

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other changes without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time of the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 3, 2016

NEW ISSUE –BOOK ENTRY ONLY

Rating: *Moody's "___" underlying rating*

In the opinion of Bond Counsel, under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although in the case of corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. This opinion of Bond Counsel is given in reliance upon certain representations made by the School District and is subject to continuing compliance by the School District with its covenants in the Resolution (hereinafter defined) and other documents to comply with requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania (the "Commonwealth") as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth and the interest on the Bonds is exempt from the Commonwealth's Personal Income Tax and the Commonwealth's Corporate Net Income Tax.

The Bonds are "qualified tax-exempt obligations," for purposes and effect contemplated by Section 265 of the Internal Revenue Code of 1986, as amended (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

For further information concerning federal and state tax matters relating to the Bonds, see "Tax Exemption and Other Tax Matters" herein.

\$9,275,000*

SOUTHERN LEHIGH SCHOOL DISTRICT

Lehigh County, Pennsylvania

General Obligation Bonds

General Obligation Bonds, Series of 2016

Dated: Date of Delivery

Principal Due: August 1, as shown herein

Interest Payable: February 1 and August 1

First Interest Payment: February 1, 2017

Southern Lehigh School District, Lehigh County, Pennsylvania (the "School District"), will issue its General Obligation Bonds, Series of 2016 (the "Bonds") as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of the Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein. The principal of the Bonds will be paid to the registered owners or assigns, when due, upon surrender of the Bonds at the designated corporate trust office of U.S. Bank National Association, Philadelphia, Pennsylvania (the "Paying Agent"), acting as paying agent and sinking fund depository. Semiannual interest on the Bonds when due will be paid by check drawn on the Paying Agent mailed to the registered owners of the Bonds as of the Record Date (see "The Bonds" infra).

The Bonds are not subject to redemption prior to maturity.

The proceeds of the Bonds will be used toward (i) the current refunding of the School District's General Obligation Bonds, Series of 2010; and (ii) pay the costs of issuing the Bonds.

The Bonds are general obligations of the School District payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under a Resolution duly adopted by the Board of School Directors of the School District (the "Resolution") or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates and at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District has irrevocably pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable real property within the School District, within limitations provided by law as to rate or amount for such purpose (see "Security" infra).

**MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND YIELDS
ARE DISPLAYED INSIDE THE FRONT COVER**

The Bonds are offered when, as and if issued by the School District, subject to prior sale and subject to the approving legal opinion of Rhoads & Sinon LLP, Bond Counsel to the School District, of Harrisburg, Pennsylvania. Certain matters will be passed upon for the School District by its Solicitor, Ellis H. Katz, Esquire, of the law firm of Sweet, Stevens, Katz & Williams LLP, New Britain, Pennsylvania. Concord Public Financial Advisors, Inc. of Lancaster, Pennsylvania has acted as Financial Advisor to the School District. It is expected that the Bonds will be available for delivery in New York, New York on or about _____, 2016.

Dated: _____, 2016

*Preliminary, subject to change.

\$9,275,000*
Southern Lehigh School District
Lehigh County, Pennsylvania
General Obligation Bonds, Series of 2016

Dated: Date of Delivery
Principal Due: August 1, as shown herein

Interest Payable: February 1 and August 1
First Interest Payment: February 1, 2017

<u>Maturity</u> <u>Date</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u> <u>To Maturity</u>	<u>Price</u>	<u>CUSIP</u> ¹
2017					843279
2018					843279
2019					843279
2020					843279
2021					843279
2022					843279

*Preliminary, subject to change.

¹The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District, the Financial Advisor or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. None of the School District, the Financial Advisor or the Underwriters has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

**SOUTHERN LEHIGH SCHOOL DISTRICT
Board of School Directors**

Mrs. Kathleen Parsons	President
Mr. Jeffrey Dimmig	Vice President
Dr. Thomas McLoughlin	Treasurer
Mrs. Diana Millman.....	Secretary*
Mrs. Corinne Gunkle	Member
Mrs. Emily Gehman.....	Member
Mr. William Lycett	Member
Mr. Brian Merkle	Member
Mrs. Rita Sisselberger.....	Member
Mrs. Jennifer Smith.....	Member

*Non-member

Superintendent

Dr. Leah Christman

Director of Business Services

Mr. Jeremy G. Melber

Solicitor

Sweet, Stevens, Katz & Williams LLP
Ellis H. Katz, Esquire
New Britain, Pennsylvania

Bond Counsel

Rhoads & Sinon LLP
Harrisburg, Pennsylvania

Financial Advisor

Concord Public Financial Advisors, Inc.
Lancaster, Pennsylvania

Paying Agent

U.S. Bank National Association
Philadelphia, Pennsylvania

Underwriter

School District Address

5775 Main Street
Center Valley, Pennsylvania

No dealer, broker, salesman or other person has been authorized by the School District, the Underwriter, or the Financial Advisor to give any information or to make any representation, other than that given or made in this Official Statement, and if given or made, any such other information or representation may not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement has been approved by the School District and, while the information set forth in this Official Statement has been furnished by the School District and other sources which are believed to be reliable, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter, the Financial Advisor or, as to information obtained from other sources, by the School District. The information and expressions of opinion set forth in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that the affairs of the School District have remained unchanged since the date of this Official Statement.

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OFFICIAL STATEMENT
 \$9,275,000*
 SOUTHERN LEHIGH SCHOOL DISTRICT
 Lehigh County, Pennsylvania
 General Obligation Bonds, Series of 2016

INTRODUCTION

This Official Statement, including the cover page hereof, is furnished by the Southern Lehigh School District, Lehigh County, Pennsylvania (the “School District”) in connection with the offering of \$9,275,000* aggregate principal amount of its General Obligation Bonds Series of 2016 (the “Bonds”). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on _____, 2016 (the “Resolution”), in accordance with the provisions of the Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82, as amended (the “Debt Act”), of the Commonwealth of Pennsylvania (the “Commonwealth” or “State”).

PURPOSE OF THE ISSUE

The proceeds of the Bonds will be used to provide funds to (a) currently refund the School District’s General Obligation Bonds, Series of 2010 (the “2010 Refunded Bonds”); and (b) pay for the costs of issuance of the Bonds.

The 2010 Refunded Bonds consist of \$_____ of the principal amount stated to mature on September 1, 2017 plus \$_____ principal amount stated to mature on September 1, 2018 through September 1, 2022. \$_____ of the principal amount stated to mature on September 1, 2017 will remain outstanding upon completion of the refunding. The School District will deposit a portion of the proceeds of the Bonds with U.S. Bank National Association, as paying agent for the 2010 Refunded Bonds.

Sources and Uses of Funds

The estimated sources and uses of funds for the Bonds are summarized as follows:

Source of Funds	
Bond Proceeds	\$
Net Original Issue Premium/(Discount)	
Total Sources	\$
Use of Funds	
Cost of Calling 2010 Refunded Bonds	\$
Costs of Issuance ¹	
Total Uses	\$

¹Includes bond discount, legal, financial advisor, printing, rating, paying agent, and miscellaneous fees.

THE BONDS

Description

The Bonds are issued in the aggregate principal amount of \$9,275,000*, are dated as of the date of delivery, and mature as set forth on the inside cover page hereof.

When issued, the Bonds will be issued as one fully registered Bond for each maturity of the Bonds and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York, as registered owner of all of the Bonds. Purchasers of the Bonds (the “Beneficial Owners”) will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See “BOOK - ENTRY ONLY SYSTEM” herein.

So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid. If the use of a book-entry system for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs.

The principal of and premium, if any, on all the Bonds will be payable upon surrender thereof at the principal corporate trust office of U.S. Bank National Association (the “Paying Agent”). Interest on the Bonds will be payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of such Bond, unless: (a) the Bond is registered and authenticated as of an interest payment date, in which event the Bond shall bear interest from said interest payment date; or (b) the Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event the Bond shall bear interest from such interest payment date; or (c) the Bond is registered and authenticated on or prior to the Record Date preceding February 1, 2017, in which event the Bond shall bear interest from the date of delivery; or (d) as shown by the records of the Paying Agent, interest on the Bond shall be in default, in which event the Bond shall bear interest from the date interest was last paid on the Bond until said principal sum is paid. The interest on each Bond will be payable on February 1 and August 1 of each year (the first interest payment date being February 1, 2017), by check drawn on the Paying Agent and mailed to the person in whose name the Bond is registered at the address shown on the registration books of the School District kept by the Paying Agent as of the close of business on the fifteenth (15th) day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the “Record Date”), on the registration books maintained by the Paying Agent irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is

registered at the close of business on a special record date as established by notice mailed by the Paying Agent to the Registered Owners of Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the person in whose names the Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

Transfer, Exchange and Registration

Subject to the provisions described below under "Book-Entry Only System," Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, at its corporate trust office, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of or exchange of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount that the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal, premium, if any, and interest due and for all purposes, and the Paying Agent shall not be affected by any notice to the contrary.

The School District and the Paying Agent shall not be required to issue or to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the 15th day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day of mailing of the applicable notice of redemption, or to register the transfer of or exchange any portion of any Bond selected for redemption, until after the redemption date. Bonds may be exchanged for a like aggregate amount of Bonds of other authorized denominations, of the same series, maturity and interest rate.

Security

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, or any other of its available revenues or funds, the principal of, redemption premium, if

any, and the interest on the Bonds, as and when due, at the dates and places and in the manner stated on the Bonds. For such budgeting, appropriation, and payment, the School District has irrevocably pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy an annual ad valorem tax on the taxable real property within the School District, within the limits provided by law. (See “Taxing Powers of the School District” herein). Additionally, the School Code presently provides for withholding and direct application of Commonwealth subsidies in the event of failure of a school district to pay debt service on its bonded indebtedness. (see “State Enforcement of Debt Service Payments” herein).

No recourse shall be had for the payment of the principal of or interest on any Bond, or for any claim based thereon or in the Resolution against any member of the Board of School Directors, or any officer or employee of the School District, past, present, or future or of any successor body, as such, either directly or through the School District or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members of the Board of School Directors, officers, or employees is released as a condition of and as consideration for the issuance of the Bonds.

Bondholder Rights and Remedies

The remedies available to holders of the Bonds upon any failure to pay the principal of, redemption premium, if any, and the interest on the Bonds, when due, include those prescribed by the Debt Act. If such failure should continue for a period of time in excess of thirty days, any holder of the Bonds will, subject to certain priorities, have the right to bring suit for the amount due in the Court of Common Pleas of Lehigh County, Pennsylvania (the “Court”). The Debt Act provides that, if the School District defaults in the payment of the principal of, redemption premium, if any, and the interest on the Bonds, and such default continues for a period of time in excess of thirty days, or if the School District fails to comply with any provision of either the Bonds or the Resolution, then the holders of 25% in aggregate principal amount of the Bonds may appoint a trustee to represent the holders of the Bonds.

Such trustee may, and upon written request of the holders of 25% in aggregate principal amount of the Bonds and being furnished with satisfactory indemnity, must take one or more of the following actions, which will preclude similar action by individual holders: (i) bring suit to enforce all rights of the holders, (ii) bring suit on the Bonds, (iii) petition the Court to levy the amount due plus estimated costs of collection as an assessment upon all taxable real estate and other property subject to ad valorem taxation in the School District (any such assessment will have the same priority and preference as to other liens or security interests as a lien for unpaid taxes), and (iv) by suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the holders, all as set forth more fully in the Debt Act.

Enforcement of a claim for payment of the principal of, premium, if any or the interest on the Bonds may be subject to the provisions of the federal bankruptcy laws and to the provisions of other statutory laws enacted by the Congress or the General Assembly of the Commonwealth, or common law developed by competent courts having jurisdiction extending the time for payment

or imposing other constraints upon enforcement insofar as such laws may be constitutionally applied.

Sinking Fund

Under the Resolution, the School District will create a sinking fund, designated as “Sinking Fund, General Obligation Bonds, Series of 2016” (the “2016 Sinking Fund”), that shall be held by the Paying Agent as the Sinking Fund Depository. The School District shall deposit in the 2016 Sinking Fund a sufficient sum not later than the date when interest and principal is to become due on the Bonds so that on each payment date the 2016 Sinking Fund will contain an amount which, together with any other available funds therein, is sufficient to pay, in full, interest and principal then due on the Bonds.

The 2016 Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities and shall be deposited in such funds and accounts as are authorized by the Debt Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District but subject to withdrawal or collection only by the Paying Agent, as sinking funds depository, and such deposits and securities, together with the interest thereon, shall be a part of the 2016 Sinking Fund.

The Paying Agent, as Sinking Fund Depository, is authorized without further order from the School District to pay from the 2016 Sinking Fund the principal of and interest on the Bonds when due and payable.

Redemption

The Bonds are **not** subject to redemption.

State Enforcement of Debt Service Payments

Section 633 of the School Code, as amended by (the “School Code”), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption, or any interest due on such indebtedness on any interest payment date, in accordance with the schedule under which such indebtedness was issued, the Secretary of Education is required to notify such board of school directors of its obligation and shall withhold out of any State appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bond issue. These withholding provisions presently apply to debt service on the Bonds; however, they are not part of any contract with the holders of the Bonds and could be amended or repealed by future legislation.

There can be no assurance, however, that any payments pursuant to this withholding provision will be made by the date on which such payments are due to the Bondholders. The effectiveness of Section 633 may be limited by the application of other withholding provisions

contained in the School Code, such as provisions for withholding and paying over of unpaid teacher's salaries. Enforcement may also be limited by bankruptcy, insolvency or other laws or equitable principles affecting the enforcement of creditors' rights generally.

Recent Pennsylvania Budget Impasses

Over the past several years the Commonwealth of Pennsylvania has started its fiscal year without a fully adopted budget. In the 2016-16 fiscal year, a final budget was not enacted until March 17, 2016, 270 days following the beginning of the fiscal year. The Governor failed to sign or veto the state budget that was adopted by the General Assembly on March 17, 2016.

For the current 2016-17 fiscal year, the state budget became law, known as Act 16A of 2016, on July 12, 2016 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on July 1, 2016. On July 13, 2016, the General Assembly adopted and the Governor signed into law an additional tax and revenue package, known as Act 85 of 2016, that was needed to balance the 2016-17 state budget.

During a state budget impasse, school districts in Pennsylvania cannot be certain that state subsidies and revenues will be available from the Commonwealth in a timely manner. This includes many of the major state subsidies that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. **Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the public school code.**

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriters do not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of the School District or the Underwriters.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or in such other name as may be requested by an authorized representative of DTC. One fully-registered certificate for the Bonds, of each maturity will be issued in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such maturity.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the

meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. ***Beneficial Owners will not receive certificates representing their ownership interests in the Bonds except in the event that use of the book-entry system for the Bonds is discontinued.***

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may

wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices of Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds (or all Bonds of a particular maturity of a series) are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series or maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

So long as the Bonds are held by DTC under a book-entry system, payments of the principal of and interest on the Bonds and, if applicable, any premium payable upon redemption thereof, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest on Bonds and, if applicable, and premium payable upon redemption thereof to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue its services as a securities depository for the Bonds at any time by giving notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

THE ISSUER AND THE PAYING AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OR INTEREST ON, THE BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP OF INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN BONDS, OR (3) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DTC PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OR DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

THE SCHOOL DISTRICT

The School District is a School District of the Third Class, organized and existing under the laws of the Commonwealth.

The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors.

