

**SOUTH EASTERN SCHOOL DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2023**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
South Eastern School District  
Fawn Grove, Pennsylvania

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Eastern School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

### ***Responsibilities of Management for the Financial Statements (Continued)***

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is positioned centrally on the page.

Camp Hill, Pennsylvania  
November 13, 2023

**SOUTH EASTERN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended June 30, 2023**

The management discussion and analysis of South Eastern School District provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2023. 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 in conjunction with the discussion and analysis to enhance their understanding of the School District's financial performance.

**Overview of the Financial Statements**

The Annual Financial Report consists of various financial statements and the notes to those statements. The financial reports consist of district-wide and individual fund statements. The District-wide statements present an aggregate long-term view of the School District's finances. The fund financial statements focus on the short-term financing of the School District's services and what remains for future spending.

**District-wide Statements**

*Statement of Net Position and Statement of Activities*

The Statement of Net Position and Statement of Activities reflect all assets and liabilities using the accrual basis of accounting similar to the systems used by most private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash was received or paid. These statements report the School District's net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the School District has improved or diminished.

In the Statement of Net Position and Statement of Activities, the School District is divided into two categories:

Governmental Activities - Most of the School District's programs are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Business-Type Activities - This service is provided on a charge for goods and services basis to recover the expenses of the goods or services provided. The Food Service program is reported as a business activity.

**Fund Financial Statements**

Fund financial reports provide detailed information about the School District's funds. Funds are used to separate financial transactions to better monitor specific activities.

Funds at South Eastern School District include:

- ✦ Major Governmental Funds
  - General Fund
  - Capital Projects Fund
  - Student Activity Fund
- ✦ Proprietary Funds
  - Enterprise Fund - Food Services
- ✦ Fiduciary Funds
  - Beakes Scholarship Fund

### **Financial Highlights**

- ✦ Total governmental net position increased by \$6,948,404, changing from a negative \$3.2 million in 2021-2022 to \$3.7 million in the 2022-2023 fiscal year. The District's share of retirement liability at the Public-School Employees' Retirement System (PSERS) is included in net position. See footnotes 10 to 12 for detailed information on PSERS and Other Post-Employment Benefits.
- ✦ Total outstanding debt decreased by \$2,470,000 during 2022-2023 as principal payments were made on existing debt.
- ✦ Actual governmental revenues increased by 6.62%, while governmental program expenditures increased by 3.47%.
- ✦ The school board committed an additional \$1,700,000 to the Fund Balance committed for Capital Projects.
- ✦ General Fund unassigned fund balance of \$4,664,834 at June 30, 2023, represents 7.72% of the 2022-2023 General Fund Approved Budget. General Fund non-spendable fund balance includes \$2,202,818 for medical insurance prepayments with Lincoln Benefit Trust (increased from the prior year by \$902,434), and \$757,780 for other prepaid 2022-2023 expenditures. General Fund committed fund balance increased by \$647,000 and includes \$10,753,238 for retirement contributions and \$11,308,714 for capital improvement projects. The Board of School Directors authorized a transfer of \$2,000,000 out of the committed fund balance for Capital Improvement Projects to Capital Reserve on July 1, 2023, to provide funding for the construction of a new Wellness Center at Kennard-Dale High School.
- ✦ Medical claims had been outpacing contributions to Lincoln Benefit Trust (LBT) for the previous three years, resulting in a loss to the LBT fund balance of over \$4 million during that time. On July 6, 2022, \$1 million was transferred out of the General Fund committed fund balance for retirement to the General Fund non-spendable fund balance for medical insurance prepayments. This contribution in addition to changes in the employee healthcare plan have helped to slow the annual loss. During the 2022-2023 year, excluding the additional \$1 million transferred in, the non-spendable LBT fund balance decreased by \$97,566.
- ✦ Total governmental fund balances equaled \$33,426,227. The following shows the breakdown by fund:
  - General Fund Balance of \$29,687,384 (unassigned, committed, and non-spendable)
  - Capital Projects Fund Balance of \$3,636,462
  - Student Activity Fund Balance of \$102,381 (restricted)



## Reporting the School District as a Whole

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of net position for 2022-2023 compared to 2021-2022.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2021	2022	2021
Current and other assets	\$ 44,443,547	\$ 39,316,032	\$ 717,943	\$ 898,222	\$ 45,161,490	\$ 40,214,254
Capital assets, net	63,768,551	69,450,616	83,927	101,222	63,852,478	69,551,838
<b>Total assets</b>	<b>\$ 108,212,098</b>	<b>\$ 108,766,648</b>	<b>\$ 801,870</b>	<b>\$ 999,444</b>	<b>\$ 109,013,968</b>	<b>\$ 109,766,092</b>
Deferred outflows of resources	\$ 13,140,065	\$ 12,811,844	\$ 38,494	\$ 19,005	\$ 13,178,559	\$ 12,830,849
Current and other liabilities	\$ 8,681,270	\$ 8,324,633	\$ 92,439	\$ 149,535	\$ 8,773,709	\$ 8,474,168
Long-term liabilities	104,138,744	104,039,419	220,809	116,413	104,359,553	104,155,832
<b>Total liabilities</b>	<b>\$ 112,820,014</b>	<b>\$ 112,364,052</b>	<b>\$ 313,248</b>	<b>\$ 265,948</b>	<b>\$ 113,133,262</b>	<b>\$ 112,630,000</b>
Deferred inflows of resources	\$ 11,765,471	\$ 5,499,358	\$ 34,469	\$ 7,578	\$ 11,799,940	\$ 5,506,936
Net Position						
Net investment in capital assets	\$ 41,587,549	\$ 43,181,060	\$ 83,927	\$ 101,222	\$ 41,671,476	\$ 43,282,282
Restricted	68,736	102,381	-	-	68,736	102,381
Unrestricted	(44,889,607)	(39,568,359)	408,720	643,701	(44,480,887)	(38,924,658)
<b>Total net position</b>	<b>\$ (3,233,322)</b>	<b>\$ 3,715,082</b>	<b>\$ 492,647</b>	<b>\$ 744,923</b>	<b>\$ (2,740,675)</b>	<b>\$ 4,460,005</b>

### Governmental Activities

On June 30, 2023, the School District had total net position from governmental activities of \$3,715,082, which is a positive change of 214.90% or \$6,948,404 from the prior negative \$3,233,322. Total governmental assets increased by 0.51% or \$554,550, while governmental liabilities decreased by 0.40% or \$455,962. Factors that significantly affected net position in the 2022-2023 fiscal year were:

- ✚ General fund cash and investments increased by \$805,453 from the prior year. Capital Project Renovation fund cash decreased by \$6,269,197 as work on the Middle School renovation was completed and work on the Intermediate School and High School renovations began. Capital Reserve cash decreased by \$640,514 as work on the new Wellness Center began. Capital project fund cash was closed after payment of \$18,069 was made principally for uniforms for the football team.
- ✚ Outstanding debt decreased by \$2,470,000 as a result of principal payments on existing debt. All bonds and notes are at fixed rates, as described in note 7 of the financial statements.
- ✚ Short-term governmental fund liabilities decreased with fewer accounts payable obligations

Table 2 reflects the changes in net position for fiscal year 2022-2023 compared to fiscal year 2021-2022:

