Capital Contributions	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(7,495)</u>	<u>(12,819)</u>	<u>(20,314)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Earnings on Investments	161	-	161
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>161</u>	<u>-</u>	<u>161</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,628	-	8,628
CASH AND CASH EQUIVALENTS - JULY 1, 2019	<u>46,684</u>	<u>-</u>	<u>46,684</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2020	<u>\$ 55,312</u>	<u>\$ -</u>	<u>\$ 55,312</u>

Northwestern Lehigh School District
Combining Statement of Cash Flows - All Enterprise Funds
For the Year Ended June 30, 2020

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

	(NON-MAJOR) TIGER CONCESSION FUND	(MAJOR) FOOD SERVICE FUND	TOTAL
OPERATING INCOME (LOSS)	\$ (1,932)	\$ (490,186)	\$ (492,118)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Depreciation	6,460	14,176	20,636
Donated Commodities used	-	27,621	27,621
NET CHANGES IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	-	(3,229)	(3,229)
(Increase) Decrease in Interfund Receivable	(1,005)	(302,687)	(303,692)
(Increase) Decrease in Inventories	98	4,443	4,541
(Increase) Decrease in Prepaid Expenses	-	10	10
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion of NPL	-	(2,448)	(2,448)
(Increase) Decrease in Deferred Outflows of Resources - Current Year Contributions	-	5,371	5,371
(Increase) Decrease in Deferred Outflows of Resources - Changes in Assumptions	-	8,394	8,394
(Increase) Decrease in Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	-	-	-
(Increase) Decrease in Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	-	2,791	2,791
(Increase) Decrease in Deferred Outflows of Resources - Diff. between Expected vs Actual Experience	-	-	-
Increase (Decrease) in Interfund Payable	7,857	408,631	416,488
Increase (Decrease) in Accounts Payable	469	(11,495)	(11,026)
Increase (Decrease) in Accrued Salaries and Benefits	-	721	721
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	-	1,649	1,649
Increase (Decrease) in Net Pension Liability	-	(11,650)	(11,650)
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	-	(106)	(106)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual invest. Earnings	-	5,269	5,269
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	-	20,793	20,793
Increase (Decrease) in Prepayments	3,010	18,246	21,256
TOTAL ADJUSTMENTS	<u>16,889</u>	<u>186,500</u>	<u>203,389</u>
NET CASH PROVIDED (USED) BY			
OPERATING ACTIVITIES	<u>\$ 14,957</u>	<u>\$ (303,686)</u>	<u>\$ (288,729)</u>

Northwestern Lehigh School District
Combining Balance Sheet - All Capital Project Funds
As of June 30, 2020

	CAPITAL RESERVE FUND	CAPITAL PROJECTS (37) FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,597,616	\$ 474,411	\$ 2,072,027
Investments	-	-	-
Due from other funds	684,000	-	684,000
Accrued Interest Receivables	-	-	-
Prepaid Expenditures	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	\$ 2,281,616	\$ 474,411	\$ 2,756,027
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 2,281,616	\$ 474,411	\$ 2,756,027
<u>LIABILITIES</u>			
Due to Other Funds	\$ -	\$ -	\$ -
Accounts Payable	233,819	-	233,819
Intergovernmental Payables	-	-	-
Prepayments	-	-	-
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	233,819	-	233,819
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned/Unavailable Revenue	-	-	-
	233,819	-	233,819
	-----	-----	-----
FUND BALANCES:			
Restricted Fund Balance	2,047,797	474,411	2,522,208
Assigned Fund Balance	-	-	-
TOTAL FUND BALANCES	2,047,797	474,411	2,522,208
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,281,616	\$ 474,411	\$ 2,756,027

Northwestern Lehigh School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2020

	CAPITAL RESERVE FUND	CAPITAL PROJECTS (37) FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES			
Local Sources	\$ 42,170	\$ 9,845	\$ 52,015
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUES	<u>42,170</u>	<u>9,845</u>	<u>52,015</u>
	-----	-----	-----
EXPENDITURES			
Instruction	-	-	-
Support Services	-	-	-
Operation of Non-Instructional Services	-	-	-
Capital Outlay	2,943,565	1,106,908	4,050,473
Debt Service	-	-	-
TOTAL EXPENDITURES	<u>2,943,565</u>	<u>1,106,908</u>	<u>4,050,473</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,901,395)</u>	<u>(1,097,063)</u>	<u>(3,998,458)</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Refunding Bond Proceeds	-	-	-
Bond Discount	-	-	-
Interfund Transfers In	684,000	-	684,000
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>684,000</u>	<u>-</u>	<u>684,000</u>
SPECIAL/EXTRAORDINARY ITEMS			
Special Items	-	-	-
Extraordinary Items	-	-	-
NET CHANGE IN FUND BALANCES	<u>(2,217,395)</u>	<u>(1,097,063)</u>	<u>(3,314,458)</u>
FUND BALANCES - BEGINNING	<u>4,265,192</u>	<u>1,571,474</u>	<u>5,836,666</u>
FUND BALANCES - ENDING	<u>\$ 2,047,797</u>	<u>\$ 474,411</u>	<u>\$ 2,522,208</u>