REVENUE FROM STATE SOURCES

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

A basic instructional subsidy is allocated to all school districts based on (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; (3) the school district's tax effort, as compared with the tax effort of other school districts in the State; and (4) student count. School districts also receive state aid for special education, pupil transportation, vocational education, and health services, among other things.

A reimbursement for school building construction is also made. Debt service on the Bonds will be eligible for reimbursement from the State based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Aid Ratio, a function of the market value per weighted average daily membership of the School District relative to that of the State.

School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be 28.34 percent. The School District Capital Account Reimbursement Fraction ("CARF") is currently 37.21 percent. The product of these two factors for the Bonds is 10.55 percent, which is the percentage of debt service which will be reimbursed by the State. In future years, this percentage may change as the School District's Aid Ratio changes, or as a result of future legislation.

DEBT AND DEBT LIMITS

Debt Statement

The Table that follows shows the debt of the School District as of August 1, 2016.

SOUTHERN LEHIGH SCHOOL DISTRICT DEBT STATEMENT (As of August 1, 2016)*

	Outstanding Principal Balance	Project Eligible Percentage	Reimbursable Factor(1)	Principal Amount of Local Effort of Net of Available Funds and <u>Estimated State Aid</u>
Series of 2010 (last maturity 2023)	\$10,190,000	28.34%	10.55%	\$9,115,433
Series of 2011 (last maturity 2025)	9,900,000	28.34%	10.55%	8,856,014
Series of 2012 (last maturity 2017)	3,095,000	36.51%	13.59%	2,674,533
Series A of 2013 (last maturity 2027)	16,990,000	18.26%	6.79%	15,835,607
Series AA of 2013 (last maturity 2027)	9,610,000	11.26%	4.19%	9,207,356
Series of 2014 (last maturity 2017)	2,402,400	29.43%	10.95%	2,139,316
Series of 2015 (last maturity 2030)	15,330,000	0.00%	0.00%	15,330,000
Series A of 2015 (last maturity 2023)	<u>7,140,000</u>	33.40%	12.43%	<u>6,252,631</u>
Total Nonelectoral Debt	\$74,657,400			\$69,410,888

*Does not include the Bonds offered through this Official Statement.

(1) Project eligible percentage multiplied by School District's CARF of 37.21%.

The Table below presents the overlapping indebtedness and debt ratios of the School District. Before issuance of the Bonds, the principal amount of direct and overlapping debt of the School

District totals \$74,657,400. After adjustment for available funds and estimated State aid, the local effort of direct debt totals \$69,410,888.

**SOUTHERN LEHIGH SCHOOL DISTRICT
 BONDED INDEBTEDNESS AND DEBT RATIOS
 (As of August 1, 2016)***

	Principal Amount of Gross <u>Outstanding</u>	Principal Amount of Local Effort or Net of Available Funds and <u>State Aid**</u>
DIRECT DEBT:		
Nonelectoral General Obligation Debt	\$74,657,400	\$69,410,888
Lease Rental Debt	<u>0</u>	<u>0</u>
TOTAL DIRECT DEBT	\$74,657,400	\$69,410,888
OVERLAPPING DEBT		
Lehigh County, General Obligation Bonds ***	\$11,278,088	\$11,278,088
Municipal Bond and Notes****	<u>11,374,928</u>	<u>11,374,928</u>
TOTAL OVERLAPPING DEBT	\$22,653,016	\$22,653,016
TOTAL DIRECT AND OVERLAPPING DEBT	\$97,310,416	\$92,063,904
DEBT RATIOS (Direct Debt):		
Population (2010)	\$3,560.37	\$3,310.17
Percent 2014 Assessed Value	2.9190%	2.7139%
Percent 2014 Market Value	3.0468%	2.8326%

*Does not include the Bonds offered through this Official Statement and gives effect to the refunding.

**Gives effect to current appropriations for payment of debt service, and expected future State reimbursement of School District sinking fund payments based on current Market Value Aid Ratio. See "State Aid to School Districts."

***The School District's proportionate share (8.85%) based on assessed valuation of real estate of Lehigh County general obligation debt as of August 1, 2016.

****Source: Pennsylvania Department of Community and Economic Development

SCHOOL DISTRICT BORROWING CAPACITY

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base." The "Borrowing Base" is calculated as the annual arithmetic average of total "Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Revenues for 2013-14	\$54,727,014
Revenues for 2014-15	56,508,860
Revenues for 2015-16 (Unaudited)	<u>58,064,480</u>
Total Revenues, Past Three Years	\$169,300,354
 Annual arithmetic average (Borrowing Base)	 \$56,433,451

Under the Act as presently in effect, new nonelectoral debt and new lease rental debt may not be incurred if the net amount of such new nonelectoral debt and/or new lease rental debt plus all outstanding net nonelectoral debt and net lease rental debt would cause total net nonelectoral debt and net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentages to the School District's Borrowing Base produces the following products:

	<u>Legal Limit</u>	<u>Debt Outstanding</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt Limit: 225% of Borrowing Base	\$126,975,265	\$74,657,400	\$52,317,865

SCHOOL DISTRICT PENSION PROGRAM

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (PSERS). All of the School District's full-time employees, part time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year participate in the program. However, please note a Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for current members of PSERS regarding the purchase of credit for their part-time school service rendered prior to their being members of PSERS, for purposes of increasing their pension benefits.

Beginning July 1, 1976, certain revisions were made in the pension program. The Retirement Board, previously under the Department of Education of the Commonwealth, became an independent agency. However, the program is still guaranteed by the Commonwealth. Currently, each party to the program contributes a fixed percentage of the employee's salary. Employees belonging to the Public School Employees Retirement System ("PSERS") prior to July 22, 1983 contribute 5.25% of their salary, and employees who joined the PSERS on or after July 22, 1983 contribute 6.25% of their salary. On February 17, 2002, Governor Ridge signed Act 9 which created a new membership class that sets the employee contribution rate at 7.50% of the employee's salary for those employees hired on or after July 1, 2001. Act 9 also provides an option for those employees hired prior to July 1, 2001 to elect a contribution rate of 6.50%, if they were hired before July 22, 1983, or 7.50% if they were hired on or after July 22, 1983. Act 120 of 2010 was passed by the General Assembly on November 15 and signed by Governor Rendell on November 23, 2010. The benefit reductions contained in this legislation will only impact individuals who become new members of PSERS on or after July 1, 2011. New members will have the option of selecting one of 2 new classes. The members selecting class T-E will contribute a base rate of 7.5% with "shared risk" contribution levels between 7.5% and 9.5% and a pension multiplier of 2.0%. Members selecting class T-F will contribute a base rate of 10.3% with shared risk contribution levels between 10.3% and 12.3% and a pension multiplier or 2.5%. The PSERS Board certified the employer rate, to be paid by the School District, of 25.84% for the 2015-16 fiscal year. The PSERS Board certified a new employer rate, to be paid by the School District, of 30.03% for the 2016-17 fiscal year. According to Act 120 of 2010 the employer contribution rate is suppressed for future years by using rate caps to keep the rate from rising too high, too fast. Both the School District and the Commonwealth are responsible for paying a portion of the employer's share. School entities are responsible for paying 100% of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for

one-half the payment for employees. The School District contributions are made on a quarterly basis and employee contributions are deducted bi-weekly for each paycheck and remitted quarterly.

PSERS is the 20th largest state-sponsored defined benefit pension fund in the nation. PSERS is primarily responsible for administering a defined benefit pension plan for public school employees in the Commonwealth of Pennsylvania. In the fall of 2015, the PSERS completed its process of publishing financial statements for the year ended June 30, 2015, in compliance with reporting standards established by the Government Accounting Standards Board's Statement No. 67 and Statement No. 68. PSERS' total plan net assets decreased by \$1.4 billion from \$53.3 billion at June 30, 2014 to \$51.9 billion at June 30, 2015. This decrease was due in large part to deductions for benefits and administrative expenses exceeding net investment income plus member and employer contributions. The change in total plan net assets from June 30, 2013 to June 30, 2014 was an increase of \$4.0 billion from \$49.3 billion at June 30, 2013 to \$53.3 billion at June 30, 2014. This increase was due in large part to net investment income plus member and employer contributions exceeding deductions for benefits and administrative expenses. The Fund's complete report is available on the PSERS website on the Internet: www.psers.state.pa.us.

Recent School District payments, net of reimbursement, have been as follows:

<u>Fiscal Year</u>	<u>Net School District Contribution</u>
2010-11	\$1,235,870
2011-12	1,970,197
2012-13	2,844,793
2013-14	3,980,542
2014-15	4,778,253
2015-16 (Unaudited)	5,988,528

The School District is current in all payments.

TAXING POWERS OF THE SCHOOL DISTRICT

General Taxing Powers

Subject to the limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006, as amended (see "The Taxpayer Relief Act (Act 1)" herein), the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:

- a. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality, authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
 4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of

2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;

2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances;
3. to make payments into the State Public School Employees' Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District for the current and previous fiscal years (not including exceptions) are as follows:

<u>Fiscal Year</u>	<u>Adjusted Index</u>	<u>Fiscal Year</u>	<u>Adjusted Index</u>
2009-10	4.1%	2013-14	1.7%
2010-11	2.9	2014-15	2.1
2011-12	1.4	2015-16	1.9
2012-13	1.7	2016-17	2.4

Source: Pennsylvania Department of Education.

In accordance with Act 1, the School District put a referendum question on the ballot at the May 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax ("EIT") or a personal income tax ("PIT") and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was not approved by the voters.

A board of school directors may submit, but is not required to submit, a further referendum question to the voters at the municipal election seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of further funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate which is required to provide the maximum homestead and farmstead exclusions allowable under law.

This Summary is not intended to be an exhaustive discussion of the provisions of Act 1 nor a legal representation of any provision of Act 1, and a prospective purchaser of the Bonds should review the full text of Act 1 as part of any decision to purchase the Bonds.

Status of the Bonds Under Act 1

The passage of Act 1 should not impact the School District's ability to pay principal and interest on the Bonds. Assuming that Basic Education Subsidies continue to be granted by the Commonwealth to the School District in annual amounts not less than the annual amounts expected to be received in fiscal year 2016, the additional Basic Education Subsidies should enable the School District to generate sufficient revenues to pay principal and interest on the Bonds without the need for any tax increase. All Commonwealth subsidies to the School District are subject to annual appropriation by the General Assembly. Currently, all Commonwealth subsidies (including the Basic Education Subsidies) amount to 13% of School District revenues.

The School District does not anticipate that additional millage will have to be levied to pay the principal of and interest on the Bonds; however, such additional millage, if levied, would be eligible for an exception under Act 1 for the refunding of indebtedness originally incurred prior to the effective date of Act 1, such as the 2010 Bonds.

Act 130 of 2008

Act 130 of 2008 of the Commonwealth amended the Local Tax Enabling Act so as to authorize school districts levying an occupation tax to replace that occupation tax with an increased earned income tax or, if the school district has implemented a personal income tax in accordance with the Taxpayer Relief Act, an increased personal income tax, in a revenue neutral manner. To so replace an occupation tax, the board of school directors must first hold at least one public hearing on the matter and then place a binding referendum question on the ballot at a general or municipal election for approval by the voters.

The School District does not currently levy an occupation tax.

Set forth above is a summary of portions of Act 130. This summary is not intended to be an exhaustive discussion of the provisions of Act 130 nor a legal interpretation of any provision of Act 130. A prospective purchaser of the Bonds should review the full text of Act 130 as a part of any decision to purchase the Bonds.

Legislation Limiting Unreserved Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures:</u>	Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total budgeted <u>Expenditures:</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000*	8.0%

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district's budget was adopted and held in the general fund accounts of the school district.

* Applicable to the School District

Set forth above is a summary of portions of Act 48. This summary is not intended to be an exhaustive discussion of the provisions of Act 48 nor a legal interpretation of any provisions of Act 48. A prospective purchaser of the Bonds should review the full text of Act 48 as a part of any decision to purchase the Bonds.

LABOR RELATIONS

Presently there are approximately 426 employees of the School District, including approximately 226 teachers, 20 administrators and 180 support personnel including secretaries, custodians, maintenance staff, teachers' aides and cafeteria workers.

The School District's teachers are represented by the Southern Lehigh Education Association (SLEA), an affiliate of the Pennsylvania State Education Association (PSEA) under a contract with the School District which expires on August 31, 2016. The School District is currently in contract negotiations with the SLEA.

SCHOOL DISTRICT FINANCIAL HISTORY

The School District and its predecessors have never defaulted on the payment of lease rentals or debt service.

The status of the School District's present indebtedness is shown above under "School District Debt Statement and Borrowing Capacity".

The Borough's auditor has not been engaged to perform, and has not performed, since the date of its report included in an Appendix to this Official Statement, any procedure on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

FUTURE FINANCING

Currently, the School District does not anticipate the need for any additional long-term financing.

TAX EXEMPTION AND OTHER TAX MATTERS

Federal Income Tax Matters

On the date of delivery of the Bonds, Rhoads & Sinon LLP, Harrisburg, Pennsylvania, as Bond Counsel to the School District, will issue an opinion to the effect that under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but that in the case of corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. This opinion of Bond Counsel will assume the accuracy of certifications made by the School District and will be subject to the condition that the School District will comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. See Appendix C for the full text of the proposed Opinion of Bond Counsel. The School District has covenanted to comply with all such requirements, which include, among others, restrictions upon the yield at which proceeds of the Bonds and other money held for the payment of the Bonds and deemed to be "proceeds" thereof may be invested and the requirement to calculate and rebate any arbitrage that may be generated with respect to investments allocable to the Bonds. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than the stated redemption price of such Bonds at maturity (that is, at less than 100% or the stated principal amount), the difference being "original issue discount." Generally, original issue discount accruing on a tax-exempt obligation is treated as interest excludable from gross income

for federal income tax purposes. In addition, original issue discount that has accrued on a tax-exempt obligation is treated as an adjustment to the issue price of the obligation for the purpose of determining taxable gain upon sale or other disposition of such obligation prior to maturity. The Internal Revenue Code of 1986, as amended, provides specific rules for the accrual of original issue discount on tax-exempt obligations for federal income tax purposes. Prospective purchasers of Bonds being sold with original issue discount should consult their tax advisors for further information.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain Subchapter S corporations with substantial passive income and Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion as to such collateral tax consequences, and prospective purchasers of the Bonds should consult their tax advisors.

No representation is made or can be made by the School District or any other party associated with the issuance of the Bonds as to whether or not any legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the Bonds to inclusion in gross income for Federal income tax purposes or so as to otherwise affect the marketability or market value of the Bonds. Enactment of any legislation that subjects the interest on the Bonds to inclusion in gross income for federal income tax purposes or otherwise imposes taxation on the Bonds or the interest paid thereon may have an adverse effect on the market value or marketability of the Bonds.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Proposed and Future Tax Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be

implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures contained herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of this Official Statement, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Pennsylvania Tax Matters

On the date of delivery of the Bonds, Bond Counsel will issue an opinion to the effect that under the laws of the Commonwealth, as presently enacted and construed, the Bonds are exempt from personal property taxes within the Commonwealth and the interest on the Bonds is exempt from the Commonwealth's Personal Income Tax and the Commonwealth's Corporate Net Income Tax.

Profits, gains or income derived from the sale, exchange or other disposition of the Bonds are subject to state and local taxation within the Commonwealth, in accordance with Pennsylvania Act No. 1993-68.