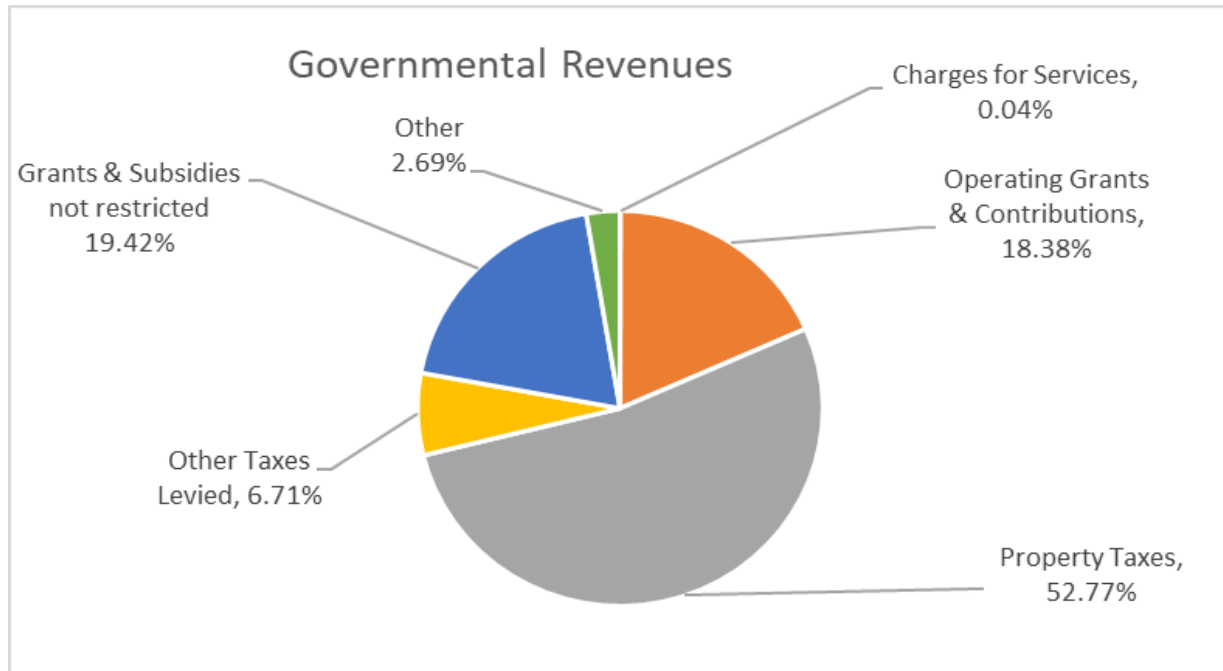
Table 2  
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 37,662	\$ 21,402	\$ 173,495	\$ 481,088	\$ 211,157	\$ 502,490
Operating grants and contributions	10,199,184	11,115,876	1,501,676	1,080,316	11,700,860	12,196,192
Total program revenues	10,236,846	11,137,278	1,675,171	1,561,404	11,912,017	12,698,682
General revenues						
Property taxes	31,563,194	31,913,515	-	-	31,563,194	31,913,515
Other taxes	3,817,559	4,056,878	-	-	3,817,559	4,056,878
Grants, subsidies and contributions not restricted	11,019,901	11,748,242	-	-	11,019,901	11,748,242
Investment earnings	45,969	1,423,576	-	-	45,969	1,423,576
Transfers	(58,026)	-	58,026	-	-	-
Miscellaneous	98,490	202,173	-	-	98,490	202,173
Total general revenues	46,487,087	49,344,384	58,026	-	46,545,113	49,344,384
<b>Total revenues</b>	<b>56,723,933</b>	<b>60,481,662</b>	<b>1,733,197</b>	<b>1,561,404</b>	<b>58,457,130</b>	<b>62,043,066</b>
<b>Expenses</b>						
Instruction	32,307,745	33,472,914	-	-	32,307,745	33,472,914
Pupil and instruction staff	4,057,755	4,157,201	-	-	4,057,755	4,157,201
Board of Education, Administration and Fiscal	5,693,158	5,039,624	-	-	5,693,158	5,039,624
Operation and maintenance of plant	5,543,026	6,200,895	-	-	5,543,026	6,200,895
Pupil transportation	2,388,534	2,697,762	-	-	2,388,534	2,697,762
Extracurricular activities	1,241,680	1,287,991	-	-	1,241,680	1,287,991
Community	462	1,704	-	-	462	1,704
Interest on long-term debt	504,729	675,167	-	-	504,729	675,167
Food service	-	-	1,301,744	1,309,128	1,301,744	1,309,128
<b>Total expenses</b>	<b>51,737,089</b>	<b>53,533,258</b>	<b>1,301,744</b>	<b>1,309,128</b>	<b>53,038,833</b>	<b>54,842,386</b>
<b>Changes in net position</b>	<b>\$ 4,986,844</b>	<b>\$ 6,948,404</b>	<b>\$ 431,453</b>	<b>\$ 252,276</b>	<b>\$ 5,418,297</b>	<b>\$ 7,200,680</b>

Governmental revenue, excluding business-type activity transfers, increased by 6.62% from \$56.7 million to \$60.5 million. Revenue activity is primarily attributed to the following changes:

- ✚ Property tax revenues increased by 1.11% or \$350,321. This category includes current real estate taxes, interim real estate taxes, payments in lieu of current taxes, and delinquent real estate taxes. Current real estate taxes slightly increased by 1.19% or \$354,534. Interim real estate collections increased by 20.30% or \$61,585. Tax millage remains unchanged from the 2015-2016 year through 2023-2024 at 22.2503. The district collected 97% of assessed taxes.
- ✚ Other taxes levied increased by 6.27% or \$239,319, due to an increase in earned income taxes collected by 7.43% or \$206,805 and an increase in delinquent earned income tax collected by 23.70% or \$57,787. Transfer tax, public utility and occupational privilege taxes are also included in this category.
- ✚ Operating grants and contributions increased by 8.99% or \$916,692. Federal CARES Act ARP ESSER grant provided \$527,495 and the PCCD Safe Schools grant provided \$141,621 in 2022-2023 as revenue reimbursements after spending grant funds. Special Education subsidy increased by 7.19% or \$142,541, while federal revenue passed through the intermediate unit decreased by 10.89% or \$81,350 as one-time IDEA Cares Act funding in 2021-2022 dropped off.

- ✦ Grants and subsidies not restricted increased by 6.61% or \$728,341 as the Basic Education Subsidy increased by 5.19% or \$474,464 and the property tax relief revenue increased by 26.07% or \$259,310. The property tax relief revenue is expended to taxpayers of the District in an equal amount.
- ✦ In an effort to control inflation, investment interest rates rose throughout the 2022-2023 year. This resulted in an increase of interest earnings compared to the prior year by 2,996.82% or \$1,377,606.



Property taxes continue to provide the majority of governmental revenues at 52.77% in 2022-2023, slightly less than 55.64% of total governmental revenues in 2021-2022. Other major contributors to governmental revenue include operating grants and contributions at 18.38%, grants and subsidies not restricted at 19.42%, and other taxes levied decreased slightly to 6.71% of all revenues. The Other category in the chart above includes interest earnings on invested funds, student activity fees, and miscellaneous items such as truancy tax, technology protection plan payments, demand response rebates, etc.

Governmental program expenditures increased by 3.47% from \$51.7 million to \$53.5million. Major changes within the expenditure categories include:

- ✦ Total annual wages increased by 1.78% as a result of board authorized raises offset by savings on unfilled positions.
- ✦ The PSERS employer contribution rate for employee retirement increased, moving from 34.94% in 2021-2022 to 35.26 % in 2022-2023. Retirement expense increased by 3.15% or \$259,610. Retirement expense was 35.37% of the total wages paid.

- ✦ Total group insurance expenses for current employees and retirees on the medical plan decreased by 2.03% or \$112,798 compared to the 2021-2022 year. Both 2021-2022 and 2022-2023 resulted in healthcare claims exceeding premium payments, however this was mitigated in part by changes in the healthcare plan. The average of medical plan costs over the past three years results in an increase of 0.94%, which compares favorably against the prior year's three-year average increase of 13.46%. The three-year average is a factor in determining future rates. The fund balance for healthcare at Lincoln Benefit Trust (LBT) increased in 2022-2023 by \$902,434 to a balance of \$2,202,818 as of June 30, 2023. The increase is a combination of a \$1,000,000 transfer of funds into the LBT fund balance for the start of the 2022-2023 year offset by claims and monthly contributions.

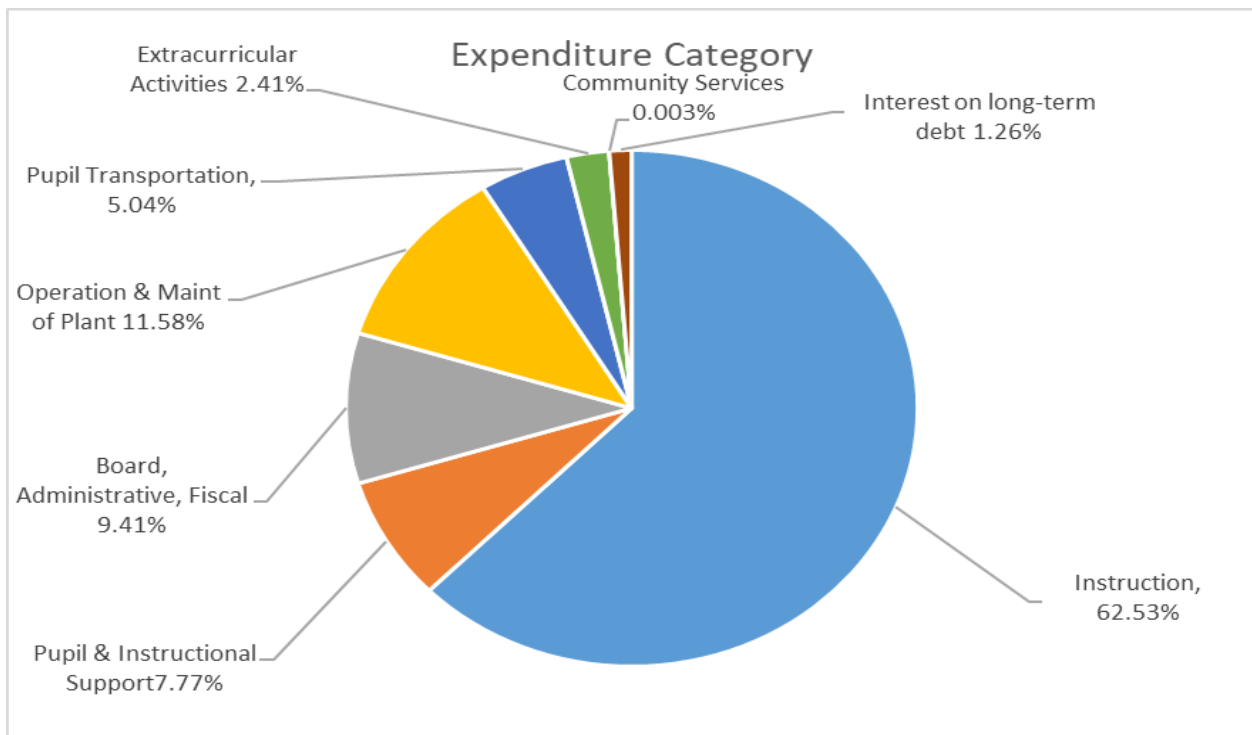
Purchased property services decreased by 26.69% or \$321,998 as the copier lease was initially recognized in 2021-2022 and no new leases were identified in 2022-2023.