Northwestern Lehigh School District
Combining Balance Sheet - All Non-Major Governmental Funds
As of June 30, 2020

	SPECIAL REVENUE FUND STUDENT ACTIVITY	2019 GOB BOND FUND	2019A GOB BOND FUND	2020 GOB BOND FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and cash equivalents	\$ 84,085	\$ -	\$ -	\$ -	\$ 84,085
Investments	-	-	-	-	-
Due from other funds	409	-	-	-	409
Accrued Interest Receivables	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-
Other Current Assets	-	-	-	-	-
TOTAL ASSETS	\$ 84,494	\$ -	\$ -	\$ -	\$ 84,494
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred Charges on Refundings, net	-	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 84,494	\$ -	\$ -	\$ -	\$ 84,494
<u>LIABILITIES</u>					
Due to Other Funds	\$ 431	\$ -	\$ -	\$ -	\$ 431
Accounts Payable	1,085	-	-	-	1,085
Intergovernmental Payables	-	-	-	-	-
Prepayments	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
TOTAL LIABILITIES	1,516	-	-	-	1,516
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unearned/Unavailable Revenue	-	-	-	-	-
	1,516	-	-	-	1,516
FUND BALANCES:					
Restricted Fund Balance	-	-	-	-	-
Assigned Fund Balance	82,978	-	-	-	82,978
TOTAL FUND BALANCES	82,978	-	-	-	82,978
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 84,494	\$ -	\$ -	\$ -	\$ 84,494

Northwestern Lehigh School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Non-Major Governmental Funds
For the Year Ended June 30, 2020

	SPECIAL REVENUE FUND STUDENT ACTIVITY	2019 GOB BOND FUND	2019A GOB BOND FUND	2020 GOB BOND FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES					
Local Sources	\$ 57,020	\$ -	\$ -	\$ -	\$ 57,020
State Sources	-	-	-	-	-
Federal Sources	-	-	-	-	-
TOTAL REVENUES	<u>57,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,020</u>
	-----	-----	-----	-----	-----
EXPENDITURES					
Instruction	-	-	-	-	-
Support Services	-	-	151,440	48,437	199,877
Operation of Non-Instructional Services	46,543	-	-	-	46,543
Capital Outlay	-	-	-	-	-
Debt Service	-	6,489	5,962	-	12,451
TOTAL EXPENDITURES	<u>46,543</u>	<u>6,489</u>	<u>157,402</u>	<u>48,437</u>	<u>258,871</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>10,477</u>	<u>(6,489)</u>	<u>(157,402)</u>	<u>(48,437)</u>	<u>(201,851)</u>
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	-	-	-	-	-
Refunding Bond Proceeds	-	-	9,860,000	4,155,000	14,015,000
Bond Discount	-	-	(13,356)	-	(13,356)
Interfund Transfers In	-	-	151,439	48,437	199,876
Bond Premium	-	-	-	-	-
Sale/Compensation for Fixed Assets	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	(9,840,681)	(4,152,909)	(13,993,590)
Refunds of Prior Year Receipts	-	-	-	-	-
Operating Transfers Out	-	-	-	(2,091)	(2,091)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>157,402</u>	<u>48,437</u>	<u>205,839</u>
SPECIAL/EXTRAORDINARY ITEMS					
Special Items	-	-	-	-	-
Extraordinary Items	-	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>10,477</u>	<u>(6,489)</u>	<u>-</u>	<u>-</u>	<u>3,988</u>
FUND BALANCES - BEGINNING	<u>-</u>	<u>6,489</u>	<u>-</u>	<u>-</u>	<u>6,489</u>
PRIOR PERIOD ADJUSTMENT	<u>72,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,501</u>
FUND BALANCES - ENDING	<u>\$ 82,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,978</u>

**Northwestern Lehigh School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2020**

	HEIDELBERG TOWNSHIP	LOWHILL TOWNSHIP	LYNN TOWNSHIP	WEISENBERG TOWNSHIP	TOTALS
CURRENT REAL ESTATE TAXES					
Original Assessment	\$ 272,437,800	\$ 261,995,000	\$ 361,327,600	\$ 753,348,600	\$ 1,649,109,000
Millage Rate	0.0166138	0.0166138	0.0166138	0.0166138	0.0166138
Total Assessed Tax Amount	4,526,227	4,352,733	6,003,024	12,515,983	27,397,967
Less: Act 1 Reduction	150,847	105,074	185,383	230,925	672,229
TAX PER DUPLICATE	4,375,380	4,247,659	5,817,641	12,285,058	26,725,738
PLUS - Additions	-	-	-	-	-
- Penalties	8,033	9,132	15,681	26,837	59,683
TAXES TO BE COLLECTED	4,383,413	4,256,791	5,833,322	12,311,895	26,785,421
LESS - Discounts	70,896	70,623	95,612	211,097	448,228
- Reductions	-	-	-	-	-
- Refunds	5,030	1,052	1,126	5,135	12,343
- Returned to County	156,723	80,572	147,145	173,424	557,864
- TIF	-	-	-	844,037	844,037
- Exonerations	-	4,515	70	3,403	7,988
NET CURRENT R. E. TAXES COLLECTED	<u>\$ 4,150,764</u>	<u>\$ 4,100,029</u>	<u>\$ 5,589,369</u>	<u>\$ 11,074,799</u>	<u>\$ 24,914,961</u>
INTERIM R. E. TAXES COLLECTED	<u>\$ 30,926</u>	<u>\$ 15,354</u>	<u>\$ 29,847</u>	<u>\$ 30,470</u>	<u>\$ 106,597</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, 2020