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than their stated redemption price at maturity (that is, at an "original issue discount"). For Pennsylvania Personal Income Tax purposes, original issue discount on publicly offered obligations is treated under current regulations of the Pennsylvania Department of Revenue as interest and, for purposes of determining taxable gain upon sale or other disposition of an obligation the interest on which is exempt from income taxation by the Commonwealth, as an adjustment to basis. For Pennsylvania Corporate Net Income Tax purposes, original issue discount is to be accorded similar treatment, according to a Private Letter Ruling issued by the Office of the Chief Counsel of the Pennsylvania Department of Revenue dated December 2, 1993, but such Private Letter Ruling may be relied upon only by the taxpayer to whom it was addressed.

Prospective purchasers of Bonds issued with original issue discount should consult their tax advisors for further information and advice concerning the reporting of profits, gains or other income related to a sale, exchange or other disposition of such bonds for Pennsylvania tax purposes.

No representation is made or can be made by the School District, or any other party associated with the issuance of the Bonds, as to whether or not any legislation now or hereafter introduced and enacted in the Commonwealth will be applied, either prospectively or retroactively, so as to subject interest on the Bonds to taxation in the Commonwealth or so as to otherwise affect the marketability or market value of the Bonds. Enactment of any legislation that subjects the interest on the Bonds to state or local taxes in the Commonwealth or otherwise imposes taxation on the Bonds may have an adverse effect on the market value or marketability of the Bonds.

Federal Income Tax Interest Expense Deductions for Financial Institutions

Under the Code, financial institutions are disallowed 100 percent of their interest expense deductions that are allocable, by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception which reduces the amount of the disallowance, is provided for certain tax-exempt obligations that are designated or “deemed designated” by the Issuer as “qualified tax-exempt obligations” under the Code.

The Bonds have been designated, or been “deemed designated,” as a “qualified tax-exempt obligation,” for purposes and effect contemplated by Section 265 of the Code (concerning expenses and interest relating to tax exempt income of certain financial institutions).

Financial institutions intending to purchase Bonds should consult with their professional tax advisors to determine the effect of the interest expense disallowance on their federal income tax liability.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirement of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”), the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will agree to provide certain financial and operating information to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB, either directly or indirectly through a designated agent as set forth in its Continuing Disclosure Certificate, substantially in the form attached hereto as Appendix D.

With respect to the filing of annual financial and operating information, the School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The School District is required to give notice of certain events as set forth in Section 6 of the Continuing Disclosure Certificate (not all of which will be relevant to the School District). The School District may from time to time choose to file notice of other events in addition to those specified in the Continuing Disclosure Certificate, but does not commit to provide notice of the occurrence of any events except those specifically listed in Section 6 of the Continuing Disclosure Certificate.

The School District acknowledges that its undertaking pursuant to the Rule described herein and in the Continuing Disclosure Certificate is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holder and beneficial owner of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District’s continuing disclosure undertaking shall be limited to a right to

obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District’s obligations with respect to continuing disclosure described herein shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the School District is no longer an “obligated person” with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other defined “obligated persons”) with respect to municipal securities issues are made available through the MSRB’s Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

The School District has entered into prior undertakings to provide information pursuant to continuing disclosure certificates for several outstanding bond issues. The following table provides information regarding the undertaking, annual filing deadlines and history of filing:

<u>Fiscal</u> <u>Year End</u>	<u>Due Date</u>	<u>Audit</u> <u>Filing Date</u>	<u>Budget</u> <u>Filing Date</u>	<u>Operating Data</u> <u>Filing Date</u>
6/30/2015	12/27/2015	12/22/2015*	7/25/2016	12/22/2015
6/30/2014	12/27/2014	12/2/2014	12/2/2014	12/2/2014
6/30/2013	12/27/2013	12/16/2013	12/2/2014	7/31/2015
6/30/2012	12/27/2012	12/17/2012	12/2/2014	12/2/2014
6/30/2011	12/27/2011	12/19/2011	12/2/2014	12/2/2014

*The School District filed its 2015 Commonwealth of Pennsylvania Department of Community and Economic Development Annual Financial Report on December 22, 2015. The School District subsequently filed its 2015 Audited Financial Statement on July 11, 2016.

The School District filed a Failure to File on August 10, 2015 to encompass the late filings from Fiscal Year 2011 through Fiscal Year 2014. The School District filed a Failure to File on July 25, 2016 due to the late filing of the School District’s 2016 Budget. The School District has adopted written procedures on continuing disclosure to ensure that future filings of the Annual Reports and material event notices will be accomplished within all required time periods.

MISCELLANEOUS

No Litigation

As a condition of settlement for the Bonds, the School District and its Solicitor will deliver a certificate stating that there is no litigation, of any nature, pending or threatened against the School District to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or if any such litigation is pending or threatened, an opinion of counsel satisfactory to the Underwriters that any such litigation is without merit.

Legal Opinion

The issuance and delivery of the Bonds is subject to delivery of the unqualified approving legal opinion of Rhoads & Sinon LLP, Harrisburg, Pennsylvania, Bond Counsel to the School District. Certain legal matters will be passed upon for the School District by the law firm of Sweet, Stevens, Katz & Williams LLP, New Britain, Pennsylvania, Solicitor to the School District.

Underwriting

The Underwriter has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Underwriter has agreed to purchase the Bonds for an aggregate purchase price of \$_____, which amount is net of the Underwriter's Discount of \$_____ and includes a net Original Issue Premium of \$_____.

Financial Advisor

The School District has retained Concord Public Financial Advisors, Inc., Lancaster, Pennsylvania as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Concord Public Financial Advisors, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

Rating

Moody's Investors Service ("Moody's") has assigned its municipal bond rating of "____" to this issue of Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, 99 Church Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Other

All references to the provisions of the Act, the Bonds and the Resolution set forth in this Official Statement are made subject to all the detailed provisions thereof, to which reference is hereby made for further information, and this Official Statement does not purport to set forth complete statements of any or all such provisions.

All information, estimates and assumptions herein have been obtained from officials of the School District, other governmental bodies, trade and statistical services, and other sources which we believe to be reliable; but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended as such and not representations of fact.

Use of the words “shall,” “will,” “must,” or other words of similar import or meaning in summaries of documents or law in the Official Statement to describe future events or continuing obligations is not intended as a representation that such event will occur or such obligation will be fulfilled, but only that the document or law required or contemplated such event to occur or such obligation to be fulfilled.

The School District has authorized the distribution of this Official Statement.

SOUTHERN LEHIGH SCHOOL DISTRICT
Lehigh County, Pennsylvania

By: _____
President of the Board of School Directors

APPENDIX A

**Summaries of
Financial Statements of
the School District**

FINANCIAL REVIEW

The following Exhibit on page A-3 is a summary only and is not intended to be a complete report. For more complete information, the individual financial statements and the Budget of the School District should be reviewed at the School District's Business Office, Center Valley, Pennsylvania.

Review of Recent General Fund Audited Financial Statements and Budget

The exhibit on page A-3 is a five-year comparison of the School District's Audited General Fund Revenues and Expenditures for Fiscal Years ending 2011-2015. The figures have been extracted from the School District's financial statements for the years considered and arranged in a form believed to be convenient for the purposes of this Official Statement.

Accounting Method

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. Its financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. The firm of France, Anderson, Basile and Company, P.C., Certified Public Accounts, Emmaus, Pennsylvania currently serves as the School District's Auditor.

The School District's auditor has not been engaged to perform, and has not performed, since the date of its report, any procedure on the financial statements addressed in that report. Such Auditor also has not performed any procedures relating to this Official Statement.

Budgeting Process in School Districts under the Taxpayer Relief Act

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under the Taxpayer Relief Act (Act 1), all school districts of the first class, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (see "The Taxpayer Relief Act (Act 1)" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see "The Taxpayer Relief Act (Act 1)" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

SOUTHERN LEHIGH SCHOOL DISTRICT
Comparative Statement of General Fund Revenues
And Expenditures for the Fiscal Years ending
June 30, 2011 - 2015

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues					
Local Sources	\$39,447,998	\$40,920,852	\$42,128,616	\$43,897,926	\$44,895,046
State Sources	\$9,334,594	10,173,772	10,493,537	11,288,456	11,997,050
Federal Sources	\$1,000,876	196,402	274,863	248,978	267,136
Sale of Fixed Assets	<u>0</u>	<u>0</u>	<u>15,262</u>	<u>98,156</u>	<u>115,000</u>
Total Revenues	\$49,783,468	\$51,291,026	\$52,912,278	\$55,533,516	\$57,274,232
Expenditures					
Instruction	\$26,024,982	\$26,822,428	\$27,136,484	\$28,628,364	\$30,814,075
Support Services	17,292,942	17,138,895	17,334,245	17,692,351	18,603,836
Non-Instructional Services	1,175,639	1,154,639	1,198,110	1,160,217	1,201,700
Facilities	0	1,680	0	0	0
Debt Service	6,400,382	6,368,900	6,081,598	5,855,957	6,119,288
Interfund Transfer	708,418	350,908	267,800	255,000	1,172,543
Other uses	<u>0</u>	<u>1,307</u>	<u>1,678</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$51,602,363	\$51,838,757	\$52,019,915	\$53,591,889	\$57,911,442
Excess of Revenue Over/Under Expend.	(1,818,895)	(547,731)	892,363	1,941,627	(637,210)
Beginning Fund Balance	18,335,824	16,516,929	15,969,561	16,861,561	18,803,188
Ending Fund Balance	<u>\$16,516,929</u>	<u>\$15,969,198</u>	<u>\$16,861,561</u>	<u>\$18,803,188</u>	<u>\$18,165,978</u>

Source: School District Audited Financial Statements

SOUTHERN LEHIGH SCHOOL DISTRICT
Comparative Statement of General Fund Revenues
And Expenditures for the Fiscal Years ending
Budget 2015-16 and 2016-17

	<u>Budget</u> <u>2015-16</u>	<u>Budget</u> <u>2016-17</u>
Revenues		
Local Sources	\$45,706,270	\$47,531,621
State Sources	12,779,465	13,688,635
Federal Sources	<u>358,835</u>	<u>258,835</u>
Total Revenues	\$58,844,570	67,479,091
Expenditures		
Instruction	\$32,916,173	\$34,789,793
Support Services	19,844,904	19,672,744
Non-Instructional Services	1,246,671	1,473,897
Facilities	0	0
Debt Service	6,080,032	6,910,160
Interfund Transfer	276,675	286,670
Budgetary Reserve	<u>397,936</u>	<u>313,145</u>
Total Expenditures	\$60,762,391	63,446,409

Source: School District Budget 2015-16 and 2016-17

APPENDIX B

**Description of the
School District
and
Financial Factors**

DESCRIPTION OF THE SCHOOL DISTRICT

The School District is located in eastern Pennsylvania in the southern portion of Lehigh County, several miles south of Allentown, the county seat of Lehigh County. The School District encompasses approximately 45 square miles and is comprised of the Borough of Coopersburg, and Lower Milford and Upper Saucon Townships.

In 1950 the former school districts of the Borough of Coopersburg, and the Townships of Lower Milford and Upper Saucon, formed the Southern Lehigh School District. The reorganized School District has assumed all rights and obligations of the predecessor school districts.

Demographic Characteristics

The following tables provide population trends, age, and housing indices for the School District, the County and the Commonwealth.

Population

	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>
School District	20,969	18,138	15,643	15,095
Lehigh County	349,497	312,090	291,130	272,349
Commonwealth	12,702,379	12,281,054	11,881,643	11,863,895

Age Composition (2010)

	<u>Under 19</u>	<u>65 or Over</u>
School District	26.7%	14.5%
Lehigh County	26.4	14.8
Commonwealth	25.0	15.4

Occupied Housing (2010)

	Total Housing <u>Units</u>	Occupied Housing <u>Units</u>	<u>Percent</u>	Owner-Occupied <u>Housing Units</u>	<u>Percent</u>
School District	7,664	7,357	96.0%	6,510	85.0%
Lehigh County	128,910	121,906	94.6	83,849	68.8
Commonwealth	5,249,750	4,777,003	91.0	3,406,337	71.3

Source: U.S. Census Bureau 2010.

RECENT TRENDS IN PER CAPITA INCOME*

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2014**</u>	Annual Percentage Change <u>2000-2014</u>
Lehigh County	\$7,382	\$14,562	\$21,897	\$28,139	22.18%
Pennsylvania	7,077	14,068	20,880	28,912	27.80

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. Township income is the population-weighted average for political subdivisions.

**Source: U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates
Source: Pennsylvania State Data Center and U.S. Census Bureau, Census 2010.

Medical Facilities

The area is served by several major medical institutions including: Lehigh Valley Hospital (Allentown, Muhlenberg and Cedar Crest Boulevard.), St. Luke's Hospital (Fountain Hill, Quakertown & Allentown Campus), Easton Hospital, Sacred Heart Hospital, and the Good Shepard Hospital Rehabilitation and Home.

Transportation

Principal highway access to the School District is obtained via Interstate 78 East from the Harrisburg area, Interstate 78 West from New York/Northern New Jersey, and the Pennsylvania Turnpike from either the Pocono Mountains or the Philadelphia area. Bus service is provided to Philadelphia and New York. The nearest airports are the Lehigh Valley International Airport and the Queen City Airport.

Utilities

Water service is provided by Upper Saucon Water Authority, the Borough of Coopersburg, private water companies and private wells. Public sewer service exists in much of the District. Pennsylvania Power and Light provides electric service. Telephone service is provided by Frontier Telephone Company, and Verizon, while Service Electric provides cable service.

Educational Institutions

Lehigh Valley (Lehigh and Northampton Counties) provides area residents with numerous educational facilities in the Valley. Listings of the major higher educational facilities are below:

DeSales University
Cedar Crest College
Lafayette College
Lehigh University
Lehigh Carbon Community College
Lincoln Technical Institute
Moravian College
Muhlenberg College
Northampton Community College
Penn State University, Lehigh Valley
Kutztown University (Berks County)

Source: Greater Lehigh Valley Chamber of Commerce; Colleges.

ECONOMIC FACTORS

Major Employers in the Area

Listed below are the major employers located in the Lehigh Valley and the estimated number of employees.

Lehigh Valley Health Network
St. Luke's Cancer Center
Dorney Park & Wildwater Kingdom
Air Products & Chemicals Inc
St. Luke's Hospital
Lehigh Valley Heart & Lung
Broadcom Limited
Talen Energy Marketing
Sacred Heart Hospital
PPL Corp

Source: Pennsylvania Department of Labor & Industry

RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016*</u>
Lehigh County						
Civilian Labor Force (000)	179.5	183.0	183.3	181.6	184.3	185.3
Employment (000)	164.0	167.4	168.8	170.6	174.8	175.3
Unemployment (000)	15.5	15.6	14.4	11.0	9.6	10.0
Unemployment Rate	8.7%	8.5%	7.9%	6.0%	5.2%	5.4%
Pennsylvania						
Civilian Labor Force (000)	6,395.0	6,465.0	6,442.0	6,378.0	6,424.0	6,536.0
Employment (000)	5,888.0	5,957.0	5,964.0	6,009.0	6,094.0	6,179.0
Unemployment (000)	507.0	508.0	478.0	370.0	330.0	357.0
Unemployment Rate (000)	7.9%	7.9%	7.4%	5.8%	5.1%	5.5%

Source: Pennsylvania Department of Labor & Industry.