- ✦ Other purchased services increased by 9.92% or \$589,935 due to increases in property/casualty premiums, new bus contracts, higher transportation costs for special needs students, tuition cost for cyber charter students, and additional costs for special education placement changes and regular education expulsions.
- ✦ Supplies and software costs increased by 20.59% or \$459,021 as a result of the procurement of cameras with PCCD grant funds, PASS survey with ARP ESSER funds, additional staff development licenses, additional materials for the learning support classroom, propane cost and quantity increase, virtual licenses for elementary through LIU12, and for the beginning of the development of the district's new cyber program.
- ✦ Capital equipment costs decreased by 66.10% or \$906,869 for planned capital projects. Major capital projects are funded through the Capital Projects Renovation fund and Capital Reserve fund; however, smaller projects are funded through the General Fund. In 2021-2022, most of the renovation of the Middle School was completed and new automation controls installed. Projects for 2022-2023 include partial completion of Intermediate School and High School renovations,
- ✦ Debt interest payments increased by 16.26% or \$80,709 as bond and note obligations are paid.
- ✦ Student tuition costs increased by 10.11% or \$325,999. Charter Schools tuition increased by \$123,932, which was the result of an increase in cyber charter tuition based upon the District's budget and average daily membership of students in the previous year. Vocational Tech student enrollment decreased from 102 students in 2022 to 91 students in 2023. Other public school costs nearly doubled due to a court ordered student placement. Adj/Private Schools/PRRIs increased due to expulsion placements and changes in year-long educational placements. Table 3 compares tuition expenses from the 2021-2022 to the 2022-2023 fiscal year.

Table 3 compares tuition expenses from the 2021-2022 to the 2022-2023 fiscal year.

Table 3  
Tuition Costs

<u>Description</u>	<u>2022</u>	<u>2023</u>	<u>Dollar Change</u>	<u>Percent Percent of Change</u>
Other Public Schools	\$ 41,741	\$ 81,930	\$ 40,189	96.28%
Charter Schools	1,208,846	1,332,778	123,932	10.25%
Vocational Tech Schools	1,524,458	1,531,443	6,985	0.46%
Special Education Placement	423,501	537,893	114,393	27.01%
Adj/Private Schools/PRRIs	25,575	66,076	40,501	158.36%
<b>Totals</b>	<b>\$ 3,224,121</b>	<b>\$ 3,550,121</b>	<b>\$ 325,999</b>	<b>10.11%</b>



Instructional costs contributed to 62.53% of total program expenses for governmental activities for South Eastern School District in fiscal year 2022-2023.

The Statement of Activities reflects the cost of program services and the charges for services, sales, grants and contributions offsetting those services. Table 4 shows governmental activities, indicating the total cost of services and net cost (excluding grants and fees charged) of services.

Table 4  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2022	2023	2022	2023
Instruction	\$ 32,307,745	\$ 33,472,914	\$ 24,895,448	\$ 25,351,864
Support Services				
Pupil and instruction staff	4,057,755	4,157,201	3,522,595	3,619,407
Board of Education,				
Administrative and fiscal	5,693,158	5,039,624	5,031,661	4,345,818
Operation and maintenance of plant	5,543,026	6,200,895	5,270,304	5,911,200
Pupil transportation	2,388,534	2,697,762	1,229,597	1,430,359
Extracurricular activities	1,241,680	1,287,991	1,080,638	1,122,814
Community	462	1,704	462	1,704
Interest on long-term debt	504,729	675,167	469,538	612,814
<b>Total expenses</b>	<b>\$ 51,737,089</b>	<b>\$ 53,533,258</b>	<b>\$ 41,500,243</b>	<b>\$ 42,395,980</b>

Only 20.80% of the 2022-2023 total cost of services for the governmental activities was funded by charges for services, grants, and contributions. The remaining costs were funded by local tax revenues and the basic instructional subsidy received from the state.

## **Business-Type Activities**

The business-type activity at South Eastern School District is the food service operation. The District provides both breakfast and lunch programs for grades K through 12 through a contract with Chartwells, a division of Compass Group USA. Food Service had operated under the Seamless Summer Option (SSO) for the 2021-2022 school year, providing for free breakfast and free lunch to all students. Food Service returned to the National School Breakfast and Lunch program in 2022-2023. The Board of School Directors voted to provide free breakfast to all students in 2022-2023; however, Governor Tom Wolf subsequently approved an initiative for the state to provide free breakfast to all students beginning in October of 2022. The food service program had revenues of \$1,561,404, which includes charges for service, state and federal reimbursement. Expenses were \$1,309,128 for the 2022-2023 fiscal year, which was a slight increase of \$7,384 in cost.

School lunch, breakfast and milk prices did not increase in 2022-2023. The School District received 69.19% of its revenues from grants and contributions from the federal and state reimbursable breakfast and lunch programs. Compared to the prior year, revenue from state and federal subsidies decreased by 28.08% or \$421,860. Total operating revenues increased 178.00% or \$308,093 as students paid for a la carte or extra items.

Total net position increased by 51.21% from \$492,647 in 2020-2021 to \$744,923 in 2022-2023. Four of six schools are identified as high poverty, resulting in higher reimbursement for meals provided. Additionally, the District is the recipient of three rounds of supply chain assistance grants. These grants will provide \$121,215, which is being used to offset the cost of milk procurement in 2022-2023 and in 2023-2024.

## **General Fund Budgeting Highlights**

For the 2022-2023 fiscal year, general fund total revenue was over budget by 6.59% or \$3,713,375. Local revenue was greater than budget by 6.98% or \$2,480,853 mainly due to interest on investments exceeding budget by over \$1.1 million, earned income tax receipts of about \$0.6 million greater than budget, and current and interim real estate tax receipts together exceeding budget by about \$0.5 million. The current real estate tax collection rate is 97%. State revenue was greater than budget by 4.85% or \$953,065. Increases were seen in the basic education subsidy, special education and transportation subsidies, and PCCD grant reimbursement for funds spent. Federal revenue was greater than budget by 23.29% or \$279,457 due to spending of the CARES ACT ARP ESSER grants.

Total general fund expenditures were under the current budget by 3.77% or \$2,266,563. Significant expenditure budget variances are noted below.

- ✦ Salaries and benefits were lower than budget due to professional staff leaves and savings in comparison to budget for healthcare benefits. Healthcare benefits were budgeted for a \$1 million transfer; however, the transfer was made directly between fund balances and was not charged to the expenditure accounts.
- ✦ Purchased professional and technical services were lower than budget for autistic support and emotional support as the district operates emotional and autistic support classes and is less dependent upon Lincoln Intermediate Unit 12 for some of these services.
- ✦ Operation and Maintenance of Plant Services were over budget by 5.54% or \$254,527 due to procurement of camera systems funded by the PCCD grant, repairs for the sewer plant, custodial supplies cost increase and natural gas cost and usage increase.
- ✦ Central and Other Support Services were under budget by 33.64% or \$694,984 due to a reclassification of classroom devices to regular education account codes.

- ✦ Facilities were over budget by 64.48% or \$254,986 due to architect fees for the new Wellness Center project and new card access for the tech department offices and the fieldhouse.
- ✦ Fund transfer budgeted to cafeteria fund was not needed due to the additional cash received in the cafeteria fund from federal and state reimbursements.

## Capital Assets

At June 30, 2023, total net governmental capital assets increased by \$5,682,065. The increase in governmental capital assets resulted from depreciation of fixed assets and amortization of right to use leased assets and subscription assets in the amount of \$3,265,734, offset by investment in machinery and equipment, uniforms, vehicle, building improvements and site improvements. Construction in Progress includes contracts for renovation of South Eastern Intermediate School, Kennard-Dale High School, HVAC and controls replacements. Land improvements include sidewalk at Stewartstown Elementary, walkway at the Kennard-Dale courtyard, and paving on main campus. Building improvements include masonry façade (brick repointing) at South Eastern Middle School and Administration buildings, completion of the South Eastern Middle School GESA renovation project, flooring and roof work. New machinery and equipment include access controls, technology devices, athletic equipment, HVAC units and pumps, fire alarm systems, and a golf cart.