<u>6000 - Revenue from Local Sources</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
6111	Current Real Estate Taxes	\$ 24,866,692	\$ 24,914,961	\$ 48,269
6112	Interim Real Estate Taxes	375,000	106,597	(268,403)
6113	Public Utility	30,000	25,218	(4,782)
6114	Payment in Lieu of Taxes	5,700	5,733	33
6143	Occupational Privilege Tax	60,000	54,988	(5,012)
6151	Earned Income Tax	2,625,000	2,629,503	4,503
6153	Real Estate Transfer Tax	400,000	652,887	252,887
6411	Delinquent Real Estate Taxes	1,000,000	783,444	(216,556)
6412	Delinquent Interim Real Estate Taxes	10,000	8,901	(1,099)
6510	Interest	600,000	556,307	(43,693)
6710	Admissions	75,000	64,764	(10,236)
6730	Student Organization Membership Dues and Fees	-	780	780
6740	Fees	50,000	52,430	2,430
6750	Student Activity - Special Events	-	2,233	2,233
6790	Other Student Activity Income	-	4,220	4,220
6832	I/U Services - Federal	360,000	372,911	12,911
6910	Rentals	20,000	26,192	6,192
6920	Contributions	242,500	225,573	(16,927)
6943	Adult School	5,000	2,890	(2,110)
6944	Receipts from Other LEA's - Education	10,000	13,691	3,691
6991	Refunds of Prior Yr. Expenditures	-	171,607	171,607
6999	Other Revenues Not Specified Above	100,000	64,441	(35,559)
TOTAL REVENUE FROM LOCAL SOURCES		\$ 30,834,892	\$ 30,740,271	\$ (94,621)
<u>7000 - Revenue from State Sources</u>				
7111	Basic Education - Formula	5,988,405	5,754,953	(233,452)
7112	Basic Education - Social Security	-	789,881	789,881
7160	Orphan Tuition	40,000	92,873	52,873
7271	Special Education	1,410,370	1,390,702	(19,668)
7311	Transportation (Regular and Additional)	1,050,000	1,059,854	9,854
7312	Transportation (Nonpublic and Charter School)	75,000	60,060	(14,940)
7320	Rentals	375,000	360,765	(14,235)
7330	Health Services	40,000	38,450	(1,550)
7340	State Property Tax Reduction Allocation	672,244	672,244	-
7361	School Safety and Security Grants	136,000	30,028	(105,972)
7369	Other Safe School Grants	-	60,000	60,000
7505	Ready to Learn Grant	-	230,490	230,490
7810	FICA Revenue	757,350	-	(757,350)
7820	Retirement Revenue	3,394,710	3,251,565	(143,145)
TOTAL REVENUE FROM STATE SOURCES		13,939,079	13,791,865	(147,214)
<u>8000 - Revenue from Federal Sources</u>				
8514	Title I	160,000	171,663	11,663
8515	Title II A	40,000	44,311	4,311
8517	Title IV	20,000	13,021	(6,979)
8820	Medical Assistance Reimbursement	-	-	-
TOTAL REVENUE FROM FEDERAL SOURCES		220,000	228,995	8,995
<u>9000 - Other Financing Sources</u>				
9300	Proceeds From Extended Term Financing	-	-	-
9340	Debt Service Fund Transfers	-	2,091	2,091
9400	Sale of or Compensation For Loss of Fixed Assets	-	2,200	2,200
9990	Insurance Recoveries	-	11,523	11,523
TOTAL REVENUE FROM OTHER FINANCING SOURCES		-	15,814	15,814
TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 44,993,971	\$ 44,776,945	\$ (217,026)

Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2020

1000 - Instruction		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
1110	Regular Programs - Elem./Secondary	\$ 17,441,241	\$ 17,190,172	\$ 251,069
1190	Federally Funded Regular Programs	179,624	179,586	38
1211	Life Skills Support - Public	73,727	72,094	1,633
1225	Speech & Language Impaired	184,727	168,037	16,690
1231	Emotional Support - Public	682,712	682,342	370
1241	Learning Support - Public	3,156,025	3,155,160	865
1243	Gifted Support	142,946	142,915	31
1290	Other Support	1,934,164	1,751,896	182,268
1390	Other Vocational Education Programs	1,250,488	1,250,246	242
1410	Drivers' Education	-	-	-
1430	Homebound Instruction	1,000	847	153
1500	Non-Public School Programs	-	-	-
1691	Adult Education	12,139	1,392	10,747
1693	Community College Sponsorship	247,570	240,070	7,500
1700	Higher Education Programs	8,500	8,125	375
	Total Instruction	25,314,863	24,842,882	471,981
2000 - Support Services				
2111	Supervision of Pupil Personnel Services- Head	294,241	291,386	2,855
2122	Counseling Services	914,744	910,035	4,709
2142	Psychological Testing Services	229,440	182,122	47,318
2170	Student Accounting Services	300	-	300
2230	Educational Television Services	4,000	1,983	2,017
2240	Computer Assisted Instruction Services	144,004	138,064	5,940
2250	School Library Services	628,575	626,334	2,241
2260	Instructional & Curriculum Dev. Service	372,618	371,714	904
2271	Instructional Staff Development	107,907	107,213	694
2272	Instructional Staff Development - Non-certified	3,520	2,064	1,456
2310	Board Services	60,776	54,329	6,447
2330	Tax Assessment & Collection Service	91,645	88,892	2,753
2340	Staff Relations	-	-	-
2350	Legal Services	112,000	111,435	565
2360	Office of the Superintendent Services	593,834	569,862	23,972
2370	Community Relations Services	6,500	146	6,354
2380	Office of the Principal Services	1,694,093	1,686,764	7,329
2390	Other Administration Services	19,500	19,021	479
2420	Medical Services	388,713	386,501	2,212
2430	Dental Services	-	-	-
2511	Supervision of Fiscal Services	407,594	406,667	927
2519	Other Fiscal Services	366,974	329,185	37,789
2611	Supervision of Operation and Maintenance of Plant - Head	287,233	286,579	654
2620	Operation of Building Services	3,216,486	3,190,551	25,935
2630	Care and Upkeep of Grounds Services	392,238	392,189	49
2660	Security Services	428,451	427,996	455
2711	Supervision of Student Transportation Services - Head	264,271	264,244	27
2719	Supervision of Student Transportation Services - All Other	12,000	11,700	300
2720	Vehicle Operation Services	2,086,135	1,961,650	124,485
2740	Vehicle Servicing and Maintenance Services	670,015	616,154	53,861
2818	System-Wide Technology Services	654,766	654,465	301
2832	Recruitment and Placement Services	341,596	337,963	3,633
2834	Staff Development Services	54,054	8,513	45,541
2836	Non-Instructional Dev - Non Cert	12,911	9,906	3,005
2900	Other Support Services	-	-	-
2910	Support services not listed elsewhere in the 2000	42,250	42,094	156
	Total Support Services	14,903,384	14,487,721	415,663

Northwestern Lehigh School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual
For the Year Ended June 30, 2020

<u>3000 - Operation of Non-Instructional Services</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
3210	School Sponsored Student Activities	262,391	262,195	196
3250	School Sponsored Athletics	757,791	697,880	59,911
3300	Community Services	7,900	7,843	57
3350	Welfare Activities	30,000	24,129	5,871
3400	Scholarships and Awards	14,000	13,450	550
Total Non-Instructional Services		1,072,082	1,005,497	66,585
<u>4000 - Facilities Acquisition, Construction, and Improvement Services</u>				
4200	Existing Site Improvement Services	-	-	-
4500	Building Acquisition and Contruction Services - Original	-	-	-
4600	Existing Building Improvement Services	250	249	1
Total Facilities Acquisition, Construction, and Improvement Services		250	249	1
<u>5000 - Other Expenditures and Financing Uses</u>				
5110	Debt Service	4,123,373	3,522,219	601,154
5130	Refund of Prior Yr. Receipts	5,000	10,395	(5,395)
5230	Transfers to Capital Project Funds	839,000	684,000	155,000
5240	Debt Service Fund Transfers	-	199,877	(199,877)
5251	Food Service Fund Transfers	-	17,000	(17,000)
5900	Budgetary Reserve	400,000	-	400,000
Total Other Expenditures and Financing Uses		5,367,373	4,433,491	933,882
TOTAL EXPENDITURES AND OTHER FINANCING USES		\$ 46,657,952	\$ 44,769,840	\$ 1,888,112
TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 44,993,971	\$ 44,776,945	\$ (217,026)
TOTAL EXPENDITURES AND OTHER FINANCING USES		46,657,952	44,769,840	1,888,112
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES		\$ (1,663,981)	\$ 7,105	\$ 1,671,086
Special Items		-	-	-
Extraordinary Items		-	-	-
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES AFTER SPECIAL ITEMS AND EXTRAORDINARY ITEMS		\$ (1,663,981)	\$ 7,105	\$ 1,671,086
FUND BALANCE - JULY 1, 2019		16,571,306	15,693,277	(878,029)
PRIOR PERIOD ADJUSTMENT		-	142,913	142,913
FUND BALANCE - JUNE 30, 2020		\$ 14,907,325	\$ 15,843,295	\$ 935,970