*As of May, 2016

TAX REVENUES OF THE SCHOOL DISTRICT

Ten Largest Taxpayers

In 2012, Lehigh County completed a county-wide reassessment of all real properties located within the County. Effective January 1, 2013, the assessed value of all properties was 100% of their market value. The ten largest taxpayers within the School District and their 2015-16 real property assessed valuations (100% of market values) are shown below:

<u>Taxpayer/Company</u>	<u>Type of Business</u>	<u>Assessed Value</u>
Saucon Valley Lifestyle Center LP	Upscale Shopping Center	\$106,475,800
Olympus America Inc.	N. Amer. Corp. Headquarters	43,250,000
Lutron Electronics, Inc.	Mfg/Electronic Components	27,596,800
SCCP Central Valley LMTD	Office Rentals	26,831,700
Saucon Valley Country Club	Country Club	24,194,700
PENNCAP Properties	Office Park/Commercial Dev.	23,347,200
Aldi Inc.	Food Distribution	20,428,200
Center Valley Parkway Assoc	Office Rentals	13,956,200
APS Associates, LLC	Shopping Center/Commercial	10,902,700
LUP2 LLC	Office Park	<u>5,995,800</u>
	Total:	\$302,939,100

Source: School District Officials.

Market and Assessed Values of Real Property

<u>Year</u>	<u>Market Value</u>	<u>Assessed Value</u>	<u>Ratio</u>
2008	\$2,054,110,700	\$765,230,200	37.25%
2009	2,109,706,400	782,765,400	37.10
2010	2,297,081,130	791,258,900	34.44
2011	2,299,962,073	793,519,350	34.50
2012	2,366,608,347	804,454,700	34.00
2013	2,412,717,165	2,489,442,900	103.20
2014	2,401,901,524	2,507,667,700	104.40
2015	2,450,391,092	2,557,647,600	104.38

Source: Pennsylvania State Tax Equalization Board.

Tax Collection Record

School District real estate taxes are billed on July 1 of the levy year, with a discount of 2% available to the taxpayer if paid before September 1. The taxes are payable at the face value between September 1 and October 30, and a 10% penalty is added to any payment made after November 1 of the levy year.

<u>Year</u>	<u>Total Gross Billing</u>	<u>Current Year Collections (July-June)</u>	<u>Current Year Collections as a Percent of Total Gross Billing</u>	<u>Total Current Plus Delinquent Collections</u>	<u>Total Collections as Percent of Total Gross Billing</u>
2001-02	\$16,400,130	\$15,665,323	95.5%	\$16,335,937	99.60%
2002-03	18,048,328	17,281,337	95.8	17,931,083	99.40
2003-04	20,422,754	19,753,129	96.7	20,542,971	100.60
2004-05	23,694,666	22,615,189	95.4	23,442,649	98.90
2005-06	26,349,454	26,165,623	95.5	26,043,891	98.80
2006-07	28,389,714	27,228,725	95.9	28,422,912	100.10
2007-08	31,617,743	30,352,670	96.0	31,248,440	98.80
2008-09	33,689,409	31,374,022	95.2	32,371,846	98.20
2009-10	33,573,189	31,898,604	95.0	33,301,655	99.20
2010-11	34,989,181	33,407,678	95.4	34,503,163	98.60
2011-12	35,495,796	33,905,861	93.1	35,284,707	99.40
2012-13	36,571,167	34,747,050	95.0	36,486,662	99.70
2013-14	37,652,695	35,931,038	95.4	37,590,128	99.90
2014-15	38,166,866	36,546,820	95.7	38,133,010	99.90
2015-16*	38,816,107	37,615,350	96.9	38,707,114	99.72

*Unaudited and up to the end of June, 2016

Source: School District Officials

Tax Rates

2015-16 Real Estate (mills)*

School District	15.620
Borough of Coopersburg	5.400
Lower Milford Township	1.0163
Upper Saucon Township	1.3691
Lehigh County	3.7500
Earned Income	
School District5%
Borough and Townships5%
Real Estate Transfer	
School District5%
Borough and Townships5%
Per Capita	
School District	0.00
Local Services Tax	
School District	\$5.00
Borough of Coopersburg	\$47.00
Lower Milford Township	\$47.00
Upper Saucon Township	\$47.00

SCHOOL FACILITIES AND ENROLLMENTS

The School District operates three elementary schools, one intermediate school, one middle school, and one senior high school and maintains an administrative building as a separate facility. An inventory of existing public school facilities within the School District is as follows:

<u>School Facility</u>	<u>Original Construction Date</u>	<u>Renovations or Additions</u>	<u>Grades Served</u>	<u>Student Capacity(1)</u>	<u>2015-2016 Enrollment</u>
<u>Elementary Schools</u>					
Hopewell	1969	----	K-3	450	287
Liberty Bell	1962	2000	K-3	415	379
Lower Milford	1950	1962, 1991/92	K-3	350	130
<u>Intermediate School</u>	2009	----	4-6	950	734
<u>Secondary Schools</u>					
Middle School	1966	1973, 2000	7-8	752	522
Senior High School	1953	1973, 1989/90, 2002/03	9-12	1,236	1,086

(1) Rated capacity for Pennsylvania Department of Education reimbursement purposes.

Source: School District

Pupil Enrollment – History

<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2005-06	1,541	1,536	3,077
2006-07	1,567	1,525	3,092
2007-08	1,604	1,552	3,156
2008-09	1,539	1,543	3,082
2009-10	1,563	1,533	3,096
2010-11	1,564	1,537	3,101
2011-12	1,543	1,579	3,122
2012-13	1,544	1,572	3,116
2013-14	1,499	1,544	3,053
2014-15	1,550	1,584	3,134
2015-16	1,530	1,608	3,138

Source: School District Officials (third day enrollment) and Pennsylvania Department of Education.

APPENDIX C
Form of Bond Counsel Opinion

[Date of Delivery]

**Re: Southern Lehigh School District
Lehigh County, Pennsylvania
\$_____ Aggregate Principal Amount
General Obligation Bonds, Series of 2016
Dated the Date of Delivery**

OPINION

We have acted as Bond Counsel, for the sale and issuance of its General Obligation Bonds, Series of 2016, in the aggregate principal amount of _____ Dollars (\$_____) (the “Bonds”), by Southern Lehigh School District, in Lehigh County, Pennsylvania (the “School District”), a school district of the Commonwealth of Pennsylvania (the “Commonwealth”).

The Board of School Directors of the School District, by a resolution (the “Resolution”), has authorized and secured the issuance of the Bonds. The Resolution provides that the proceeds of the Bonds are to be used to provide funds for and toward the current refunding of all of the outstanding General Obligation Bonds, Series of 2010, of this School District, and paying the costs and expenses related to said refunding and the issuance of such Bonds, all in accordance with the Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the “Act”), of the Commonwealth.

The Resolution contains covenants of the School District to comply with the Internal Revenue Code of 1986, as amended (the “Code”), and applicable regulations promulgated thereunder, to preserve the Federal income tax exemption of the interest on the Bonds. The School District has taken appropriate action to designate the Bonds as “qualified tax-exempt obligations,” as defined in Section 265(b)(3)(B) of the Code.

As Bond Counsel, we have examined, among other things: the proceedings related to the issuance and delivery of the Bonds, as filed with the Department of Community and Economic Development; an executed counterpart of the Resolution; a certificate of no litigation; a non-arbitrage and rebate compliance certificate of the School District; and usual closing certificates and documents. We have also examined the executed Bonds, and assume that the Bonds, and any separate Bonds that may, from time to time, be issued in exchange therefor, will at all times be issued in registered form as required by the Resolution.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, we are of the opinion that:

1. The Bonds are valid and binding general obligations of the School District enforceable in accordance with their terms.

2. The School District has covenanted, in the Resolution, to and with registered owners, from time to time, of the Bonds that shall be outstanding, from time to time, pursuant to the Resolution, that the School District: (i) shall include the amount of the debt service for the Bonds, for each fiscal year of the School District in which such sum is payable, in its budget for that year, (ii) shall appropriate such amounts from its general revenues for the payment of such debt service, and (iii) shall duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of and interest on the Bonds at the dates and place and in the manner stated in the Bonds, according to the true intent and meaning thereof; and, for such budgeting, appropriation and payment, the School District has pledged, irrevocably, its full faith, credit, and taxing power.

3. Under the laws of the Commonwealth as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth and the interest on the Bonds is exempt from the Commonwealth's Personal Income Tax and the Commonwealth's Corporate Net Income Tax.

4. Assuming investment and application of the proceeds of the Bonds as set forth in the Resolution and the aforementioned non-arbitrage and rebate compliance certificate, the Bonds are not presently "arbitrage bonds" as described in Section 103(b)(2) and Section 148 of the Code and applicable regulations promulgated thereunder.

5. Under present statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although it should be noted that in the case of corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. The opinions expressed in this paragraph are subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, as the School District has covenanted to do in the Resolution and other aforementioned documents. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income retroactive to the date of issuance of the Bonds.

6. Each of the Bonds is a "qualified tax-exempt obligation" for purposes and effect contemplated by Section 265 of the Code (concerning expenses and interest relating to tax-

[Date of Delivery]

Page 3

exempt income of certain financial institutions). The opinion expressed in the preceding sentence is subject to the condition that interest on the Bonds is, and continues to be, excluded from gross income for federal income tax purposes under the Code.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

It is to be understood that rights of holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Very truly yours,

APPENDIX D
Form of Continuing Disclosure Certificate

CONTINUING DISCLOSURE CERTIFICATE

Re: SOUTHERN LEHIGH SCHOOL DISTRICT,
Lehigh County, Pennsylvania

\$ _____ General Obligation Bonds, Series of 2016
Dated the Date of Delivery

[Date of Delivery]

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by SOUTHERN LEHIGH SCHOOL DISTRICT, in Lehigh County, Pennsylvania (the “School District”), in connection with the issuance of its General Obligation Bonds, Series of 2016, dated the Date of Delivery (the “Bonds”). The Bonds are being issued pursuant a Resolution duly adopted by the Board of School Directors of the School District (the “Resolution”). The School District makes the following certifications and representations as an inducement to the Participating Underwriters and others to purchase the Bonds:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the School District for the benefit of the holders of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report filed by the School District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Bondholder” shall mean any registered owner of the Bonds or any person who (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including persons holding through any nominee, securities depository or other intermediary) or (ii) is treated as the holder of any Bonds for federal income tax purposes.

“Business Day” shall mean a day other than a Saturday, a Sunday, or a day on which the New York Stock Exchange is closed or a day on which banks located in the Commonwealth are authorized or required by law or executive order to close.

“Commonwealth” shall mean the Commonwealth of Pennsylvania.

“Listed Events” shall mean any of the events listed in Section 6 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the final official statement relating to the Bonds prepared by or on behalf of the School District and distributed in connection with the offering and sale of the Bonds by the Participating Underwriters.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the primary offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

SECTION 3. Filing of Annual Reports. The School District shall file with the MSRB with 270 days following the close of each of the School District’s fiscal years, beginning with the fiscal year ending June 30, 2016, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, however, that if the audited financial statements of the School District for the most recent completed fiscal year are not available to be included in the Annual Report when filed, such audited financial statements may be filed separately from the balance of the Annual Report, as provided in the following paragraph.

If the audited financial statements of the School District for the most recent fiscal year are not available as of the date on which the Annual Report is to be filed, the audited financial statements shall be filed with the MSRB as soon as they are available, and the Annual Report, when filed, shall contain a statement to that effect and a statement of the date by which the School District reasonably expects the audited financial statements to become available and to be filed with the MSRB.

SECTION 4. Content of Annual Reports. The School District’s Annual Report shall contain or incorporate by reference the following financial information and operating data with respect to the School District:

- financial statements for the most recent, completed fiscal year, prepared in accordance with generally accepted accounting principles for Pennsylvania school district, and audited in accordance with generally accepted auditing standards

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the School District or related public entities, which have been made available to the public on the MSRB’s internet website or filed with the SEC. The School District shall clearly identify each other document so incorporated by reference.

The School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

SECTION 5. Notices of Late Filing of Annual Information. If the School District has failed to file, or is unable to file, an Annual Report with the MSRB within the time set forth in Section 3 above, the School District will file, in a timely manner, a notice with the MSRB stating such fact and, if appropriate, the date by which the School District expects to file the Annual Report.

SECTION 6. Reporting of Listed Events. In a timely manner not in excess of ten (10) Business Days after the occurrence of the event, the School District will file with the MSRB notice of the occurrence of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the School District;
- (13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

The School District may from time to time choose to provide notice of the occurrence of certain other events affecting the Bonds or the School District, in addition to those listed above, if, in the judgment of the School District, such other event is material with respect to the Bonds, but the School District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

SECTION 7. Manner of Filing. All filings to be made with the MSRB in accordance with this Disclosure Certificate are to be filed in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB.

As of the date of this Disclosure Certificate, the rules of the MSRB require all such filings to be made using the MSRB's Electronic Municipal Market Access System ("EMMA") at <http://emma.msrb.org>.

SECTION 8. Dissemination Agent. The School District may, at any time and from time to time, appoint or engage another person (the "Dissemination Agent") to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge such Dissemination Agent, with or without appointing a successor and without notice to Bondholders.

SECTION 9. Termination of Disclosure Obligation. The School District's obligations under this Disclosure Certificate shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the School District no longer remains an "obligated person" with respect to the Bonds, within the meaning of the Rule.

SECTION 10. Default. In the event of a failure of the School District to comply with any provision of this Disclosure Certificate, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the School District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School District, the Participating Underwriters and Bondholders, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, The School District causes this Continuing Disclosure Certificate to be executed on its behalf by the President of the Board of School Directors all as of the date set forth above.

SOUTHERN LEHIGH SCHOOL DISTRICT,
Lehigh County, Pennsylvania

By: _____
President of the Board of School Directors

APPENDIX E
Debt Service Schedules

APPENDIX F
School District's Audited Financial Statements

SOUTHERN LEHIGH SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2015

SOUTHERN LEHIGH SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2015

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SOUTHERN LEHIGH SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2015

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FRANCE, ANDERSON, BASILE and COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of School Directors
Southern Lehigh School District
Center Valley, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Southern Lehigh School District as of and for the year ended June 30, 2015, 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 fraud or error.

Auditors' 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 auditors' 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, and the aggregate remaining fund information of Southern Lehigh School District as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 17 to the financial statements, during the year ending June 30, 2015, the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10, postemployment benefits plan information on page 48, and pension plan reporting information on pages 49 - 50 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.

Other Information:

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southern Lehigh School District basic financial statements.

The introductory section and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The schedule of receipts and disbursements of the Activity Fund and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly 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 schedule of receipts and disbursements of the Activity Fund and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2016, on our consideration of Southern Lehigh School District's internal control over financial reporting and on our test 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 the District's internal control over financial reporting and compliance.

Francis Anderson, Beside and Company, P.C.

Emmaus, Pennsylvania
January 6, 2016

SOUTHERN LEHIGH SCHOOL DISTRICT
Management Discussion and Analysis (MD&A)
For the Year Ended June 30, 2015

The discussion and analysis of Southern Lehigh School District's financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2015. The intent of the discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2014-2015 are as follows:

- o Total net position is \$-56,730,471. Net position of governmental activities is \$-57,492,981. Net position of business activities is \$762,510. The negative net position is due to GASB 68 which requires the accounting for pension liability starting 2014-2015.
- o Total revenues are \$58,490,252. Governmental revenue is \$57,279,976 and business activity revenue is \$1,210,276.
- o Total expenses are \$59,763,035. Governmental expenses are \$58,520,509
- o Business activity expenses are \$1,242,526. Total governmental expenses exceeded total governmental revenue largely due to current economic conditions.
- o At the end of the current fiscal year (2014-2015), the General Fund balance has decreased \$637,210.
- o Comparative analysis of key financial data on a year-to-year basis is located at the end of the report.