Asset disposals included obsolete machinery and equipment, a 2001 dump truck, and expired building improvements.

Business-type capital assets increased by \$17,295 as a result of depreciation of \$13,705 offset by investment of \$31,000 in a walk-in freezer and walk-in cooler replacement at Delta-Peach Bottom Elementary, and a replacement walk-in cooler at Stewartstown Elementary.

Contractual commitments for the 2023-2024 year are for renovation of the South Eastern Intermediate School, Kennard-Dale High School, completion of the Wellness Center at the high school, HVAC replacement units and controls.

Table 5  
Capital Assets at June 30, 2022  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Land	\$ 1,115,863	\$ 1,115,863	\$ -	\$ -	\$ 1,115,863	\$ 1,115,863
Construction-in-progress	2,264,450	2,841,710	-	-	2,264,450	2,841,710
Site improvements	1,834,027	1,941,811	-	-	1,834,027	1,941,811
Building and building improvements	50,466,501	53,153,185	-	-	50,466,501	53,153,185
Machinery and equipment	7,889,327	9,693,906	83,927	101,222	7,973,254	9,795,128
Right-to-use leased equipment	198,383	148,787	-	-	-	148,787
Right-to-use subscription assets	-	555,354	-	-	-	-
Total capital assets	\$ 63,768,551	\$ 69,450,616	\$ 83,927	\$ 101,222	\$ 63,654,095	\$ 68,996,484



## Debt

At June 30, 2023, the South Eastern School District had \$29,320,000 in total debt outstanding, comprised of \$3,420,000 in bonds and \$25,900,000 in notes. The District's bonds are rated AA Stable.

Table 6  
Bonds and Notes Outstanding

General Obligation Debt:	2022	2023
Series of 2020 - Refunding of Series of 2012	\$ 5,025,000	\$ 3,420,000
Series A of 2021 - Refunding of Series A of 2013	16,200,000	15,340,000
Series B of 2021 - Renovation projects	10,565,000	10,560,000
Total Outstanding Debt	<u>\$ 31,790,000</u>	<u>\$ 29,320,000</u>

## Ancillary Required Debt Disclosure Data

Student enrollment projections provided in the chart below are from the Pennsylvania Department of Education based on live births. Beginning and Year End enrollment figures are student membership tallied in October and May, respectively, of the fiscal year. Disclosure of this information is required as part of the District's bond covenants.

### DISCLOSURE OF OPERATIONAL DATA

Year	PUPIL ENROLLMENT		
	Elementary	Secondary	Total
2016-2017 Beginning	1,376	1,204	2,580
2016-2017 Year End	1,353	1,221	2,574
2017-2018 Beginning	1,360	1,170	2,530
2017-2018 Year End	1,333	1,189	2,522
2018-2019 Beginning	1,328	1,175	2,503
2018-2019 Year End	1,302	1,185	2,487
2019-2020 Beginning	1,333	1,159	2,490
2019-2020 Year End	1,317	1,166	2,483
2020-2021 Beginning	1,239	1,102	2,341
2020-2021 Year End	1,229	1,114	2,343
2021-2022 Beginning	1,320	1,120	2,440
2020-2021 Year End	1,321	1,127	2,448
2022-2023 Beginning	1,330	1,118	2,448
2023-2024 Projected	1,323	1,156	2,479
2024-2025 Projected	1,367	1,153	2,520
2025-2026 Projected	1,407	1,136	2,543
2026-2027 Projected	1,464	1,115	2,579

*Projections from Pennsylvania Department of Education*

<https://www.education.pa.gov/DataAndReporting/Enrollment/Pages/EnrProjections.aspx>

Bond covenants require disclosure of the District’s top ten taxpayers. Accordingly, the ten largest tax assessments by fiscal year from 2019-2020 to 2023-2024 are provided in the chart below. Please note that Exelon Generation Company LLC became Constellation Energy Gen LLC in the 2021-2022 year.

DISCLOSURE OF OPERATIONAL DATA  
TOP TEN TAXPAYERS

Name	Property Assessed Value				
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
JOHNSON CONTROLS INC.	\$ 39,540,720	\$ 39,540,720	\$ 39,540,720	\$ 39,540,720	\$ 39,540,720
EXELON GENERATION COMPANY LLC	33,406,640	33,406,640	33,411,890	-	-
CONSTELLATION ENERGY GEN LLC				33,453,040	33,453,040
CONNECTIV MID MERIT LLC	11,200,650	15,362,400	15,362,400	15,362,400	15,362,400
HOME DEPOT USA INC.	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
STEWARTSTOWN COURTYARD LP	4,656,690	4,656,690	4,656,690	4,656,690	4,656,690
STONEBRIDGE HOSPITALITY PARTNERSHIP	3,838,960	3,838,960	3,838,960	3,838,960	3,838,960
TWOTON INCORPORATED	3,440,520	3,440,520	3,440,520	3,440,520	3,440,520
RIACH FAMILY LIMITED PARTNERSHIP	2,301,750	2,301,750	2,301,750	2,301,750	2,301,750
WELLSPAN PROPERTIES INC.	2,261,600	2,261,600	2,261,600	2,261,600	2,261,600
STONEBRIDGE FLEX I LTD PARTNERSHIP	2,249,000	2,249,000	2,249,000	2,249,000	2,249,000
	<u>\$ 107,896,530</u>	<u>\$ 112,058,280</u>	<u>\$ 112,063,530</u>	<u>\$ 112,104,680</u>	<u>\$ 112,104,680</u>

The chart below provides real estate property valuation and collection information required by bond covenants for disclosure.

Year	Milage	Assessed value of taxable real estate	Total market value		Real estate levy imposed	Amount of real estate taxes collected current year		Percent of current tax levy	Amount of real estate taxes collected for prior years		Total amount of real estate collected	Percent of current tax levy
			of taxable real estate	Common Level Ratio		collected current year	Percent of current tax levy		collected for prior years	Total amount of real estate collected		
2016-2017	22.2503	1,369,755,265	1,594,592,858	85.9%	29,430,567	27,859,525	94.7%	1,014,141	28,873,666	98.1%		
2017-2018	22.2503	1,379,308,465	1,684,137,320	81.9%	29,598,727	28,115,212	95.0%	960,581	29,075,793	98.2%		
2018-2019	22.2503	1,395,886,751	1,466,159,933	95.2%	31,058,923	28,952,412	93.2%	942,296	29,894,708	96.3%		
2019-2020	22.2503	1,400,816,370	1,491,613,574	93.9%	31,168,589	29,138,005	93.5%	1,009,788	30,147,793	96.70%		
2020-2021	22.2503	1,416,595,347	1,510,964,473	93.8%	31,519,692	29,301,078	93.0%	1,069,446	30,370,524	96.40%		
2021-2022	22.2503	1,431,709,911	1,651,871,976	86.7%	31,855,975	29,739,075	93.4%	892,065	30,631,140	96.20%		
2022-2023	22.2503	1,444,178,040	*	*	32,133,395	30,104,487	900.0%	893,738	30,998,225	96.50%		

\* Data available August 2024

## **Economic Impact/Future Concerns**

The South Eastern School District has investments at M & T Bank and the Pennsylvania School District Liquid Asset Fund. The Federal Deposit Insurance Corporation (FDIC) insures the bank account balances and additional protection of investments are guaranteed through Act 72 of 1971 as well. Act 72 requires banks to provide securities as collateral for all public balances on deposit. The Pennsylvania School District Liquid Asset Fund (PSDLAF) provides collateral segregated at a Third-Party Institution or guaranteed by the Federal Home Loan Bank Letter of Credit. The PSDLAF collateral is monitored at 102% market value at the close of business daily.

The Public-School Employees' Retirement System (PSERS) rate for 2022-2023 was 35.26% and for 2023-2024 is 34.00%, the first decrease for over 17 years. PSERS has published future rate projections of 34.73%, 35.49%, and 36.15% for fiscal years 2024-2025 to 2026-2027, respectively. The District has been successful in managing staffing needs and maintaining a retirement committed fund balance of \$10,753,238 as of June 30, 2023.

The ability to hire staff is still a concern of the District, food service vendor, and transportation vendors. While unemployment rates are trending down, the demand for employees far exceeds the supply in many sectors of the economy. Substitutes for hourly and professional employees continue to be in scarce supply.