**Northwestern Lehigh School District
Food Service Fund
Statement of Fund Net Position
As of June 30, 2020**

ASSETS & DEFERRED OUTFLOWS OF RESOURCES

Cash	\$ -
Interfund Receivables	350,929
Subsidies Receivable	731
Other Receivable	15,029
Inventories	19,393
Prepaid Expenses	-
Building Improvements, net of Accum. Depreciation	22,391
Equipment, net of Accum. Depreciation	45,130
Deferred Outflows of Resources - Change in Proportion of NPL	26,826
Deferred Outflows of Resources - Current Year Contributions	96,822
Deferred Outflows of Resources - Changes in Assumptions	10,991
Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	-
Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	-
Deferred Outflows of Resources - Diff. between Expected vs Actual Experience	-

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES

\$ 588,242

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION

Accounts Payable	698
Interfund Accounts Payable	507,837
Accrued Salaries and Benefits	939
Accrued Compensated Absences	1,210
Net Pension Liability	1,066,558
Net OPEB Liability - Multiple Employer Plan	45,261
Prepayments	47,409
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	1,852
Deferred Inflows of Resources - Diff. in projected vs actual invest. Earnings	5,269
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	28,234
FUND NET POSITION - JUNE 30, 2020	<u>(1,117,025)</u>

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

\$ 588,242

**Northwestern Lehigh School District
Tiger Concession Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2020**

REVENUES

Concession Stand Revenues	\$ 41,704	
Other Revenue	4,858	
Interest	161	
Contributions/Donations	-	
State Sources	1,005	
Transfer from the General Fund	-	\$ 47,728

COST OF SALES

Beginning Inventory - July 1, 2019	753	
Food	16,082	
Supplies	7,649	
Less: Ending Inventory - June 30, 2020	(655)	23,829

GROSS PROFIT 23,899

EXPENSES

Payroll	5,847	
Taxes and Benefits	2,010	
Other Professional Services	3,200	
Repairs and Maintenance	1,011	
Dues and Fees	6,137	
Depreciation	6,460	24,665

CHANGES IN FUND NET POSITION (766)

FUND NET POSITION - JULY 1, 2019 117,717

FUND NET POSITION - JUNE 30, 2020 \$ 116,951

**Northwestern Lehigh School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2020**

FUND BALANCE - JULY 1, 2019			\$ 4,265,192
<u>REVENUES AND OTHER FINANCING SOURCES</u>			
Interest	\$ 42,170		
Transfer from General Fund	684,000	726,170	
TOTAL FUNDS AVAILABLE			4,991,362
<u>EXPENDITURES</u>			
INSTRUCTIONAL:			
Equipment		-	
SUPPORT SERVICES:			
Repairs & Maintenance		-	
Transportation		-	
CAPITAL OUTLAY:			
Rentals		-	
Professional Services	95,215		
Construction	2,645,418		
Supplies	1,250		
Equipment	201,682		
Site Improvements		-	
Fees		-	2,943,565
FUND BALANCE - JUNE 30, 2020			<u>\$ 2,047,797</u>

**Northwestern Lehigh School District
Capital Projects Fund (37)
Statement of Revenues and Expenditures
For the Year Ended June 30, 2020**

FUND BALANCE - JULY 1, 2019 **\$ 1,571,474**

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Bond Issues	\$ -		
Bond Premium	-		
Transfer from Capital Projects Fund (36)	-		
Interest	9,845		9,845
TOTAL FUNDS AVAILABLE			1,581,319

EXPENDITURES AND OTHER FINANCING USES

INSTRUCTIONAL SERVICES:

Supplies	-		
----------	---	--	--

SUPPORT SERVICES:

Professional Services	-		
Insurance	-		
Supplies	-		

NON-INSTRUCTIONAL SERVICES:

Supplies	-		
----------	---	--	--

CAPITAL OUTLAY:

Professional Services	59,627		
Advertising	-		
Construction	864,961		
Supplies	158,336		
Equipment	11,990		
Dues and Fees	11,994		

OTHER FINANCING USES:

Transfer to other Capital Project Funds	-		1,106,908
			1,106,908

FUND BALANCE - JUNE 30, 2020 **\$ 474,411**

**Northwestern Lehigh School District
2019 GOB Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2020**

FUND BALANCE - JULY 1, 2019		\$ 6,489
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding Bond Issues	\$ -	
Bond Premium	-	
Transfer from General Fund	-	
Interest	-	
TOTAL FUNDS AVAILABLE	<u>-</u>	<u>6,489</u>
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
INSTRUCTIONAL SERVICES:		
Supplies	-	
SUPPORT SERVICES:		
Professional Services	-	
Insurance	-	
Printing	-	
NON-INSTRUCTIONAL SERVICES:		
Supplies	-	
CAPITAL OUTLAY:		
Professional Services	-	
Advertising	-	
Construction	-	
DEBT SERVICE:		
Principal	-	
Interest	6,489	
OTHER FINANCING USES:		
Payment to Refunded Bonds Escrow Agent	<u>-</u>	<u>6,489</u>
FUND BALANCE - JUNE 30, 2020		<u><u>\$ -</u></u>

Statement of Net Position
2019A GOB Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2020