Using the 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 Southern Lehigh School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The balance sheet is a financial statement that summarizes the School District's assets, liabilities and equity. It provides a "snapshot" of the District's financial position. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds. In the case of Southern Lehigh School District, the general fund is by far the most significant fund.

SOUTHERN LEHIGH SCHOOL DISTRICT

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2015

Reporting the School District as a Whole

Government-Wide Financial Statements

While these documents contain the funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014-2015?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net position and changes in the position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's demographics, student enrollment, facility conditions, required educational programs and other factors.

The School District's statements are divided into two distinct kinds of activities:

- Governmental Activities --The School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- Business-Type Activities --These services are provided on a charge for goods basis to recover the expenses of the goods provided. The School District Food Service is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major governmental funds, which begins on page 14, is the general fund and the capital projects fund. Fund financial reports provide detailed information about the School District's major funds. The School District uses several funds to account for a multitude of financial transactions.

SOUTHERN LEHIGH SCHOOL DISTRICT

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2015

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds. The balances left at year-end are available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental funds statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are adequate financial resources that can be spent in the near future to finance the basic mission of the School District.

Proprietary Funds - Proprietary/business type funds reflect our operations of Food Services. (See page 19) A loss in fund net position of \$32,250 in the 2014-2015 fiscal year is primarily a result of increases in benefits and food costs. With the fiscal year 2008-2009 the loss in net position was \$120,521. In 2009-10 and 2010-11 an increase in net position suggests proper steps are being taken to ensure profitability. In the 2011-12 and 2012-13 the Food Service Fund was self-supporting. The loss in 2013-14 and 2014-15 means measures need to be taken to reduce costs or increase the student meal cost in order to stay self-supporting.

Governmental Activities

The School District's reliance on state and federal grants and local tax revenues is apparent. A decrease in state and federal revenues would have a direct impact on the level of local revenue needed to meet program expenses.

The School District's program revenues were:

REVENUE			Other	Total
	General	Capital	Governmental	Governmental
	<u>Fund</u>	<u>Projects</u>	<u>Funds</u>	<u>Funds</u>
Local sources	78.5%	100.0%	0.0%	78.5%
State sources	21.0%	0.0%	0.0%	21.0%
Federal sources	0.5%	0.0%	0.0%	0.5%
Total revenue	100.0%	100.0%	0.0%	100.0%

The School District's expenses were:

EXPENDITURES			Other	Total
	General	Capital	Governmental	Governmental
	<u>Fund</u>	<u>Projects</u>	<u>Funds</u>	<u>Funds</u>
Instruction	54.3%	0.0%	0.0%	52.7%
Support services	32.8%	0.0%	0.0%	31.8%
Non-instructional services	2.1%	0.0%	0.0%	2.1%
Capital outlay	0.0%	100.0%	0.0%	3.0%
Debt service	10.8%	0.0%	0.0%	10.4%
Total expenditures	100.0%	100.0%	0.0%	100.00%

SOUTHERN LEHIGH SCHOOL DISTRICT

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2015

Business-Type Activities

The School District's sole business-type activity is Food Service. This program had operating revenue of \$837,214, non-operating revenue of \$373,062, and operating expenses of \$1,242,526 for a loss in net position of \$32,250. While these activities receive no support from local tax revenues, these programs received federal and state grant monies of \$371,925 (non-operating revenue), which is increased over the 2013-2014 school year. Without support from the federal and state government these operations would require significant support from local sources.

School District's Governmental Funds

Financial information related to the School Districts major funds (governmental fund) starts on page 14. The bulk of the activity in the governmental fund occurs in the general fund. (See below) These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$58.5 million and expenditures of \$59.7 million, which includes \$1.8 million in expenditures from the Capital Project Fund.

General Fund Budget Highlights

The revenue budget was \$56.4 million. Actual revenue exceeded the budgeted by \$865,008. Real estate taxes and state sources exceeded the budget by \$841,705 and federal sources were \$91,699 less than budgeted.

The expenditure budget was \$58.4 million compared to actual expenditures of \$57.9 million. Salaries and benefits from staff retirements, resignations and temporary vacancies accounted for the majority of savings. Transportation and the operation and maintenance of plant services also contributed to the savings.

The School District's General Fund's fund balance decreased from \$18.8 million to \$18.2 million. (See page 16)

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2014-2015, the School District had 64.9 million invested in land, buildings and equipment. (The amount invested is the historical cost less accumulated depreciation. This amount is strictly for accounting measurements and should not be confused with current/market values.)

SOUTHERN LEHIGH SCHOOL DISTRICT

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2015

Debt Administration

At June 30, 2015, the School District's net non-electoral limit for debt (225% of borrowing base) was \$122,889,561. As of July 1, 2014 the School District had outstanding general obligation bonds and leases of \$70,390,701. At year-end June 30, 2015, the School District's net outstanding bonds and leases payable were \$66,179,846.

Concerning the Future

The School District expects to experience a slower growth in both its student population and its tax base. For more than the past decade, the rate of growth in the tax base has exceeded the rate of growth in student population and has generally been double the rate of growth in the student population. It is likely that tax increases will be necessary in future years to pay for the increasing costs associated with salaries, benefits, energy and other areas of the budget. The District will strive to minimize any necessary increases in taxes through sound fiscal management, expansion of the local tax base, planned gradual use of the fund balance and developing innovative alternative sources of funds.

The District will undoubtedly be affected by regional and national economic factors beyond its control.

Contacting the School District's Financial Management

The Management Discussion and Analysis is designed to provide our citizens, taxpayers, and creditors with a general overview of the School District's finances and to show the School District's accountability for the monies it receives. If you have questions about this analysis or need additional financial information, contact Jeremy Melber, Director of Business Services at Southern Lehigh School District, 5775 Main Street, Center Valley, Pennsylvania 18034.

SOUTHERN LEHIGH S.D.
 SUPPL. INFO.
 YEAR ENDING
 JUNE 30, 2015

	Governmental	Governmental	Governmental	Business	Business	Business	Total	Total	Total
	Activites	Activites	Activites	Activites	Activites	Activites			
	2014-2015	2013-2014	2012-2013	2014-2015	2013-2014	2012-2013	2014-2015	2013-2014	2012-2013
Current Assets	26,535,889	27,312,028	26,386,996	518,623	418,982	382,163	27,054,512	27,731,010	26,769,159
Noncurrent Assets	64,528,194	67,113,831	69,070,995	405,906	443,853	489,364	64,934,100	67,557,684	69,560,359
Total Assets & Def Outflow of Resources	91,064,083	94,425,859	95,457,991	924,529	862,835	871,527	91,988,612	95,288,694	96,329,518
Deferred Outflows of Resources	6,559,253			-			6,559,253		-
							-		-
Current and other liabilities	10,706,352	10,081,619	9,015,939	135,867	44,238	28,906	10,842,219	10,125,857	9,044,845
Noncurrent liabilities	139,248,965	70,749,644	74,286,230	26,152	23,837	19,736	139,275,117	70,773,481	74,305,966
Total liabilities	149,955,317	80,831,263	83,302,169	162,019	68,075	48,642	150,117,336	80,899,338	83,350,811
Deferred Inflows of Resources	5,161,000			-			5,161,000		-
Net Position							-		-
Invested in capital assets, net							-		-
of related debt	(1,651,652)	(3,276,870)	(5,055,048)	405,906	443,853	489,364	(1,245,746)	(2,833,017)	(4,565,684)
Capital Projects	1,726,451	2,329,774	3,982,570				1,726,451	2,329,774	3,982,570
Other Restrictions							-		-
Unrestricted (deficit)	(57,567,780)	14,541,692	13,228,300	356,604	350,907	333,521	(57,211,176)	14,892,599	13,561,821
Net Position	(57,492,981)	13,594,596	12,155,822	762,510	794,760	822,885	(56,730,471)	14,389,356	12,978,707
							-		-
Total Liab, Def Inflows, & Net Position	91,064,083	94,425,859	95,457,991	924,529	862,835	871,527	91,988,612	95,288,694	96,329,518

SOUTHERN LEHIGH S.D.
SUPPL. INFO.
YEAR ENDING
JUNE 30, 2015

	Governmental	Governmental	Governmental	Business	Business	Business	Total	Total	Total
	Activites	Activites	Activites	Activites	Activites	Activites			
	2014-2015	2013-2014	2012-2013	2014-2015	2013-2014	2012-2013	2014-2015	2013-2014	2012-2013
Revenues and other sources									
Program Revenues:									
Charges for services	211,806	249,279	170,689	837,214	885,937	884,981	1,049,020	1,135,216	1,055,670
Operating grants and contributions	3,636,088	3,555,616	3,398,216	371,925	330,229	301,528	4,008,013	3,885,845	3,699,744
Capital grants and contributions	650,373	622,246	658,513				650,373	622,246	658,513
General Revenues:									
Property & Taxes levied for specific purposes	38,446,894	37,964,170	36,649,562				38,446,894	37,964,170	36,649,562
Other taxes	5,492,220	4,952,458	4,468,999				5,492,220	4,952,458	4,468,999
Grants, subsidies and contributions, unrestricted	8,316,576	7,723,975	7,109,827				8,316,576	7,723,975	7,109,827
Other	387,251	419,565	268,913	1,137	1,211	13,807	388,388	420,776	282,720
Total Revenue and other sources	57,141,208	55,487,309	52,724,719	1,210,276	1,217,377	1,200,316	58,351,484	56,704,686	53,925,035
Program expenses and other uses:									
Instruction	36,696,668	32,615,160	29,282,665				36,696,668	32,615,160	29,282,665
Support services									
Instructional student support	6,465,830	5,578,685	5,599,036				6,465,830	5,578,685	5,599,036
Administrative and financial support services	3,800,070	3,340,534	3,174,162				3,800,070	3,340,534	3,174,162
Operations and maintenance of plant services	5,451,681	5,314,650	5,076,164				5,451,681	5,314,650	5,076,164
Pupil transportation	3,853,251	3,889,891	4,006,665				3,853,251	3,889,891	4,006,665
Non-Instruction services									
Student activities	1,245,921	1,261,069	1,260,843				1,245,921	1,261,069	1,260,843
Community services									
Interest on long-term debt	1,892,364	2,048,546	2,403,273				1,892,364	2,048,546	2,403,273
Unallocated depreciation expense									
Food services				1,242,526	1,245,502	1,199,365	1,242,526	1,245,502	1,199,365
Total Expenses	59,405,785	54,048,535	50,802,808	1,242,526	1,245,502	1,199,365	60,648,311	55,294,037	52,002,173
Increase (decrease) in net position	(2,264,577)	1,438,774	1,921,911	(32,250)	(28,125)	951	(2,296,827)	1,410,649	1,922,862
Net position July 1, 2014	13,594,596			794,760			14,389,356		
Prior period adj (GASB 68)-pension	(68,823,000)			-			(68,823,000)		
Net position July 1, 2014 restated	(55,228,404)			794,760			(54,433,644)		
Net position June 30, 2015	(57,492,981)			762,510			(56,730,471)		

SOUTHERN LEHIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business- Type Activities	Total
ASSETS			
<u>Current Assets:</u>			
Cash and cash equivalents	\$17,807,306	\$ 298,820	\$18,106,126
Investments	6,031,200	0	6,031,200
Taxes receivable	987,565	0	987,565
Internal balances	(137,399)	137,399	0
Intergovernmental receivables	1,281,853	34,852	1,316,705
Other receivables	296,111	24,405	320,516
Inventories	100,000	23,147	123,147
Prepaid expenses	169,253	0	169,253
Total Current Assets	<u>26,535,889</u>	<u>518,623</u>	<u>27,054,512</u>
<u>Noncurrent Assets:</u>			
Capital assets (net of accumulated depreciation)			
Land	1,563,415	0	1,563,415
Site improvements	402,814	0	402,814
Building & improvements	59,374,084	0	59,374,084
Furniture & equipment	1,924,504	405,906	2,330,410
Construction in progress	1,263,377	0	1,263,377
Total Noncurrent Assets	<u>64,528,194</u>	<u>405,906</u>	<u>64,934,100</u>
Total Assets	<u>91,064,083</u>	<u>924,529</u>	<u>91,988,612</u>
Deferred Outflows of Resources	6,559,253	0	6,559,253
LIABILITIES			
<u>Current Liabilities:</u>			
Accounts payable	846,847	59,014	905,861
Accrued salaries and benefits	4,520,267	60,109	4,580,376
Payroll withholdings	439,551	12,460	452,011
Accrued interest payable	651,182	0	651,182
Current portion of long-term debt	4,248,505	0	4,248,505
Unearned revenues	0	4,284	4,284
Total Current Liabilities	<u>10,706,352</u>	<u>135,867</u>	<u>10,842,219</u>
<u>Noncurrent Liabilities:</u>			
Compensated absences payable	212,400	26,152	238,552
Lease payable	1,608,941	0	1,608,941
Bonds and notes payable	60,322,400	0	60,322,400
Net pension liability	72,195,000	0	72,195,000
Other postemployment benefits	4,910,224	0	4,910,224
Total Noncurrent Liabilities	<u>139,248,965</u>	<u>26,152</u>	<u>139,275,117</u>
Total Liabilities	<u>149,955,317</u>	<u>162,019</u>	<u>150,117,336</u>
Deferred Inflows of Resources	5,161,000	0	5,161,000
NET POSITION			
Invested in capital assets, net of related debt	(1,651,652)	405,906	(1,245,746)
Restricted for capital projects	1,726,451	0	1,726,451
Unrestricted	(57,567,780)	356,604	(57,211,176)
Total Net Position	<u>\$ (57,492,981)</u>	<u>\$ 762,510</u>	<u>\$ (56,730,471)</u>
	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

SOUTHERN LEHIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Governmental Activities</u>				
Instruction	\$36,696,668	\$ 40,526	\$2,026,471	\$ 0
Instructional student support	6,465,830	0	64,698	0
Administrative and financial support services	3,800,070	0	0	0
Operation and maintenance of plant services	5,451,681	0	0	0
Pupil transportation	3,853,251	0	1,544,919	0
Student activities	1,245,921	171,280	0	0
Interest on long-term debt	<u>1,892,364</u>	<u>0</u>	<u>0</u>	<u>650,373</u>
Total Governmental Activities	<u>\$59,405,785</u>	<u>\$ 211,806</u>	<u>\$3,636,088</u>	<u>\$ 650,373</u>
 <u>Business-type Activities</u>				
Food service	<u>\$ 1,242,526</u>	<u>\$ 837,214</u>	<u>\$ 371,925</u>	<u>\$ 0</u>
Total Business-type Activities	<u>1,242,526</u>	<u>837,214</u>	<u>371,925</u>	<u>0</u>
Total	<u>\$60,648,311</u>	<u>\$1,049,020</u>	<u>\$4,008,013</u>	<u>\$ 650,373</u>
	=====	=====	=====	=====

Property taxes, levied for general purposes, net
Taxes levied for specific purposes
Grants, subsidies and contributions not
restricted to specific programs
Investment earnings
Miscellaneous income
Transfers between governmental and
business-type activities
Total general revenues and transfers

Change in net position

Net position, July 1

Prior period adjustment (Note 17)

Net position, July 1, restated

Net position, June 30

The accompanying notes are an integral part of the financial statements.