Student enrollment and capital needs at the Intermediate and Middle School buildings continue to be a primary concern for the South Eastern School District. The Intermediate School building was completed in 1976 and renovated in 2002, while the Middle School was finished in 1956 and renovated in 2002. This simply means that a substantial amount of money may be needed for capital improvements moving forward. Along with these older buildings, enrollment trends continue to cause concern. After a 15-year consistent decrease in enrollment, the South Eastern School District has seen a rise in enrollment the past 3 school years. While the initial concern was with incoming kindergarten numbers, the district observed increases in each grade level cohort from the 21-22 school year to the current school year. This surprise is an indicator that the new residential developments in Region 1 are affecting all six buildings.

While building capacity levels continue to be under the 90% functional capacity, a concern is growing regarding the enrollment capacity level at Stewartstown Elementary (Region 1). During the 21-22 and 22-23 school years, Stewartstown saw an increase in enrollment by 50 and added two additional classes. Unlike the previous 2 years, the 23-24 K class did not show significant increases in size, thus a new class was not added. That being said, we continue to have a concern that this trend may continue, which will put Stewartstown Elementary over the functional capacity limit in a few short years. For that reason, the South Eastern School Board of Directors has formed a Citizen's Advisory Council (CAC) to study the enrollment concerns at Stewartstown Elementary and make recommendations to the board regarding options if student numbers continue to increase. The CAC began work in January 2023 and will conclude in January 2025. Over the course of the past 10 months, the CAC met on 6 occasions. During the May meeting, the CAC decided to employ PowerSchool to conduct an in-depth 10-year enrollment study. The hope is that PowerSchool will help the district determine the level of need and aid us in making decisions moving forward.

In addition to a concern with the enrollment trends, the district has moved into the third phase of our renovations. The South Eastern Middle School, The South Eastern Intermediate School, and Kennard-Dale High School were deemed in need of renovation at the culmination of an Enhanced District Operations Study that concluded in 2020. In addition to the needs outlined in that study, those three buildings had not been renovated in over 20 years, as indicated above. The Phase 1 renovations at South Eastern Middle School consisted of building upgrades in the following areas: HVAC, LED lighting, paint, updated bathrooms, new ceiling tiles, updated flooring and the creation of more functional spaces (cafeteria, media center, auditorium, and large group instruction areas). The scope of the Phase 2 of our renovations is similar to the scope of Phase 1. In Phase 2 both the South Eastern Intermediate School and Kennard-Dale High School were renovated. The third and final renovation phase will update elementary gang bathrooms, elementary media center, high school stadium seating, elementary brick repointing and a few other small projects. Our goal will be to finish all renovations by the summer of 2024.

### **Contacting the School District's Financial Management**

The financial report provides our citizens, taxpayers, employees, Board of School Directors and creditors with a general overview of the School District's finances and shows the School District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact South Eastern School District at (717) 382-4843.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2023**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 9,282,735	\$ 817,238	\$ 10,099,973
Investments	24,009,818	-	24,009,818
Receivables	3,696,573	-	3,696,573
Inventories	-	72,749	72,749
Prepaid expenses	2,326,906	8,235	2,335,141
Capital and right-to-use assets			
Land and construction-in-progress	3,957,573	-	3,957,573
Other capital and right-to-use assets, net of depreciation/amortization	65,493,043	101,222	65,594,265
Total capital and right-to-use assets	69,450,616	101,222	69,551,838
<b>Total assets</b>	<b>\$ 108,766,648</b>	<b>\$ 999,444</b>	<b>\$ 109,766,092</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts on pension liability	\$ 10,845,000	\$ 16,000	\$ 10,861,000
Deferred amounts on OPEB liabilities	1,966,844	3,005	1,969,849
<b>Total deferred outflows of resources</b>	<b>\$ 12,811,844</b>	<b>\$ 19,005</b>	<b>\$ 12,830,849</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 5,678,576	\$ 28,986	\$ 5,707,562
Internal balances	(36,381)	36,381	-
Unearned revenues	102,944	84,168	187,112
Long-term liabilities			
Due within one year	2,579,494	-	2,579,494
Due in more than one year	28,620,549	3,000	28,623,549
Net pension liability	69,606,000	105,000	69,711,000
OPEB liabilities	5,812,870	8,413	5,821,283
Total long-term liabilities	106,618,913	116,413	106,735,326
<b>Total liabilities</b>	<b>\$ 112,364,052</b>	<b>\$ 265,948</b>	<b>\$ 112,630,000</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts on pension liability	\$ 3,648,000	\$ 5,000	\$ 3,653,000
Deferred amounts on OPEB liabilities	1,722,024	2,578	1,724,602
Deferred amounts on refunding debt	129,334	-	129,334
<b>Total deferred inflows of resources</b>	<b>\$ 5,499,358</b>	<b>\$ 7,578</b>	<b>\$ 5,506,936</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 43,181,060	\$ 101,222	\$ 43,282,282
Restricted	102,381	-	102,381
Unrestricted	(39,568,359)	643,701	(38,924,658)
<b>Total net position</b>	<b>\$ 3,715,082</b>	<b>\$ 744,923</b>	<b>\$ 4,460,005</b>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 33,472,914	\$ 21,402	\$ 8,099,648	\$ -	\$ (25,351,864)	\$ -	\$ (25,351,864)
Instructional student support	4,157,201	-	537,794	-	(3,619,407)	-	(3,619,407)
Administration and financial support	5,039,624	-	693,806	-	(4,345,818)	-	(4,345,818)
Operation and maintenance of plant	6,200,895	-	289,695	-	(5,911,200)	-	(5,911,200)
Pupil transportation	2,697,762	-	1,267,403	-	(1,430,359)	-	(1,430,359)
Student activities	1,287,991	-	165,177	-	(1,122,814)	-	(1,122,814)
Community services	1,704	-	-	-	(1,704)	-	(1,704)
Interest on long-term debt	675,167	-	62,353	-	(612,814)	-	(612,814)
<b>Total governmental activities</b>	<b>53,533,258</b>	<b>21,402</b>	<b>11,115,876</b>	<b>-</b>	<b>(42,395,980)</b>	<b>-</b>	<b>(42,395,980)</b>
<b>Business-Type Activities:</b>							
Food service	1,309,128	481,088	1,080,316	-	-	252,276	252,276
<b>Total primary government</b>	<b>\$ 54,842,386</b>	<b>\$ 502,490</b>	<b>\$ 12,196,192</b>	<b>\$ -</b>	<b>\$ (42,395,980)</b>	<b>\$ 252,276</b>	<b>\$ (42,143,704)</b>
<b>General Revenues</b>							
Property taxes, levied for general purposes, net					\$ 31,913,515	\$ -	\$ 31,913,515
Public utility realty, earned income, and other Sec 679 and Act 511 taxes					4,056,878	-	4,056,878
Grants, subsidies and contributions not restricted					11,748,242	-	11,748,242
Investment earnings					1,423,576	-	1,423,576
Miscellaneous income					202,173	-	202,173
<b>Total general revenues</b>					<b>49,344,384</b>	<b>-</b>	<b>49,344,384</b>
<b>Changes in net position</b>					<b>6,948,404</b>	<b>252,276</b>	<b>7,200,680</b>
<b>Net Position - July 1, 2022</b>					<b>(3,233,322)</b>	<b>492,647</b>	<b>(2,740,675)</b>
<b>Net Position - June 30, 2023</b>					<b>\$ 3,715,082</b>	<b>\$ 744,923</b>	<b>\$ 4,460,005</b>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2023**

	General Fund	Capital Projects Fund	Student Activity Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 8,731,066	\$ 449,745	\$ 101,924	\$ 9,282,735
Investments	20,759,044	3,250,774	-	24,009,818
Receivables				-
Taxes	1,303,744	-	-	1,303,744
Federal subsidies	720,710	-	-	720,710
State subsidies	1,639,581	-	-	1,639,581
Other	32,538	-	-	32,538
Due from other funds	36,381	-	-	36,381
Prepaid expenses	2,960,598	20,230	719	2,981,547
<b>Total assets</b>	<b>36,183,662</b>	<b>3,720,749</b>	<b>102,643</b>	<b>40,007,054</b>
<b>Liabilities</b>				
Accounts payable	444,170	84,287	262	528,719
Accrued salaries and benefits	4,879,521	-	-	4,879,521
Payroll withholdings	154,392	-	-	154,392
Unearned revenues	102,945	-	-	102,945
<b>Total liabilities</b>	<b>5,581,028</b>	<b>84,287</b>	<b>262</b>	<b>5,665,577</b>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	915,250	-	-	915,250
<b>Fund Balances</b>				
Restricted for capital projects	-	3,636,462	-	3,636,462
Restricted for student activities	-	-	102,381	102,381
Nonspendable	2,960,598	-	-	2,960,598
Committed	22,061,952	-	-	22,061,952
Unassigned	4,664,834	-	-	4,664,834
<b>Total fund balances</b>	<b>29,687,384</b>	<b>3,636,462</b>	<b>102,381</b>	<b>33,426,227</b>
<b>Total liabilities, deferred inflows     of resources and fund balances</b>	<b>\$ 36,183,662</b>	<b>\$ 3,720,749</b>	<b>\$ 102,643</b>	<b>\$ 40,007,054</b>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2023**