FUND BALANCE - JULY 1, 2019		\$ -
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding Bond Issues	\$ 9,860,000	
Bond Premium	-	
Transfer from General Fund	151,439	
Interest	-	10,011,439
TOTAL FUNDS AVAILABLE		<u>10,011,439</u>
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
INSTRUCTIONAL SERVICES:		
Supplies	-	
SUPPORT SERVICES:		
Professional Services	150,240	
Insurance	-	
Printing	1,200	
NON-INSTRUCTIONAL SERVICES:		
Supplies	-	
CAPITAL OUTLAY:		
Professional Services	-	
Advertising	-	
Construction	-	
DEBT SERVICE:		
Principal	-	
Interest	5,962	
OTHER FINANCING USES:		
Payment to Refunded Bonds Escrow Agent	9,840,681	
Bond Discounts	13,356	10,011,439
FUND BALANCE - JUNE 30, 2020		<u>\$ -</u>

Statement of Net Position
2020 GOB Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2020

FUND BALANCE - JULY 1, 2019		\$	-
<u>REVENUES AND OTHER FINANCING SOURCES</u>			
Proceeds from Refunding Bond Issues	\$ 4,155,000		
Bond Premium	-		
Transfer from General Fund	48,437		
Interest	-		4,203,437
TOTAL FUNDS AVAILABLE			4,203,437
<u>EXPENDITURES AND OTHER FINANCING USES</u>			
INSTRUCTIONAL SERVICES:			
Supplies	-		
SUPPORT SERVICES:			
Professional Services	48,437		
Insurance	-		
Printing	-		
NON-INSTRUCTIONAL SERVICES:			
Supplies	-		
CAPITAL OUTLAY:			
Professional Services	-		
Advertising	-		
Construction	-		
DEBT SERVICE:			
Principal	-		
Interest	-		
OTHER FINANCING USES:			
Payment to Refunded Bonds Escrow Agent	4,152,909		
Transfer to General Fund	2,091		
Bond Discounts	-		4,203,437
FUND BALANCE - JUNE 30, 2020		\$	-

**Northwestern Lehigh School District
Student Sponsored Special Revenue Activity Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2020**

FUND BALANCE - JULY 1, 2019 (RESTATED GASB 84) **\$ 72,501**

REVENUES AND OTHER FINANCING SOURCES

Interest Income	\$ 39	
Admissions	157	
Student Member Dues and Fees	-	
LEA Activity - Special Events	15,758	
Other Student Activity Receipts	41,066	57,020
TOTAL FUNDS AVAILABLE		129,521

EXPENDITURES AND OTHER FINANCING USES

NON-INSTRUCTIONAL SERVICES:

Professional Services	6,992
Travel	191
Miscellaneous Purchased Services	7,947
Supplies	30,324
Dues & Fees	36
Miscellaneous Expenditures	163
Student Fees for Instruction Related Events	890

OTHER FINANCING USES:

Transfers	-	46,543
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FUND BALANCE - JUNE 30, 2020 **\$ 82,978**

**Northwestern Lehigh School District
Student Activity Custodial Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020**

ADDITIONS

Interest Income	\$ 181	
Admissions	-	
Book Store Sales	-	
Student Organization Membership Dues and Fees	8,123	
Student Fees	-	
Special Events	16,760	
Other Activity Income	10,836	
TOTAL ADDITIONS		\$ 35,900

DEDUCTIONS

Professional and Technical Services	1,000	
Repairs & Maintenance	-	
Rentals	-	
Transportation Services	-	
Communications	-	
Travel	2,608	
General Supplies	21,520	
Food	-	
Donations	-	
Miscellaneous Expenses	13,100	
TOTAL DEDUCTIONS		38,228

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION (2,328)

FUND NET POSITION - JULY 1, 2019 163,913

Prior Period Adjustment (76,602)

FUND NET POSITION - JUNE 30, 2020 \$ 84,983

**Student Activity Custodial Fund
Statement of Fiduciary Net Position
As of June 30, 2020**

ASSETS

Cash and Cash Equivalents	\$ 91,671	
Due From Other Funds	431	
Other Receivables	-	
Prepaid Expenses	-	
Other Current Assets	-	
TOTAL ASSETS		\$ 92,102

LIABILITIES

Accounts Payable	\$ 4,399	
Due to Other Funds	2,720	
Other Current Liabilities	-	
TOTAL LIABILITIES		7,119

NET POSITION

Restricted for:
Individuals, organizations, and other governments 84,983

TOTAL LIABILITIES AND FUND NET POSITION \$ 92,102

Northwestern Lehigh School District
Schedule on General Obligation Notes - Series A of 2007
For the Year Ended June 30, 2020

<u>MATURITY DATE</u>	<u>VARIABLE INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2020-21	2.830%	95,586	900,000
2021-22	2.830%	67,759	1,000,000
2022-23	2.830%	39,459	1,000,000
2023-24	2.830%	6,232	1,100,000
TOTAL OUTSTANDING		\$ 209,036	\$ 4,000,000

Schedule on General Obligation Bonds - Series of 2009
For the Year Ended June 30, 2020