SOUTHERN LEHIGH SCHOOL DISTRICT
STATEMENTS OF ACTIVITIES (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (34,629,671)	0	\$ (34,629,671)
(6,401,132)	0	(6,401,132)
(3,800,070)	0	(3,800,070)
(5,451,681)	0	(5,451,681)
(2,308,332)	0	(2,308,332)
(1,074,641)	0	(1,074,641)
<u>(1,241,991)</u>	<u>0</u>	<u>(1,241,991)</u>
<u>\$ (54,907,518)</u>	<u>\$ 0</u>	<u>\$ (54,907,518)</u>
\$ <u>0</u>	\$ (33,387)	\$ (33,387)
\$ <u>0</u>	<u>(33,387)</u>	<u>(33,387)</u>
<u>\$ (54,907,518)</u>	<u>\$ (33,387)</u>	<u>\$ (54,940,905)</u>
38,446,894	0	38,446,894
5,492,220	0	5,492,220
8,316,576	0	8,316,576
168,724	1,137	169,861
218,527	0	218,527
<u>0</u>	<u>0</u>	<u>0</u>
<u>52,642,941</u>	<u>1,137</u>	<u>52,644,078</u>
(2,264,577)	(32,250)	(2,296,827)
13,594,596	794,760	14,389,356
<u>(68,823,000)</u>	<u>0</u>	<u>(68,823,000)</u>
<u>(55,228,404)</u>	<u>794,760</u>	<u>(54,433,644)</u>
\$ (57,492,981)	\$ 762,510	\$ (56,730,471)
=====	=====	=====

The accompanying notes are an integral part of the financial statements.

SOUTHERN LEHIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

<u>ASSETS AND DEFERRED</u> <u>OUTFLOWS OF RESOURCES</u>	<u>General</u>	<u>Capital</u> <u>Projects</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Cash and cash equivalents	\$16,053,268	\$ 1,754,038	\$ 17,807,306
Investments	6,031,200	0	6,031,200
Taxes receivable	987,565	0	987,565
Intergovernmental receivables	1,281,853	0	1,281,853
Other receivables	296,111	0	296,111
Inventories	100,000	0	100,000
Prepaid expenses	169,253	0	169,253
Total Assets	<u>24,919,250</u>	<u>1,754,038</u>	<u>26,673,288</u>
 Deferred Outflows of Resources	 <u>0</u>	 <u>0</u>	 <u>0</u>
 Total Assets and Deferred Outflows of Resources	 \$24,919,250 =====	 \$ 1,754,038 =====	 \$ 26,673,288 =====
 <u>LIABILITIES, DEFERRED INFLOWS</u> <u>OF RESOURCES AND FUND BALANCES</u>			
<u>Liabilities:</u>			
Due to other funds	\$ 137,399	\$ 0	\$ 137,399
Accounts payable	819,260	27,587	846,847
Compensated absences payable	592,784	0	592,784
Accrued salaries and benefits	3,927,483	0	3,927,483
Payroll withholdings	439,551	0	439,551
Total Liabilities	<u>5,916,477</u>	<u>27,587</u>	<u>5,944,064</u>
 Deferred Inflows of Resources	 <u>836,795</u>	 <u>0</u>	 <u>836,795</u>
 <u>Fund Balances:</u>			
Nonspendable	269,253	0	269,253
Restricted	0	1,726,451	1,726,451
Committed	0	0	0
Assigned	13,972,435	0	13,972,435
Unassigned	3,924,290	0	3,924,290
Total Fund Balances	<u>18,165,978</u>	<u>1,726,451</u>	<u>19,892,429</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$24,919,250 =====	 \$ 1,754,038 =====	 \$ 26,673,288 =====

The accompanying notes are an integral part of the financial statements.

SOUTHERN LEHIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES:			
Local sources	\$ 44,895,046	\$ 5,742	\$ 44,900,788
State sources	11,997,050	0	11,997,050
Federal sources	<u>267,136</u>	<u>0</u>	<u>267,136</u>
Total revenues	<u>57,159,232</u>	<u>5,742</u>	<u>57,164,974</u>
EXPENDITURES:			
Instruction	30,814,075	0	30,814,075
Support services	18,603,836	0	18,603,836
Noninstructional services	1,201,700	0	1,201,700
Capital outlay	0	1,781,559	1,781,559
Debt service	6,119,288	6	6,119,294
Refund of prior year revenues	<u>43</u>	<u>0</u>	<u>43</u>
Total expenditures	<u>56,738,942</u>	<u>1,781,565</u>	<u>58,520,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>420,290</u>	<u>(1,775,823)</u>	<u>(1,355,533)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	0	1,172,500	1,172,500
Sale of fixed assets	115,000	0	115,000
Transfers out	<u>(1,172,500)</u>	<u>0</u>	<u>(1,172,500)</u>
Total other financing sources (uses)	<u>(1,057,500)</u>	<u>1,172,500</u>	<u>115,000</u>
Net change in fund balances	(637,210)	(603,323)	(1,240,533)
Fund Balances, July 1	<u>18,803,188</u>	<u>2,329,774</u>	<u>21,132,962</u>
Fund Balances, June 30	\$ 18,165,978 =====	\$ 1,726,451 =====	\$19,892,429 =====

The accompanying notes are an integral part of the financial statements.

SOUTHERN LEHIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances - Governmental Funds \$ (1,240,533)

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
and reported as depreciation expense. This
is the amount by which capital outlays of
\$1,887,896 was less than depreciation of
\$(4,473,533) in the current year. (2,585,637)

Some property taxes will not be collected for
several months after year end, they are not
considered as "available" revenues in the
governmental funds. Deferred revenues decreased
by this amount during the year. (138,765)

The repayment of bonds payable is an expenditure
in the governmental funds, but the repayment
reduces long-term liabilities in the statement
of net position. Repayments of bonds payable
and leases for the year were: 4,210,855

Governmental funds report district pension
contributions as expenditures. However, in the
Statement of Activities, the cost of pension
benefits earned net of employee contributions is
reported as pension expense.

District pension contributions	4,778,253
Cost of pension benefits earned, net of employee contributions	(6,752,000)

Some expenses reported in the statement of
activities do not require the use of current
financial resources and are not reported as
expenditures in governmental funds. These
include the net increase in compensated
absences of \$(10,056) and the net decrease
of accrued interest of \$16,075, and the net
increase of other postemployment benefits of
(\$542,769). (536,750)

Change in Net Position of Governmental Activities	\$ (2,264,577) =====
--	-------------------------

The accompanying notes are an integral part of the financial statements.

SOUTHERN LEHIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
Local sources	\$ 44,147,975	\$ 44,147,975	\$ 44,895,046	\$ 747,071
State sources	11,902,416	11,902,416	11,997,050	94,634
Federal sources	358,835	358,835	267,136	(91,699)
Total revenues	<u>56,409,226</u>	<u>56,409,226</u>	<u>57,159,232</u>	<u>750,006</u>
EXPENDITURES:				
Instruction	31,045,101	31,045,101	30,814,075	231,026
Support services	19,387,949	19,387,949	18,603,836	784,113
Noninstructional services	1,214,577	1,214,577	1,201,700	12,877
Capital outlay	0	0	0	0
Debt service	6,094,707	6,094,707	6,119,288	(24,581)
Refund of prior year revenues	0	0	43	(43)
Total expenditures	<u>57,742,334</u>	<u>57,742,334</u>	<u>56,738,942</u>	<u>1,003,392</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,333,108)</u>	<u>(1,333,108)</u>	<u>420,290</u>	<u>1,753,398</u>
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	0	0	115,000	115,000
Transfers out	(276,650)	(276,650)	(1,172,500)	(895,850)
Budgetary reserve	(392,311)	(392,311)	0	392,311
Total other financing sources (uses)	<u>(668,961)</u>	<u>(668,961)</u>	<u>(1,057,500)</u>	<u>(388,539)</u>
Net change in fund balances	(2,002,069)	(2,002,069)	(637,210)	1,364,859
FUND BALANCES, JULY 1	<u>15,695,322</u>	<u>15,695,322</u>	<u>18,803,188</u>	<u>3,107,866</u>
FUND BALANCES, JUNE 30	\$ 13,693,253	\$ 13,693,253	\$ 18,165,978	\$ 4,472,725
	=====	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

SOUTHERN LEHIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	<u>Food Service Fund</u>
<u>ASSETS AND DEFERRED</u>	
<u>OUTFLOWS OF RESOURCES</u>	
<u>Current Assets:</u>	
Cash and cash equivalents	\$ 298,820
Due from other funds	137,399
Intergovernmental receivables	34,852
Other receivables	24,405
Inventories	<u>23,147</u>
Total Current Assets	<u>518,623</u>
<u>Noncurrent Assets:</u>	
Furniture and equipment (net)	<u>405,906</u>
Total Assets	<u>924,529</u>
Deferred Outflows of Resources	<u>0</u>
Total Assets and Deferred Outflows of Resources	\$ 924,529 =====
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>	
<u>Current Liabilities:</u>	
Accounts payable	\$ 59,014
Accrued salaries and benefits	60,109
Payroll taxes payable	12,460
Unearned revenues	<u>4,284</u>
Total Current Liabilities	<u>135,867</u>
<u>Noncurrent Liabilities:</u>	
Compensated absences	<u>26,152</u>
Total Liabilities	<u>162,019</u>
Deferred Inflows of Resources	<u>0</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	405,906
Unrestricted	<u>356,604</u>
Total Net Position	<u>762,510</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 924,529 =====

The accompanying notes are an integral part of the financial statements.

SOUTHERN LEHIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Food Service Fund</u>
Operating Revenues	
Food service revenue	\$ <u>837,214</u>
Total Operating Revenues	<u>837,214</u>
Operating Expenses	
Salaries	538,817
Employee benefits	174,488
Purchased property services	24,340
Other purchased services	2,275
Supplies	440,588
Depreciation	39,142
Dues and fees	<u>22,876</u>
Total Operating Expenses	<u>1,242,526</u>
Operating (Loss)	<u>(405,312)</u>
Nonoperating Revenues	
Earnings on deposits	1,137
State sources	97,198
Federal sources	<u>274,727</u>
Total Nonoperating Revenue	<u>373,062</u>
Income (loss) before contributions and transfers	(32,250)
Transfers in or out	<u>0</u>
Change in Net Position	(32,250)
Net Position, July 1	<u>794,760</u>
Net Position, June 30	\$ <u>762,510</u> =====

The accompanying notes are an integral part of the financial statements.

SOUTHERN LEHIGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Food Service Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from users	\$ 833,991
Cash payments to employees	(536,502)
Cash payments to suppliers	(382,948)
Cash payments for other operating expenses	(258,705)
Net Cash Used by Operating Activities	<u>(344,164)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>	
Grants and subsidies received for non-operating activities:	
State	97,198
Federal	274,727
Operating transfers in	<u>0</u>
Net Cash Provided by Non-Capital Financing Activities	<u>371,925</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase of equipment	<u>(1,195)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,195)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Earnings on deposits	<u>1,137</u>
Net Cash Provided by Investing Activities	<u>1,137</u>
Net Increase in Cash and Cash Equivalents	27,703
Cash and Cash Equivalents, July 1	<u>271,117</u>
Cash and Cash Equivalents, June 30	\$ 298,820 =====
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</u>	
Operating (Loss)	\$ (405,312)
Adjustments to reconcile operating (loss) to net cash used by operating activities:	
Depreciation	39,142
(Increase) decrease in accounts receivable	(78,630)
(Increase) decrease in inventory	6,692
Increase (decrease) in accounts payable	55,046
Increase (decrease) in accrued salaries	35,371
Increase (decrease) in payroll taxes payable	7,625
Increase (decrease) in unearned revenue	<u>(4,098)</u>
Total Adjustments	<u>61,148</u>
Net Cash Used by Operating Activities	\$ (344,164) =====
Non-cash investing, capital, and financing activities	None

The accompanying notes are an integral part of the financial statements.

SOUTHERN LEHIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	Private Purpose Trust	Activity	Agency	Post- Employment Benefits	Total Fiduciary Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 64,709	\$ 269,478	\$ 38,104	\$2,361,406	\$2,733,697
Investments	152,651	0	0	0	152,651
Due from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Total Assets	 <u>217,360</u>	 <u>269,478</u>	 <u>38,104</u>	 <u>2,361,406</u>	 <u>2,886,348</u>
 Deferred Outflows of Resources	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>
 Total Assets and Deferred Outflows of Resources	 \$ 217,360 =====	 \$ 269,478 =====	 \$ 38,104 =====	 \$2,361,406 =====	 \$2,886,348 =====
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>					
<u>Liabilities:</u>					
Accounts payable	\$ 0	\$ 0	\$ 13,471	\$ 0	\$ 13,471
Payroll deductions and withholdings	0	0	24,633	0	24,633
Due to student organizations	<u>0</u>	<u>269,478</u>	<u>0</u>	<u>0</u>	<u>269,478</u>
 Total Liabilities	 <u>0</u>	 <u>269,478</u>	 <u>38,104</u>	 <u>0</u>	 <u>307,582</u>
 Deferred Inflows of Resources	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>
 <u>Net Position:</u>					
Restricted for legal purposes	<u>217,360</u>	<u>0</u>	<u>0</u>	<u>2,361,406</u>	<u>2,578,766</u>
 Total Net Position	 <u>217,360</u>	 <u>0</u>	 <u>0</u>	 <u>2,361,406</u>	 <u>2,578,766</u>
 Total Liabilities and Deferred Inflows of Resources and Net Position	 \$ 217,360 =====	 \$ 269,478 =====	 \$ 38,104 =====	 \$2,361,406 =====	 \$2,886,348 =====

The accompanying notes are an integral part of the financial statements.

SOUTHERN LEHIGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Post- Employment Benefits</u>	<u>Total Fiduciary Funds</u>
<u>ADDITIONS TO NET POSITION</u>			
Contributions	\$ 5,282	\$ 0	\$ 5,282
Other additions	<u>811</u>	<u>3,183</u>	<u>3,994</u>
Total additions to net position	<u>6,093</u>	<u>3,183</u>	<u>9,276</u>
<u>DEDUCTIONS FROM NET POSITION</u>			
Scholarships awarded	8,851	0	8,851
Other deductions	<u>0</u>	<u>0</u>	<u>0</u>
Total deductions from net position	<u>8,851</u>	<u>0</u>	<u>8,851</u>
Change in net position	(2,758)	3,183	425
Net Position, July 1	<u>220,118</u>	<u>2,358,223</u>	<u>2,578,341</u>
Net Position, June 30	\$ 217,360 =====	\$2,361,406 =====	\$2,578,766 =====

The accompanying notes are an integral part of the financial statements.

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies

The accounting policies and accompanying financial statements of Southern Lehigh School District (the District) conform to generally accepted accounting principles as applicable to governmental units. The District applies relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Principles Determining Scope of Reporting Entity

The Board of School Directors, a nine member group, has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Southern Lehigh School District, in accordance with an act established by the Commonwealth legislature. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth by GASB Statement 61. The criteria for including a potential component unit within the financial reporting entity is the significance of the potential component unit's operational or financial relationship with the District. Based upon the application of these criteria, there are no component units to be included in the financial reporting entity of the District.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities which report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. Substantially all tax revenues, Federal and State aid

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

(except aid restricted for use in the Special Revenue Fund) and other operating revenues are accounted for in the General Fund. This fund also accounts for expenditures and transfers as appropriated in the budget which provides for the District's day-to-day operations.