<b>Total fund balances - governmental funds</b>	\$ 33,426,227
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital and right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$114,566,881 and the accumulated depreciation/amortization is \$45,770,906.	68,795,975
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred inflows in the funds.	915,250
The difference between the reacquisition price and the net carrying amount of the old debt is a deferred inflow of resources, which is not reported in the funds.	(129,334)
Deferred inflows and outflows of resources related to pensions are applicable to future periods, and therefore, are not reported within the funds. Deferred inflows and outflows related to pensions are as follows (see footnote for detail):	
Deferred inflows	(3,648,000)
Deferred outflows	10,845,000
Deferred inflows and outflows of resources related to OPEB are applicable to future periods, and therefore, are not reported within the funds. Deferred inflows and outflows related to OPEB are as follows (see footnote for detail):	
Deferred inflows	(1,722,024)
Deferred outflows	1,966,844
Bond discounts and premiums are reported in the governmental funds when debt is issued. The Statement of Net Position reports these items as assets or liabilities with amortization over the life of related debt.	
Unamortized bond premiums	<u>(563,857)</u>
Long-term liabilities, including bonds and notes payable, arbitrage-rebate liabilities, compensated absences and net pension liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds and notes payable	(29,320,000)
Leases payable	(151,498)
Accrued interest	(115,940)
Compensated absences	(1,164,691)
Net pension liability	(69,606,000)
Other post-employment benefits	<u>(5,812,870)</u>
<b>Total net position - governmental activities</b>	<u><u>\$ 3,715,082</u></u>

See Notes to Financial Statements.



**SOUTH EASTERN SCHOOL**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2023**

	General Fund	Capital Projects Fund	Student Activity Fund	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 38,023,050	\$ 217,850	\$ 200,785	\$ 38,441,685
State sources	20,597,609	-	-	20,597,609
Federal sources	1,479,193	-	-	1,479,193
<b>Total revenues</b>	<b>60,099,852</b>	<b>217,850</b>	<b>200,785</b>	<b>60,518,487</b>
<b>Expenditures</b>				
Instructional	35,105,808	197,591	-	35,303,399
Support services	17,854,083	-	-	17,854,083
Operation of noninstructional services	1,195,881	-	167,140	1,363,021
Functional - Other	-	18,050	-	18,050
Capital outlay	650,431	6,309,897	-	6,960,328
Debt service	3,076,650	-	-	3,076,650
Refund of prior year receipts	18,947	-	-	18,947
<b>Total expenditures</b>	<b>57,901,800</b>	<b>6,525,538</b>	<b>167,140</b>	<b>64,594,478</b>
<b>Excess (deficiency) of revenues under expenditures</b>	<b>2,198,052</b>	<b>(6,307,688)</b>	<b>33,645</b>	<b>(4,075,991)</b>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers in	31	-	-	31
Interfund transfers out	-	(31)	-	(31)
<b>Total other financing sources</b>	<b>31</b>	<b>(31)</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>2,198,083</b>	<b>(6,307,719)</b>	<b>33,645</b>	<b>(4,075,991)</b>
<b>Fund Balances:</b>				
July 1, 2022	27,489,301	9,944,181	68,736	37,502,218
June 30, 2023	\$ 29,687,384	\$ 3,636,462	\$ 102,381	\$ 33,426,227

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2023**

<b>Net changes in fund balances - all governmental funds</b>	<b>\$ (4,075,991)</b>
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays and are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation/amortization expense. The amount by which capital outlays exceeds depreciation/amortization in the period is as follows:

Capital outlays	8,324,513	
Less book value of disposed assets	(31,355)	
Less depreciation/amortization expense	(3,265,734)	5,027,424

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" in the governmental funds. Deferred tax revenues decreased by this amount this year. 13,477

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the Statement of Activities over the amount due is shown here. 7,259

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

District pension and OPEB contributions (PSERS)	8,489,000	
Cost of benefits earned net of employee contributions (PSERS)	(4,671,400)	

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	(69,302)	
Other post-employment benefits (District Plan)	(166,286)	(235,588)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of long-term debt	2,470,000	
Amortization of refunding loss	(12,476)	
Amortization of premiums and discounts - net	(111,815)	
Repayment of lease obligation	48,514	2,394,223

<b>Change in net position of governmental activities</b>	<b>\$ 6,948,404</b>	
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See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 35,542,197	\$ 35,542,197	\$ 38,023,050	\$ 2,480,853
State sources	19,644,544	19,644,544	20,597,609	953,065
Federal sources	1,199,736	1,199,736	1,479,193	279,457
<b>Total revenues</b>	<b>56,386,477</b>	<b>56,386,477</b>	<b>60,099,852</b>	<b>3,713,375</b>
<b>Expenditures</b>				
Instructional	37,138,948	37,083,386	35,105,808	1,977,578
Support services	17,607,762	18,277,197	17,854,083	423,114
Operation of noninstructional services	1,339,857	1,340,721	1,195,881	144,840
Capital outlay	20,000	395,446	650,431	(254,985)
Debt services	3,019,540	3,071,611	3,076,650	(5,039)
Refund of prior year receipts	-	-	18,947	(18,947)
<b>Total expenditures</b>	<b>59,126,107</b>	<b>60,168,361</b>	<b>57,901,800</b>	<b>2,266,561</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,739,630)</b>	<b>(3,781,884)</b>	<b>2,198,052</b>	<b>5,979,936</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	-	31	(31)
Operating transfers out	(100,000)	(100,000)	-	(100,000)
Budgetary reserve	(1,194,075)	(151,821)	-	(151,821)
<b>Total other financing (uses)</b>	<b>(1,294,075)</b>	<b>(251,821)</b>	<b>31</b>	<b>(251,852)</b>
<b>Net changes in fund balance</b>	<b>\$ (4,033,705)</b>	<b>\$ (4,033,705)</b>	<b>2,198,083</b>	<b>\$ 5,728,084</b>
<b>Fund Balance:</b>				
July 1, 2022			27,489,301	
June 30, 2023			<u>29,687,384</u>	

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE**

**June 30, 2023**

<b>Assets</b>	
Cash and cash equivalents	\$ 817,238
Inventories	72,749
Prepaid expenses	8,235
Other capital assets, net of depreciation	101,222
<b>Total assets</b>	<u>\$ 999,444</u>
<b>Deferred Outflows of Resources</b>	
Deferred amounts on pension liability	\$ 16,000
Deferred amounts on OPEB liabilities	3,005
<b>Total deferred outflows of resources</b>	<u>\$ 19,005</u>
<b>Liabilities</b>	
Accounts payable	\$ 28,986
Unearned revenues	84,168
Long-term liabilities	
Due to other funds	36,381
Compensated absences	3,000
Net pension liability	105,000
OPEB liabilities	8,413
Total long-term liabilities	152,794
<b>Total liabilities</b>	<u>\$ 265,948</u>
<b>Deferred Inflows of Resources</b>	
Deferred amounts on pension liability	\$ 5,000
Deferred amounts on OPEB liabilities	2,578
<b>Total deferred inflows of resources</b>	<u>\$ 7,578</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 101,222
Unrestricted	643,701
<b>Total net position</b>	<u>\$ 744,923</u>

See Notes to Financial Statements.

## SOUTH EASTERN SCHOOL DISTRICT

### STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION - PROPRIETARY FUND - FOOD SERVICE

Year Ended June 30, 2023

<hr/>	
Operating Revenues	
Food service revenues	\$ 481,088
<hr/>	
Operating Expenses	
Salaries	25,697
Employee benefits	(79,729)
Repairs and maintenance	36,381
Other purchased services	1,152,820
Supplies	160,254
Depreciation	13,705
<b>Total operating expenses</b>	<u>1,309,128</u>
<b>Operating loss</b>	(828,040)
Nonoperating Revenues	
State sources	219,666
Federal sources	860,650
<b>Total nonoperating revenues</b>	<u>1,080,316</u>
<b>Change in net position</b>	252,276
Net Position:	
July 1, 2022	492,647
June 30, 2023	<u>\$ 744,923</u>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND - FOOD SERVICE  
 Year Ended June 30, 2023**