<u>MATURITY DATE</u>	<u>VARIABLE INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2020-21	3.060%	240,566	150,000
2021-22	3.060%	235,976	150,000
2022-23	3.060%	231,183	160,000
2023-24	3.060%	226,800	165,000
2024-25	3.060%	202,292	1,090,000
2025-26	3.060%	167,919	1,140,000
2026-27	3.060%	132,220	1,180,000
2027-28	3.060%	95,320	1,230,000
2028-29	3.060%	56,437	1,280,000
2029-30	3.060%	14,806	1,330,000
TOTAL OUTSTANDING		\$ 1,603,519	\$ 7,875,000

Schedule on General Obligation Bonds - Series of 2014
For the Year Ended June 30, 2020

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2020-21	2.30%	22,800	460,000
2021-22	2.60%	12,220	470,000
TOTAL OUTSTANDING		\$ 35,020	\$ 930,000

Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2017
For the Year Ended June 30, 2020

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		\$ 2,719,400	\$ 5,670,000

Schedule on General Obligation Bonds - Series of 2018
For the Year Ended June 30, 2020

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2020-21	3.00%	217,730	5,000
2021-22	3.00%	217,580	5,000
2022-23	5.00%	217,430	480,000
2023-24	3.00%	193,430	505,000
2024-25	3.00%	178,280	515,000
2025-26	3.00%	162,830	540,000
2026-27	3.00%	146,630	555,000
2027-28	3.35%	129,980	570,000
2028-29	3.35%	110,885	595,000
2029-30	3.35%	90,953	615,000
2030-31	3.35%	70,350	675,000
2031-32	3.35%	47,738	700,000
2032-33	3.35%	24,288	725,000
TOTAL OUTSTANDING		\$ 1,808,104	\$ 6,485,000

Northwestern Lehigh School District
Schedule on General Obligation Bonds - Series of 2019
For the Year Ended June 30, 2020

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2020-21	5.000%	268,762	615,000
2021-22	5.000%	238,012	650,000
2022-23	5.000%	205,513	680,000
2023-24	5.000%	171,512	710,000
2024-25	2.000%	136,013	755,000
2025-26	2.000%	120,913	765,000
2026-27	2.250%	105,613	780,000
2027-28	2.250%	88,063	795,000
2028-29	2.375%	70,175	820,000
2029-30	3.000%	50,700	835,000
2030-31	3.000%	25,650	855,000
TOTAL OUTSTANDING		\$ 1,480,926	\$ 8,260,000

Schedule on General Obligation Bonds - Series A of 2019
For the Year Ended June 30, 2020

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2020-21	5.000%	229,050	70,000
2021-22	5.000%	225,550	75,000
2022-23	5.000%	221,800	75,000
2023-24	5.000%	218,050	75,000
2024-25	2.000%	214,300	80,000
2025-26	2.000%	212,700	80,000
2026-27	2.000%	211,100	80,000
2027-28	2.000%	209,500	685,000
2028-29	2.000%	195,800	720,000
2029-30	2.000%	181,400	735,000
2030-31	2.125%	166,700	830,000
2031-32	2.125%	149,063	55,000
2032-33	2.250%	147,894	1,385,000
2033-34	2.375%	116,731	3,900,000
2034-35	2.375%	24,106	1,015,000
TOTAL OUTSTANDING		\$ 2,723,744	\$ 9,860,000

Northwestern Lehigh School District
Schedule on General Obligation Notes - Series of 2020
For the Year Ended June 30, 2020

<u>MATURITY DATE</u>	<u>INTEREST PER ANNUM</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2020-21	0.980%	30,200	419,000
2021-22	0.980%	36,613	535,000
2022-23	0.980%	31,370	571,000
2023-24	0.980%	25,774	532,000
2024-25	0.980%	20,560	683,000
2025-26	0.980%	13,867	686,000
2026-27	0.980%	7,144	699,000
2027-28	0.980%	294	30,000
TOTAL OUTSTANDING		<u>\$ 165,822</u>	<u>\$ 4,155,000</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
For the Year Ended June 30, 2020**