The Capital Projects Fund accounts for resources used to construct or acquire fixed assets and capital improvements. Resources of the capital projects fund are derived principally from budget transfers, long-term debt proceeds, and investment earnings.

The District reports the following major proprietary fund:

The Food Service Fund is the District's proprietary fund established to account for all revenues, food purchases, costs, and expenses for the food service.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods. The principal operating revenue of the District is the sale of food to students and other related organizations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District also reports the following fund types:

The private purpose trust is used to account for resources legally held in trust to award scholarships to students, and to pay employee benefits for unemployment compensation and vision expenditures. All resources of the fund, including earnings on investments, may be used to support the fund's activities. There is no requirement that any portion of these resources must be preserved as capital.

The agency and activity funds are established to administer resources received and held by the District in a fiduciary capacity for others. Use of these funds facilitates the discharge of responsibilities placed upon the District by virtue of law or other authority. These funds are established to account for the resources of student groups and payroll taxes which is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

The post-employment benefits fund was established to account for resources reserved for the payment of benefits related to GASB 45.

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with State law and District procedures, prior to May 31, the District Superintendent and Business Manager submit to the Board of School Directors, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year beginning the following July 1. The budget includes proposed expenditures and the means of financing them for the upcoming year. The only legally adopted budget is for the General Fund.
- 2) Public hearings are conducted to obtain taxpayer comment concerning the proposed budget.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.
- 4) Each month the administration prepares a detailed budget report. The report cites the past month and year-to-date activity, as well as encumbrances and unencumbered balances by account.
- 5) All modifications, transfers and amendments must be approved by the Board of School Directors.
- 6) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- 7) The budget for the General Fund is adopted substantially on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed in governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Statement of Cash Flows

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.

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued)

Cash and Investments

Statutes allow the District to invest in obligations of the U.S. Treasury and U.S. Agencies, savings accounts or time deposits of institutions insured by FDIC and deposits in excess of insured amounts if collateralized by the depository.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Property Taxes Receivable

The property tax calendar for the fiscal year is as follows:

July 1	-	Levy Date
July 1 to August 31	-	2% Discount Period
September 1 to October 31	-	Face Payment Period
November 1 to December 31	-	10% Penalty Period
January 1	-	Lien Date

The tax rate for the year ended June 30, 2015 was \$15.37 per \$1,000 on a taxable valuation of \$2,483,205,350.

Inventory

Inventory in the General Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time the individual inventory items are purchased. Inventory of the Food Service Fund is valued at the lower of cost or market. Inventories are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation and Amortization

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the financial statements.

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued)

Capital Assets, Depreciation and Amortization (Continued)

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Vehicles	8
Furniture, machinery and equipment	10 - 20
Computers	5

Compensated Absences

Sick leave is recorded as an expenditure in the year paid. Upon retirement, the District compensates employees for unused accumulated sick leave at the rate of \$10.00 to \$43.00 per day dependent upon their job classification, provided that the employee has completed 15 years of service within the District and has met the requirements of retirement with the Public School Employees' Retirement System. Administrators must have completed 10 years of service within the District.

District employees who are required to work a twelve-month schedule are credited with vacation rates which vary with length of service and job classification.

Long-term Obligations

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a method that approximates the effective interest method.

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued)

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 amounts and disclosures. Accordingly, actual results could differ from those estimates.

Transfers

Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers.

NOTE 2 Deposits and Investments

The District's current investment policy is to place as much of the available funds into interest bearing accounts as feasible. Current cash requirements are kept in bank demand deposits. The District does not pool cash of the various funds.

Deposits

The District requires all deposits and investments to be covered by federal depository insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not fully insured by the Federal Deposit Insurance Corporation are collateralized using the pooled asset method to 100% of value as required by Pennsylvania law. The securities pledged as collateral are held by the trust department of a financial institution or by its agents in the financial institution's name.

The District's deposits are categorized to give an indication of the level of risk assumed by the District. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Uncollateralized.

As of June 30, 2015, the carrying amount of the District's deposits is \$20,572,745 and the bank balance is \$21,240,800. Of the bank balance, \$1,329,142 is covered by federal depository corporation insurance.

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 2 Deposits and Investments (Continued)

Deposits (Continued)

Deposits, categorized by level of risk, are:

<u>1</u>	<u>Categories</u>	<u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>
Cash \$1,329,142	\$	0	\$19,911,658	\$21,240,800	\$20,572,745
<u>Uncategorized</u>					
Pennsylvania Invest				28	28
Pennsylvania School District Liquid Asset Fund				8,109	8,109
Pennsylvania Local Government Investment Trust				<u>258,941</u>	<u>258,941</u>
				\$21,507,878	\$20,839,823
				=====	=====

The District deposits cash in the Pennsylvania School District Liquid Asset Fund (PSDLAF), the Pennsylvania Local Government Investment Trust (PLGIT), and Pennsylvania Invest, which are governmental cash management pools. The purpose of the pools are to allow governmental units to maximize investment potential through cash pooling while providing security and liquidity. The investments of the pools are held in safekeeping by the investment custodians. Although the PSDLAF, PLGIT and Pennsylvania Invest portfolios contain investments that are individually insured and guaranteed, the deposits are not categorized as to credit risk, as required by Governmental Accounting Standards Board Statement No. 3.

Investments

Authorized types of investments for the District funds are as follows:

- a) United States Treasury Bills and Notes.
- b) Short-term obligations of the United States, its agencies or instrumentalities.
- c) Deposits in savings accounts or time deposits insured by the Federal Deposit Insurance Corporation or similar insurance and provided that approved collateral for public deposits is pledged by the depository for excess amounts over the insured maximum.
- d) Obligations of the United States and the Commonwealth of Pennsylvania or any of their agencies or instrumentalities backed by the full faith and credit of the United States, Commonwealth of Pennsylvania or political subdivisions.
- e) Shares of an investment company provided that the only investments of the company are in the investments listed in a) through d) above.

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 2 Deposits and Investments (Continued)

Investments (Continued)

Investments made by the District are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, or securities held by the District or its agent in the District's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the District's name.

Investments, categorized by level of risk, are:

	<u>1</u>	<u>2</u>	<u>Categories</u> <u>3</u>	<u>Fair</u> <u>Value</u>	<u>Carrying</u> <u>Amount</u>
U.S. Government Securities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Gov't money market fund	0	0	0	0	0
Certificates of deposit	0	0	6,183,851	<u>6,183,851</u>	<u>6,183,851</u>
				\$ 6,183,851	\$ 6,183,851
				=====	=====

NOTE 3 Taxes Receivable and Deferred Inflows

Property taxes are collected and remitted to the District by three local tax collectors. Earned income taxes are collected and remitted to the District by Berkheimer Associates.

In the governmental fund financial statements, property taxes receivable are recorded in the General Fund after the taxes are levied. At June 30, 2015, the receivables represent delinquent property taxes, as well as current earned income taxes and interim real estate taxes. Delinquent property taxes not paid within sixty days of June 30 are recorded as deferred inflows.

In the government-wide financial statements, taxes receivable and related revenue include all amounts due to the District regardless of when cash is received. Over time, substantially all property taxes are collected.

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 4 Interfund Receivable and Payable Balances

The District had interfund receivable and payable balances in the following amounts at June 30, 2015:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 0	\$ 137,399
Food Service Fund	137,399	0
Total	\$ 137,399	\$ 137,399
	=====	=====

The general fund owes the food service fund for state subsidies received for food service lunches, retirement and social security benefits that have not been transferred by the general fund for the last two years. The amount is expected to be paid within one year.

NOTE 5 Intergovernmental Receivables and Unearned Revenue

Intergovernmental receivables are comprised of amounts due from the state and federal governments for grants and subsidies. Revenue is recorded as earned when eligibility requirements are satisfied. The receivable balance consists of the following at June 30, 2015:

	<u>General Fund</u>	<u>Food Service Fund</u>
Federal grant revenues	\$ 108,963	\$ 31,701
State subsidy revenues	1,172,890	3,151
Total	\$1,281,853	\$ 34,852
	=====	=====

Grant revenues unearned in the financial statements represent inventory of the Food Service Fund from donated commodities received from the federal government.

NOTE 6 Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Balance 07/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/15</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 1,563,415	\$ 0	\$ 0	\$ 1,563,415
Construction in progress	0	1,263,377	0	1,263,377
Total capital assets not depreciated	1,563,415	1,263,377	0	2,826,792
Capital assets, being depreciated:				
Site improvements	790,167	0	0	790,167
Buildings and improvements	105,934,961	497,632	0	106,432,593
Furniture and equipment	9,579,166	126,887	(901,267)	8,804,786
Total capital assets being depreciated	116,304,294	624,519	(901,267)	116,027,546

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 6 Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance 07/01/14	<u>Increases</u>	<u>Decreases</u>	Balance 06/30/15
<u>Governmental activities:</u>				
Less accumulated depreciation for:				
Site improvements	(358,775)	(28,578)	0	(387,353)
Buildings and improvements	(43,801,485)	(3,257,024)	0	(47,058,509)
Furniture and equipment	<u>(6,593,618)</u>	<u>(1,187,931)</u>	<u>901,267</u>	<u>(6,880,282)</u>
Total accumulated depreciation	<u>(50,753,878)</u>	<u>(4,473,533)</u>	<u>901,267</u>	<u>(54,326,144)</u>
 Total capital assets, being depreciated, net	 <u>65,550,416</u>	 <u>(3,849,014)</u>	 <u>0</u>	 <u>61,701,402</u>

Governmental activities capital assets, net	\$67,113,831	\$ (2,585,637)	\$ 0	\$ 64,528,194
	=====	=====	=====	=====

	Balance 07/01/14	<u>Increases</u>	<u>Decreases</u>	Balance 06/30/15
<u>Business-type activities:</u>				
Capital assets, being depreciated:				
Furniture and equipment	\$ 997,271	\$ 1,195	\$ 0	\$ 998,466
Less accumulated depreciation	<u>(553,418)</u>	<u>(39,142)</u>	<u>0</u>	<u>(592,560)</u>
Business-type activities capital assets, net	\$ 443,853	\$ (37,947)	\$ 0	\$ 405,906
	=====	=====	=====	=====

Depreciation expense was charged to functions as follows:

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
Instruction	\$4,099,958	Food service	\$ 39,142
Instructional support	369,508		
Noninstruction	<u>4,067</u>		
Total	\$4,473,533		<u>\$ 39,142</u>
	=====		=====

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 7 Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities only.

The following is a summary of long-term debt transactions for the year ended June 30, 2015:

	Balance <u>7/1/14</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/15</u>
General obligation bonds and notes-				
Series of 2009A	\$ 8,385,000	\$ 0	\$ 135,000	\$ 8,250,000
Series of 2010	10,675,000	0	240,000	10,435,000
Series of 2011	9,960,000	0	20,000	9,940,000
Series of 2012	5,700,000	0	1,290,000	4,410,000
Series of 2013A	19,285,000	0	1,135,000	18,150,000
Series of 2013AA	9,640,000	0	15,000	9,625,000
Series of 2014	4,646,400	0	1,137,000	3,509,400
Lease payable	<u>2,099,301</u>	<u>0</u>	<u>238,855</u>	<u>1,860,446</u>
 Total general long-term debt	 \$70,390,701	 \$ 0	 \$ 4,210,855	 \$66,179,846
	=====	=====	=====	=====

The following is a summary of the details of outstanding debt as of June 30, 2015:

General Obligation Bonds Series of 2009A: date of issue was October 15, 2009; registered bonds; original amount was \$8,465,000; yield to maturity varies from 2.00% to 3.50%; maturity date is September 1, 2023.

General Obligation Bonds Series of 2010: date of issue was August 23, 2010; registered bonds; original amount was \$10,695,000; yield to maturity varies from 2.00% to 3.00%; maturity date is September 1, 2023.

General Obligation Bonds Series of 2011: date of issue was November 7, 2011; registered bonds; original amount was \$9,995,000; yield to maturity varies from 2.00% to 3.125%; maturity date is July 1, 2025.

General Obligation Bonds Series of 2012: date of issue was May 7, 2012; registered bonds; original amount was \$6,960,000; yield to maturity varies from 2.00% to 4.00%; maturity date is September 1, 2017.

General Obligation Bonds Series of 2013A: date of issue was March 12, 2013; registered bonds; original amount was \$19,400,000; yield to maturity varies from 2.00% to 4.00%; maturity date is September 1, 2027.

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 7 Long-Term Debt (Continued)

General Obligation Bonds Series of 2013AA: date of issue was March 12, 2013; registered bonds; original amount was \$9,665,000; yield to maturity varies from 0.30% to 4.00%; maturity date is September 1, 2027.

General Obligation Note Series of 2014: date of issue was April 24, 2014; original amount was \$4,646,400; yield to maturity is .85%; maturity date is September 1, 2017.

Lease payable: date of issue was November 23, 2005; original amount was \$3,549,805; interest rate to maturity is 3.865%; maturity date is November 21, 2021.

Annual debt service requirements to maturity for general obligation debt including interest are as follows:

Years Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,248,505	\$ 1,831,527	\$ 6,080,032
2017	4,598,712	1,731,201	6,329,913
2018	4,731,898	1,610,724	6,342,622
2019	4,782,889	1,472,737	6,255,626
2020	5,027,909	1,322,024	6,349,933
2021	5,248,584	1,158,613	6,407,197
2022	5,216,349	999,667	6,216,016
2023	5,215,000	854,384	6,069,384
2024	5,375,000	697,694	6,072,694
2025	5,485,000	538,656	6,023,656
2026	5,620,000	381,847	6,001,847
2027	5,690,000	225,350	5,915,350
2028	<u>4,940,000</u>	<u>74,100</u>	<u>5,014,100</u>
	\$66,179,846	\$12,898,524	\$ 79,078,370
	=====	=====	=====

NOTE 8 Pension Plan

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 (PSERS) and additions to and 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 8 Pension Plan (Continued)

General Information about the Pension Plan

Plan Description

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 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

PSER 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 Class 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 Class 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

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 8 Pension Plan (Continued)

Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions - Members

Active members who joined the System prior to July 22, 1983, contribute 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 7.5% (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, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Contributions - Employers

The school district's contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$4,778,253 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$72,195,000 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2014, and

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 8 Pension Plan (Continued)

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, 2013 to June 30, 2014. 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, 2014, the District's proportion was .1824 percent, which was an increase of .0054 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$6,752,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 0	\$ 5,161,000
Changes in proportions	1,781,000	0
Contributions subsequent to the measurement date	<u>4,778,253</u>	<u>0</u>
Total	<u>\$ 6,559,253</u> =====	<u>\$ 5,161,000</u> =====

\$ 4,778,253 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, 2015. 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 ending June 30:	
2016	\$ (861,000)
2017	(861,000)
2018	(861,000)
2019	(861,000)
2020	64,000

Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- * Actuarial cost method - Entry Age Normal - level % of pay
- * Investment return - 7.50%, includes inflation at 3.00%

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 8 Pension Plan (Continued)

- * Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1.00%, and merit or seniority increases of 1.50%
- * Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	<u>100%</u>	
	====	

The chart above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major class as of June 30, 2014.

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 8 Pension Plan (Continued)

Discount Rate

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$90,054,000	\$72,195,000	\$56,949,000

Pension 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.state.pa.us.

NOTE 9 Litigation

Various tax appeals have been brought against the District. Defenses are being conducted by counsel for the District or the insurance carrier, and losses, if any, are not anticipated to have a significant effect on the District's financial statements.