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Cash Flows From Operating Activities	
Cash received from meal sales	\$ 488,108
Cash payments to employees for services	(57,766)
Cash payments for goods and services	(1,159,080)
<b>Net cash used in operating activities</b>	<u>(728,738)</u>
 Cash Flows From Noncapital Financing Activities	
Federal and state sources	936,939
<b>Net cash provided by noncapital financing activities</b>	<u>936,939</u>
 Cash Flows From Capital and Related Financing Activities	
<b>Purchase of property and equipment</b>	<u>(31,000)</u>
<b>Net increase in cash and cash equivalents</b>	177,201
 Cash and Cash Equivalents:	
July 1, 2022	640,037
June 30, 2023	<u>\$ 817,238</u>
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (828,040)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	13,705
Value of donated commodities	159,916
Decrease (increase) in:	
Due from other funds	29,013
Inventories	(22,425)
Other receivables	2,808
Deferred outflow resources	19,489
Increase (decrease) in:	
Due to other funds	36,381
Accounts payable	(12,510)
Unearned revenues	4,212
Net pension liability	(95,000)
OPEB liabilities	(9,396)
Deferred inflow of resources	(26,891)
<b>Net cash used in operating activities</b>	<u>\$ (728,738)</u>
 <b>Supplemental Disclosure</b>	
Noncash noncapital financing activity:	
USDA donated commodities	<u>\$ 159,916</u>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2023**

	Private-Purpose Trust Fund
<hr/>	
<b>Assets</b>	
Investments	\$ 10,000
Other receivables	462
<b>Total assets</b>	<u>\$ 10,462</u>
<b>Liabilities</b>	
Due to student groups	<u>\$ -</u>
<b>Net Position</b>	
Restricted for student scholarship funds	10,462
<b>Total net position</b>	<u>\$ 10,462</u>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
PRIVATE-PURPOSE TRUST FUND  
Year Ended June 30, 2023**

	Private-Purpose Trust Fund
<hr/>	
Additions	
Investment earnings	\$ 412
	<hr/>
<b>Change in net position</b>	412
Net Position - July 1, 2022	10,050
Net Position - June 30, 2023	<u>\$ 10,462</u>

See Notes to Financial Statements.



# **SOUTH EASTERN SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies**

South Eastern School District (the District), located in York County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12<sup>th</sup> grade. These include regular and advanced academic programs and special education programs. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The District is comprised of three elementary schools, one middle school, one intermediate school and one high school, serving approximately 2,500 students.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

#### **A. Reporting Entity**

In evaluating the District as a reporting entity, management has addressed all potential component units, which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of the District. The District is not a component unit of another reporting entity, nor does it have any component units.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. 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 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 fund financial statements are provided in the report for all of the governmental funds, proprietary funds and the fiduciary funds of the District, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements. Non-major, individual governmental funds are also reported as separate columns in the fund financial statements. Fiduciary funds are reported by fund type.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant GASB pronouncements.

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 revenues as soon as all eligibility requirements imposed by the provider have been met. Net position (assets plus deferred outflows of resources less liabilities less deferred inflows of resources) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as an expense against current operations and accumulated depreciation is reported in the Statement of Net Position.

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 government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and expenditures related to compensated absences and claims and judgments, are recorded only when payments are due.

When both restricted and unrestricted (including committed, assigned and unassigned) resources are available for use, it is the School District's policy to generally use the resources with the most stringent restrictions first, followed by resources in decreasing order of restriction, as funds are needed. However, the District does use unassigned monies at times to pay for expenditures that may have been Board committed.

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It is used to account for all financial resources of the District, except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds).

Student Sponsored Activity Fund - This fund is set up in accordance with Section 511 of the PA School Code for student sponsored school organizations and publications which do not meet the criteria to be reported as custodial funds per GASB Statement No. 84 *Fiduciary Activities*.

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The District operates one proprietary fund, the Food Service Fund. This fund is used for all financial transactions related to the food service operations. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal, on-going operations. The principal operating revenues of the District's proprietary fund are food service charges. Operating expenses for the District's proprietary fund include food production costs, supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting these criteria are reported as non-operating revenues and expenses. The District does not attempt to allocate "building-wide costs" to the Food Service Fund. Thus, General Fund expenditures which partially benefit the Food Service Fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the Food Service Fund; similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

The District maintains the following fiduciary fund types:

Scholarship Trust Fund - The Scholarship Trust Fund accounts for assets invested and on which interest is earned and made available for scholarships.

## **SOUTH EASTERN SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **D. Budget and Budgetary Accounting**

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

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required. The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major-object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows presented for the proprietary fund, the District considers all highly-liquid investments with maturities of one month or less when purchased to be cash equivalents.

Investments: Investments are stated at fair value or at amortized costs, depending on the investment type, consistent with generally accepted accounting principles.

Inventories: On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

A physical inventory of the Proprietary Fund food and supplies was taken as of June 30, 2023. The inventory consisted of government donated commodities, which were valued at estimated fair market value, and purchased commodities and supplies, both valued at costs using the first-in, first-out (FIFO) method. The District has adopted a single-inventory recordkeeping system which does not distinguish between donated and purchased commodities. Accordingly, no unearned revenues for donated commodities have been recorded.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

Capital Assets and Depreciation: Capital assets, which include property, plant and equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets with a value of \$4,000 or more are capitalized by the District. Capital assets are capitalized in accordance with Board policy at the discretion of management, unless the assets are acquired by debt proceeds, in which case the assets are required to be capitalized. Management considers various factors in the capitalization of assets, including the assets' estimated useful lives, their costs and the extent to which the assets are components of larger capital projects. Donated capital assets are recorded at estimated fair market values on the dates of donation.

The costs of normal maintenance and repairs that do not add to the values of the assets or materially extend assets' useful lives are not capitalized.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

#### Capital Assets and Depreciation (Continued):

Depreciation is provided for capital assets on the straight-line basis over the following estimated useful lives:

Land (site) improvements	40 years
Buildings and building improvements	40 - 45 years
Furniture and equipment	5 - 20 years

Government-Wide Statements: In the government-wide financial statements, depreciation of all exhaustible capital assets is recorded as a direct expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the applicable governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as capital assets which are presented in the government-wide statements.

Deferred Outflows of Resources - Deferred Amounts on Refunding Debt: The District recognizes the difference between the reacquisition price and the net carrying amount of the old debt as a deferred outflow and recognizes it as a component of interest expense over the remaining life of the old or new debt, whichever is shorter.

Deferred Outflows of Resources - Pensions and Other Post-Employment Benefits: The District recognizes deferred outflows of resources, which represent a consumption of net assets that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has identified these items in subsequent notes to the financial statements.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Long-Term Obligations: In the government-wide financial statements, and in proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities columns in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the related bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the 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.

Lease and Subscription Based Information Technology Arrangement (SBITA) Liabilities: The District enters into non-cancellable arrangements for the leasing of buildings and equipment and for subscription based information technology. A liability and an intangible right-to-use asset is recognized in the government-wide financial statements. Lease and SBITA that are significant, either individually or in the aggregate, are recognized.

At the commencement of a lease or SBITA, the District initially measures the liability at the present value of payments expected to be made during the agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The right of use asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the contract commencement date. Subsequently, the right of use asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected payments to present value, (2) contract term, and (3) contract payments. The District uses the interest rate charged by the lessor as the discount rate for leases, if provided. When the interest rate charged is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases and SBITA liabilities.

The term includes the non-cancellable period of the lease or SBITA. Payments included in the measurement of the liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its arrangements and will remeasure the related asset and liability if certain changes occur that are expected to significantly affect the amount of the liability.

Right of use assets are reported with other capital assets and lease and SBITA liabilities are reported with long-term debt on the statement of net position.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Compensated Absences: The District's policy regarding payments for compensated absences varies based on the contract under which the individual is employed. Upon retirement from the District's service, teachers will receive a non-elective contribution to a 403(b) account of the greater of (1) \$175 per year for years of service with the option to receive \$225 per year for year of service if notice is given by October 1<sup>st</sup>, or (2) \$45.00 per accumulated sick day up to a maximum of 200 days with the option to receive \$50.00 per accumulated sick day up to the maximum of 200 days if notice is given by October 1<sup>st</sup>. Hourly support staff will receive the greater of (1) \$100 for each year of consecutive service or (2) \$25.00 per accumulated sick day up to a maximum of 120 days as a lump sum payment. ACT 93 Administrators will receive a non-elective contribution to a 403(b) account of (1) \$200 per consecutive year served in the District or (2) \$60.00 per accumulated sick day up to a maximum of 200 days. Upon separation, due to retirement or termination of employment, administrative and support employees are compensated for any remaining earned vacation and personal leave days based on their per-diem rate. In the governmental funds, the cost of sick leave is recognized when payments are made to employees.

Other Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with post-employment benefits other than pension compensation. The District participates in two plans the first is a single employer plan administered by the District. The plan provides retiree health, vision, dental care and prescription drug benefits for eligible, retired employees and their qualified spouses/beneficiaries. The District estimates the cost of providing these benefits through an actuarial valuation. The single employer OPEB plan is unfunded.