<u>FEDERAL GRANTOR PROJECT TITLE</u>	<u>SOURCE CODE</u>	<u>FEDERAL CFDA NO.</u>	<u>PASS THROUGH GRANTOR NUMBER</u>	<u>GRANT PERIOD</u>	<u>AWARD AMOUNT</u>	<u>TOTAL RECEIVED</u>	<u>ACCRUED OR (DEFERRED) 7/1/2019</u>	<u>REVENUE</u>	<u>EXPEND.</u>	<u>ACCRUED OR (DEFERRED) 6/30/2020</u>	<u>FOOTNOTES</u>
<u>U.S. DEPT. OF EDUCATION</u>											
<u>PASSED THROUGH THE PDE</u>											2
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-19-0305 A	7/1/18 - 9/30/19	\$ 173,980	\$ 34,359	\$ 34,359	\$ -	\$ -	\$ -	
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-20-0305 A	7/1/19 - 9/30/20	\$ 171,663	137,337	-	171,663	171,663	34,326	
TOTAL TITLE I PROGRAM						171,696	34,359	171,663	171,663	34,326	
<u>PASSED THROUGH THE PDE</u>											2
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	020-19-0305 A	7/1/18 - 9/30/19	\$ 46,038	-	-	-	-	-	
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	020-20-0305 A	7/1/19 - 9/30/20	\$ 44,311	26,731	-	44,311	44,311	17,580	
TOTAL TITLE II PROGRAM						26,731	-	44,311	44,311	17,580	
<u>PASSED THROUGH THE PDE</u>											2
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	144-19-0305 A	7/1/18 - 9/30/19	\$ 11,774	-	-	-	-	-	
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	144-20-0305 A	7/1/19 - 9/30/20	\$ 13,021	5,208	-	13,021	13,021	7,813	
TOTAL TITLE IV PROGRAM						5,208	-	13,021	13,021	7,813	
<u>PASSED THROUGH THE CARBON LEHIGH I.U.</u>											2
IDEA - B	I	84.027	N/A	7/1/18 - 6/30/19	\$ 368,829	368,829	368,829	-	-	-	1
IDEA - B	I	84.027	N/A	7/1/19 - 6/30/20	\$ 364,017	-	-	364,017	364,017	364,017	1
IDEA - SECTION 619	I	84.173	N/A	7/1/18 - 6/30/19	\$ 1,652	1,652	1,652	-	-	-	1
IDEA - SECTION 619	I	84.173	N/A	7/1/19 - 6/30/20	\$ 3,495	-	-	3,495	3,495	3,495	1
TOTAL IDEA CLUSTER						370,481	370,481	367,512	367,512	367,512	
TOTAL U. S. DEPARTMENT OF EDUCATION						574,116	404,840	596,507	596,507	427,231	
<u>U. S. DEPARTMENT OF AGRICULTURE</u>											
<u>PASSED THROUGH THE PA</u>											2
<u>DEPARTMENT OF EDUCATION:</u>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/18 - 6/30/19	N/A	30,782	30,782	-	-	-	
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/19 - 6/30/20	N/A	157,162	-	157,621	157,621	459	
NATIONAL SCHOOL BREAKFAST	I	10.553	N/A	7/1/18 - 6/30/19	N/A	2,019	2,019	-	-	-	
NATIONAL SCHOOL BREAKFAST	I	10.553	N/A	7/1/19 - 6/30/20	N/A	15,478	-	15,721	15,721	243	
NATIONAL SCHOOL BREAKFAST - SEVERE NEED	I	10.553	N/A	7/1/18 - 6/30/19	N/A	3,441	3,441	-	-	-	
NATIONAL SCHOOL BREAKFAST - SEVERE NEED	I	10.553	N/A	7/1/19 - 6/30/20	N/A	14,573	-	14,573	14,573	-	
<u>PASSED THROUGH THE PA DEPT. OF AGRICULTURE:</u>											2
NATIONAL SCHOOL LUNCH - U.S.D.A. COMMODITIES	I	10.555	N/A	7/1/19 - 6/30/20	N/A	27,172	(809)	27,621	27,621	(360)	3,4
TOTAL CHILD NUTRITION CLUSTER						250,627	35,433	215,536	215,536	342	
TOTAL U.S. DEPARTMENT OF AGRICULTURE						250,627	35,433	215,536	215,536	342	
TOTAL FEDERAL FINANCIAL AWARDS						\$ 824,743	\$ 440,273	\$ 812,043	\$ 812,043	\$ 427,573	

SOURCE: D -DIRECT; I -INDIRECT

Northwestern Lehigh School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Northwestern Lehigh School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Northwestern Lehigh School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Northwestern Lehigh School District.

Note 2 - 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 3 - Organization and Scope

The District recognized 1.3% of its total general fund revenue in federal awards, and 35.1% of its total enterprise fund revenue.

Note 4 - 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 5 - 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>Total</u>
<u>Passed through</u>	<u>Total Awards</u>	<u>Expenditures</u>
PA Department of Education	\$ 460,787	\$ 416,910
Carbon-Lehigh I.U.	737,993	367,512
PA Department of Agriculture	N/A	27,621
Totals	<u>\$ 1,198,780</u>	<u>\$ 812,043</u>

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$27,172 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2019-20 fiscal year, the District used \$27,621 in commodities and established a year-end inventory of \$360 at June 30, 2020.

Northwestern Lehigh School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

4. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards under the U.S. Department of Agriculture heading, represents the commodities used, versus the commodities received, which are recognized as revenue in the basic financial statements.
5. The 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.

FINANCIAL STATEMENT RECONCILIATION

General Fund Federal Source Revenues	\$ 228,995
Federal Grants in Local Sources	372,911
Food Service Fund Federal Revenue	<u>215,087</u>
Total Federal Revenue, per financial statements	816,993
Less: Transportation Access Reimbursement	(5,399)
Change in Donated Commodities	<u>449</u>
Total Federal Revenue Reported on SEFA	<u>\$ 812,043</u>



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

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, 2020, and the related notes to the financial statements, which collectively comprise Northwestern Lehigh School District's basic financial statements, and have issued our report thereon dated November 19, 2020.

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 19, 2020



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 ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE 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, 2020. 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, 2020.

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 19, 2020

**Northwestern Lehigh School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section I - Summary of Auditor Results

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
84.010	Title I Program

Percentage of programs tested to total awards 21.1%

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, 2020**

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.