NOTE 10 Contingencies

The District participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs including the year ended June 30, 2015,

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 10 Contingencies (Continued)

have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 11 Risk Management

Significant losses are covered by commercial insurance for all major programs. There has been no significant reduction in insurance coverages. Settlement amounts have not exceeded insurance coverages for the current year or the three prior years.

NOTE 12 Joint Ventures

The District is a participating member of the Lehigh Career and Technical Institute (the Institute). The Institute is governed by a joint board consisting of school directors from each member district. The board of directors from each member district must approve the Institute's annual operating budget. Each member district participates in the operating, capital, debt service and other costs of the Institute based on the number of students attending the Institute from each district. For the year ended June 30, 2015, the District's share was \$1,040,903. The Institute issues separate financial statements which are available to the public.

The District also participates with the Lehigh Carbon Community College (the College) and the Carbon Lehigh Intermediate Unit (the Unit). The District's involvement is limited to District member representatives serving on committees of the Boards of the College and the Unit as well as approving their annual budgets. The District shares in the operating, capital and other costs of the College and Unit, which amounted to \$328,562 and \$310,166, respectively, for the year ended June 30, 2015. The College and the Unit issue separate financial statements which are available to the public.

NOTE 13 Postemployment Benefits Other Than Pensions

In addition to the pension benefits described in Note 8, the District provides certain post-retirement healthcare benefits to its retirees who meet eligibility requirements based upon whether they are entitled to receive a pension allowance or a disability allowance through PSERS. Post-retirement benefits consist of medical, prescription drug, dental and life insurance.

The District's contribution is based on projected pay as you go financing requirements. As of June 30, 2015, the District has made accumulated contributions and investment earnings of \$2,361,406 to fund these benefits.

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 13 Postemployment Benefits Other Than Pensions (Continued)

Retirees receiving benefits are required to pay a certain portion of the premiums based upon their group classification.

The District's annual OPEB cost for the plan is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed sixteen years.

Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table shows the components of the District's annual OPEB cost for the year, the amount of estimated contributions to the plan, and changes in the District's estimated net OPEB obligations, as well as assumptions used to calculate the estimated net OPEB obligation:

Annual required contribution (ARC)	\$ 1,253,083
Estimated interest on net OPEB obligation	196,535
Estimated adjustment to ARC	<u>(451,048)</u>
Annual OPEB cost	998,570
Contributions made (estimated)	<u>(455,801)</u>
Estimated increase in net OPEB obligation	542,769
Estimated net OPEB obligation beginning of year	<u>4,367,455</u>
Estimated net OPEB obligation end of year	\$ 4,910,224
	=====

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 16 Fund Balance Reporting (Continued)

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

1. Nonspendable - this fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. Items associated with this category include inventories, prepaids, long-term loans and notes receivable, and property held for resale, unless the proceeds are restricted, committed, or assigned.

2. Restricted - this fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Enabling legislation authorizes the District to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use the resources created by enabling legislation only for the purposes specified by the legislation.

3. Committed - this fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action by the School Board of Directors who is the highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the School Board of Directors removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School Board, separate from authorization to raise the underlying revenue, therefore, compliance with those constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

4. Assigned - this fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

5. Unassigned - this fund balance category is the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications.

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 16 Fund Balance Reporting (Continued)

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The following represents the fund balance classifications of the District at June 30, 2015:

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventories	\$ 100,000	\$ 0	\$ 100,000
Prepaid expenses	169,253	0	169,253
Restricted for:			
Capital improvements	0	1,726,451	1,726,451
Assigned for:			
Retirement increases	4,000,000	0	4,000,000
Other post-employment benefits	4,000,000	0	4,000,000
Health insurance increases	2,472,435	0	2,472,435
Capital construction	3,500,000	0	3,500,000
Unassigned:			
Unassigned	<u>3,924,290</u>	<u>0</u>	<u>3,924,290</u>
Total fund balances	\$18,165,978 =====	\$ 1,726,451 =====	\$19,892,429 =====

NOTE 17 Change in Accounting Principle

During the current year the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. This statement changes the accounting for pensions by recording the District's portion of net pension liability and deferred inflows and outflows related to pensions. As a result of implementing this statement, a prior period adjustment is required for the beginning net pension liability and deferred outflows for the District's contributions made during the fiscal year 2014.

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 17 Change in Accounting Principle (Continued)

The effect is a reduction in the net position of governmental activities of \$68,823,000, as detailed below:

Beginning net position as previously reported at June 30, 2014	\$ 13,594,596
Prior period adjustment - Implementation of GASB 68:	
Net pension liability (measurement date)	(72,457,000)
Deferred outflows - District's contributions made during fiscal year 2014	<u>3,634,000</u>
Total prior period adjustment	<u>(68,823,000)</u>
Net position as restated, July 1, 2014	\$ (55,228,404) =====

SOUTHERN LEHIGH SCHOOL DISTRICT
POSTEMPLOYMENT BENEFIT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(An Integral Part of the Financial Statements)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2013	\$ 0	\$ 7,230,340	\$ 7,230,340	0.0%	\$20,688,648	34.9%
6/30/2011	0	6,538,151	6,538,151	0.0%	19,781,797	33.1%
6/30/2009	0	6,614,420	6,614,420	0.0%	19,744,669	33.5%
6/30/2007	0	6,423,224	6,423,224	0.0%	15,863,018	40.5%

SOUTHERN LEHIGH SCHOOL DISTRICT
PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONAL SHARE
OF THE NET PENSION LIABILITY
(An Integral Part of the Financial Statements)

Last 10 Fiscal Years*

	<u>06/30/15</u>	<u>06/30/14</u>
District's proportion of the net pension liability	0.1824%	0.1770%
District's proportionate share of the net pension liability	\$ 72,195,000	\$ 72,457,000
District's covered-employee payroll**	\$ 23,278,691	\$ 22,713,727
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	310.13%	319.00%
Plan fiduciary net position as a percentage of the total pension liability	57.24%	54.49%

Amounts were determined as of the cost-sharing plan's June 30, 2014 fiscal year.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

** District's covered-employee payroll for this schedule was furnished by PSERS, and is one year behind.

SOUTHERN LEHIGH SCHOOL DISTRICT
PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
(An Integral Part of the Financial Statements)

Last 10 Fiscal Years*

	<u>06/30/15</u>	<u>06/30/14</u>
Contractually required contribution	\$ 4,778,253	\$ 3,634,000
Contributions in relation to the contractually required contribution	<u>4,778,253</u>	<u>3,634,000</u>
Contribution deficiency (excess)	0	0
District's covered-employee payroll	\$ 23,308,551	\$ 23,278,691
Contributions as a percentage of covered-employee payroll	20.50%	15.61%

Amounts are based on actual contributions during the fiscal year.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

SOUTHERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<u>Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Date</u>	<u>Program or Award Amount</u>
U.S. Dept. of Agriculture					
Passed through the PA					
Dept. of Education:					
National School Lunch Program	I	10.555	N/A	7/1/14-6/30/15	N/A
National School Lunch Program	I	N/A	N/A	7/1/14-6/30/15	N/A
National School Lunch Program	I	10.555	N/A	7/1/13-6/30/14	N/A
National School Lunch Program	I	N/A	N/A	7/1/13-6/30/14	N/A
Passed through the PA					
Dept. of Agriculture:					
Value of USDA					
Donated Food	I	10.555	N/A	7/1/14-6/30/15	N/A
Total U.S. Dept. of Agriculture					
<u>U.S. Dept. of Education</u>					
Passed through the PA					
Dept. of Education:					
Title I Improve Basic Pr.	I	84.010	13-150407	7/1/14-6/30/15	\$ 201,608
Title I Improve Basic Pr.	I	84.010	13-140407	7/1/13-6/30/14	\$ 211,989
IDEA Grants to States	I	84.027	62-150021	7/1/14-6/30/15	\$ 336,757
IDEA Grants to States	I	84.027	62-140021	7/1/13-6/30/14	\$ 362,450
IDEA Preschool Grants	I	84.173	131-150021	7/1/14-6/30/15	\$ 2,096
IDEA Preschool Grants	I	84.173	131-140021	7/1/13-6/30/14	\$ 1,952
Title II Improve Teach.	I	84.367	20-150407	7/1/14-6/30/15	\$ 56,020
Title II Improve Teach.	I	84.367	20-140407	7/1/13-6/30/14	\$ 56,680
Total U.S. Dept. of Education					
Total Federal Assistance					

Source Codes: I - Indirect Funding F - Federal Share
D - Direct Funding S - State Share

Footnotes:

- (a) Total amount of commodities received.
- (b) Beginning inventory at July 1.
- (c) Total amount of commodities used.
- (d) Ending inventory June 30.

See notes to the Schedule of Expenditures of Federal Awards.

SOUTHERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2015

	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at 7/1/14</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at 6/30/15</u>
F \$	180,862.94	\$ 0.00	\$ 212,563.44	\$ 212,563.44	\$ 31,700.50
S	18,639.10	0.00	21,790.10	21,790.10	3,151.00
F	29,235.85	29,235.85	0.00	0.00	0.00
S	3,185.50	3,185.50	0.00	0.00	0.00

(a)	(b)	(c)	(d)
<u>58,066.04</u>	<u>(8,381.81)</u>	<u>62,163.82</u>	<u>(4,284.03)</u>
\$ <u>289,989.43</u>	\$ <u>24,039.54</u>	\$ <u>296,517.36</u>	\$ <u>30,567.47</u>

\$ 135,382.70	\$ 0.00	\$ 156,839.55	\$ 156,839.55	\$ 21,456.85
98,507.96	44,425.93	54,082.03	54,082.03	0.00
258,768.60	0.00	336,756.85	336,756.85	77,988.25
109,680.15	109,680.15	0.00	0.00	0.00
0.00	0.00	2,096.00	2,096.00	2,096.00
1,952.00	1,952.00	0.00	0.00	0.00
48,598.29	0.00	56,020.00	56,020.00	7,421.71
<u>11,311.24</u>	<u>11,117.31</u>	<u>193.93</u>	<u>193.93</u>	<u>0.00</u>
<u>664,200.94</u>	<u>167,175.39</u>	<u>605,988.36</u>	<u>605,988.36</u>	\$ <u>108,962.81</u>
\$ <u>954,190.37</u>	\$ <u>191,214.93</u>	\$ <u>902,505.72</u>	\$ <u>902,505.72</u>	\$ <u>139,530.28</u>
=====	=====	=====	=====	=====

Total expenditures per above schedule	\$ 902,505.72
Less: State share of National School Lunch Program	<u>(21,790.10)</u>
Total Federal Expenditures	\$ <u>880,715.62</u>
	=====

Programs selected for testing:

IDEA Grants to States	\$ 336,756.85
IDEA Preschool Grants	<u>2,096.00</u>
	\$ <u>338,852.85</u>
	=====

SOUTHERN LEHIGH SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies

Basis of Accounting

The revenues and expenditures recognized on this schedule are recorded on the accrual basis of accounting.

Inventory

It is the policy of Southern Lehigh School District to expense the value of all donated commodities used during the year. Recognition is given to inventories of donated goods on hand at year end on this schedule.

NOTE 2 Federal Revenue Summary

The following is a summary of federal revenue by CFDA number:

10.555	\$ 274,727.26
84.010	210,921.58
84.027	336,756.85
84.173	2,096.00
84.367	<u>56,213.93</u>
Total	\$ 880,715.62
	=====

NOTE 3 Schedule Presentation

The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

SOUTHERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? NO
 Reportable condition(s) identified
 not considered to be material weaknesses? NONE

Noncompliance material to financial
 statements noted? NO

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? NO
 Reportable condition(s) identified
 not considered to be material weaknesses? NONE

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

Any audit findings disclosed that are required
 to be reported in accordance with Circular
 A-133, Section .510(a)? NO

Major programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
84.027	Grants to States (IDEA, Part B)
84.173	Preschool Grants (IDEA Preschool)

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 300,000
 =====

Auditee qualified as a low risk auditee? YES

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SOUTHERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
YEAR ENDED JUNE 30, 2015

SUMMARY OF PRIOR AUDIT FINDINGS

NONE

FRANCE, ANDERSON, BASILE and COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' 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

To the Board of School Directors
Southern Lehigh School District
Center Valley, Pennsylvania

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, and the aggregate remaining fund information of Southern Lehigh School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Southern 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 grants 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Francis Anderson, Pasacki and Company, P.C.

Emmaus, Pennsylvania
January 6, 2016

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Southern Lehigh School District
Center Valley, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Southern Lehigh School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of their major federal programs for the year ended June 30, 2015. Southern 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Southern Lehigh School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southern 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 Southern Lehigh School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Southern 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, 2015.

Report on Internal Control Over Compliance

Management of Southern 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 Southern Lehigh School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southern 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Lence, Indem, Beale and Carney, P.C.

Emmaus, Pennsylvania
January 6, 2016

SOUTHERN LEHIGH SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
ACTIVITY FUND ACCOUNTS
YEAR ENDED JUNE 30, 2015

	Balance 7/01/14	Receipts	Disburse- ments	Balance 6/30/15
HIGH SCHOOL:				
Art Show Account	\$ 828	\$ 308	\$ 570	\$ 566
Band Fund	10,032	37,779	39,011	8,800
Cheerleaders	5	0	0	5
Class of 2007	770	3,140	2,800	1,110
Class of 2013	0	2,040	599	1,441
Class of 2014	4,206	2,341	6,547	0
Class of 2015	7,307	9,145	8,822	7,630
Class of 2016	428	23,931	21,754	2,605
Drama Club	1,598	21,310	21,988	920
Ecology Club	265	0	265	0
Faculty Fund	896	1,128	1,124	900
Future Business Leaders	2,340	5,309	6,564	1,085
Guidance	8,165	32,853	26,587	14,431
High School Fund	50,556	78,260	75,374	53,442
Invested Interest	1,721	699	142	2,278
Interact	93	0	0	93
Key Club	1,457	4,399	5,510	346
Motion/Colorguard	0	0	0	0
Musical	2,758	23,798	24,488	2,068
National Honor Society	299	4,626	2,855	2,070
Newspaper "Spotlight"	424	550	247	727
Orchestra	1,279	0	352	927
Robotics Club	38	0	0	38
S.A.D.D.	2,142	282	900	1,524
Scholastic Scrimmage	2,335	0	750	1,585
Senior High Chorus	4,766	930	2,245	3,451
Ski Intramurals	0	0	0	0
Spanish Club	17	0	0	17
Spartan Enterprises	474	1,808	383	1,899
Speech Debate Team	5,124	28,461	29,341	4,244
Student Council	6,899	13,784	13,522	7,161
Summer School	282	0	0	282
Sunshine Fund	251	595	595	251
Teen Counseling	206	0	175	31
Tutorial Account	147	0	0	147
Varsity Club	249	1,876	1,705	420
Yearbook	5,908	17,572	18,049	5,431
Young Americans	0	91	0	91
	<u>124,265</u>	<u>317,015</u>	<u>313,264</u>	<u>128,016</u>
Total High School				
Middle School	47,711	70,694	61,038	57,367
Elementary Schools:				
Hopewell	4,919	11,225	10,135	6,009
Intermediate	19,376	33,413	30,315	22,474
Liberty Bell	4,992	4,375	4,688	4,679
Lower Milford	<u>49,711</u>	<u>24,600</u>	<u>23,378</u>	<u>50,933</u>
TOTAL	\$250,974	\$461,322	\$442,818	\$269,478
	=====	=====	=====	=====