The District also participates in a governmental cost sharing, multiple-employer other post-employment benefit plan (OPEB) with the Public School Employees' Retirement System (PSERS) for all eligible retirees who qualify and elect to participate. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

The balances of the District’s OPEB obligations and deferred resources at June 30, 2023, are as follows:

	Governmental Activities	Business-Type Activities	Total
OPEB Obligations			
PSERS Cost Sharing Plan - OPEB Liabilities (Note 12)	\$ 2,875,000	\$ 4,000	\$ 2,879,000
District Plan - OPEB Liabilities (Note 11)	2,937,870	4,413	2,942,283
Total	\$ 5,812,870	\$ 8,413	\$ 5,821,283
Deferred Outflows of Resources			
PSERS Cost Sharing Plan Liability	\$ 565,800	\$ 900	\$ 566,700
District OPEB Plan Liability	1,401,044	2,105	1,403,149
Total	\$ 1,966,844	\$ 3,005	\$ 1,969,849
Deferred Inflows of Resources			
PSERS Cost Sharing Plan Liability	\$ 805,000	\$ 1,200	\$ 806,200
District OPEB Plan Liability	917,024	1,378	918,402
Total	\$ 1,722,024	\$ 2,578	\$ 1,724,602

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees’ Retirement System (PSERS) and additions to/deductions from PSERS’s fiduciary net position have been determined on the same basis as they are reported to 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.

Interfund Transfers: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various due from and due to accounts.

On fund financial statements, short-term, interfund loans are classified as interfund balances. These amounts are eliminated in the Statement of Net Position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

Deferred Inflows of Resources - Pensions and Other Post-Employment Benefits: The District recognizes deferred inflows of resources, which represent an acquisition of net assets that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has identified these items in subsequent notes to the financial statements.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Deferred Inflows of Resources - Unearned Revenues: The District recognizes the property tax revenues when they become available. Available includes those property tax receivables expected to be collected within 60 days after year-end. Those property tax receivables expected to be collected after 60 days after year-end are shown as deferred inflows of resources in the fund financial statements. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

#### Fund Balance:

The School District's fund balance classifications are defined and described as follows:

Nonspendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provisions or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of School Directors, the District's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purpose through the same action it used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. The Board has delegated the authority to express intent to the District's Business Manager.

Unassigned: Represents fund balance amounts that have not been restricted, committed or assigned to specific purposes within the General fund.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### F. New Accounting Pronouncements

The following list reflects only those pronouncements initially effective in the current or upcoming reporting periods which based on our review, may be applicable to the District's reporting requirements.

Following are descriptions of significant pronouncements that were considered or initially selected during the year ended June 30, 2023:

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the District beginning with its year ending June 30, 2023 (periods beginning after December 15, 2021). This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will be effective for the District beginning with its year ending June 30, 2023 (fiscal periods beginning after June 15, 2022). This Statement improves financial reporting by addressing issues related to public-private and public-public partnerships.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements for this Statement are effective for fiscal years beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District is currently evaluating what effect, if any, the adoption of GASB No. 96 will have on the District's financial statements.

The following are descriptions of accounting pronouncements which will be considered for implementation during subsequent fiscal years, with modified effective dates as established by GASB Statement No. 95:

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. The adoption of this pronouncement was determined not to have a material impact on the District's beginning balances and current year results.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnerships. The adoption of this pronouncement was determined not to have a material impact on the District's beginning balances and current year results.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### F. New Accounting Pronouncements (Continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The adoption of this pronouncement was determined not to have a material impact on the District's beginning balances and current year results.

GASB Statement No. 99, *Omnibus 2022*, is effective for the District in fiscal years ending between June 30, 2022 and 2024, depending on the topics addressed and their relation to other standards. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The adoption of this pronouncement was determined not to have a material impact on the District's beginning balances and current year results.

The following are descriptions of accounting pronouncements which will be considered for implementation during subsequent fiscal years, with modified effective dates as established by GASB Statement No. 95:

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, will be effective for the District beginning with its year ending June 30, 2024 (fiscal years beginning after June 15, 2023). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements.

GASB Statement No. 101, *Compensated Absences*, will be effective for the District beginning with its year ending June 30, 2025 (fiscal years beginning after December 15, 2023). This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

The effects of implementation of these standards have not yet been determined.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### G. Other

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 13, 2023, the date the financial statements were available to be issued.

### Note 2. Deposits and Investments

Under Section 440.1 of the Public-School Code of 1949, as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments:

- U. S. Treasury Bills
- Short-term obligations of the U.S. Government or its agencies or instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
  1. The Federal Deposit Insurance Corporation (FDIC), or
  2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
  3. The National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full faith and credit of the political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policy of the District adheres to state statutes and prudent business practices. There were no deposit or investment transactions during the year that were in violation of either state statutes or the policy of the District.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 2. Deposits and Investments (Continued)

##### Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank default, the District's investments may not be returned to it. A summary of the District's deposits at June 30, 2023, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	M&T Bank
Insured (FDIC)	743,497	743,497	Various Banks CD's
Uninsured and collateralized by assets maintained in conformity with Act 72	3,352,610	3,764,980	
	<u>\$ 4,346,107</u>	<u>\$ 4,758,477</u>	

Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgers of the assets.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

#### Investments

As of June 30, 2023, the District had the following investments:

	Credit Rating	Weighted Avg. Maturity in Years	Carrying Value
<hr/>			
Pennsylvania School District Liquid Asset Fund (PSDLAF)			
PSDMAX	AAAm	.068	\$ 6,507,362
PSDLAF US Treasury Bill	NA	NA	963,345
PSDLAF Full Flex Pool	NA	Various	22,302,975
			<hr/> <u>\$ 29,773,682</u> <hr/>

Certain external pool investments held by the District, based on portfolio maturity, quality, diversification and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The District measures those investments, which include PSDMAX, at amortized cost.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities and repurchase agreements, collateralized by such securities and contracted with highly rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

The PSDLAF Full Flex Pool, as part of the Fixed Term Series at PSDLAF, are fixed term investments collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed Term Series are fixed term investment vehicles with maturities depending upon the maturity date of each particular Fixed Term Series. All investments in a Fixed Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed Term Series, however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed Term Series are invested is registered in the name of that particular Fixed Term Series. Certificates of deposit used for Fixed Term Series (i) are normally in principal amounts in excess of the FDIC insurance limit of \$250,000, (ii) are collateralized in accordance with law and (iii) the collateral is held by a third-party custodian pursuant to a custody agreement among the Fund, the bank that issues the certificate of deposit and the third-party custodian. In some instances, the collateral consists of an Irrevocable Letter of Credit issued by the applicable Federal Home Loan Bank. At present, The Bank of New York serves as the third-party custodian with respect to all such collateralized certificates of deposit.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 2. Deposits and Investments (Continued)**

##### Investments (Continued)

Permitted Investments (other than certificates of deposit) such as U.S. Treasury or Agency securities in which monies in which a Fixed Term Series are invested are registered in the name or names of the Settlor or Settlers for which the Fixed Term Series was created, and the security is held in custody by a third party custodian pursuant to a custody agreement between the Investment Adviser and the third party custodian. At present, US Bank National Association, Minneapolis, Minnesota serves as the third-party custodian with respect to all such securities. The District reports these nonparticipating contracts, as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, using a cost-based measure, provided that the fair value of those contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors consistent with GASB Statement No. 31.

The PSDLAF collateralized CD Pool are Fixed Term Series investments collateralized in accordance with Act 72 and invests in certificates of deposit in the name of PSDLAF. The District reports these nonparticipating contracts, as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, using a cost-based measure, provided that the fair value of those contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors consistent with GASB Statement No. 31. The fund will invest in FDIC insured institutions only on a fully collateralized basis in accordance with Section 440.1 of the Public School Code or in amounts that will result in full insurance in accordance with the regulations of the FDIC as interpreted by the FDIC from time to time. Currently under these regulations Settlers' deposits in each insured institution are insured up to \$250,000 in the aggregate, regardless of whether the deposits are made through the Fund or directly by a Settlor. All investments are intended to be deposited for the full term of the particular Fixed Term Series.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Presently, the investments currently held by the District are valued at amortized cost and are not subject to the fair value categorization disclosures.

##### Weighted-Average Maturity

The weighted-average maturity (WAM) method expresses investment time horizons - the time when investments become due and payable - in years or months, weighted to reflect the dollar size of individual investments within an investment type. In this illustration, WAMs are computed for each investment type. The portfolio's WAM is derived by dollar weighting the WAM for each investment type.

##### Interest Rate Risk

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



# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

#### Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments and the District maintains an investment policy to reduce credit risk through diversification and other means of limiting the risk.

### Note 3. Property Taxes

Property taxes are levied on July 1. Taxes are collected at a discount until August 31, at their face amount from September 1 until October 31, and include a penalty thereafter. The District tax rate for all purposes in 2022-2023 was 22.2503 mills (\$22.2503 per \$1,000 assessed valuation). Ninety-seven percent of the assessed taxes were collected. The York County Tax Claim Bureau collects delinquent taxes for the District.

### Note 4. Taxes Receivable and Deferred Inflows of Resources

A summary of the taxes receivable and related accounts at June 30, 2023, follows:

	Amount
Taxes Receivable	\$ 1,303,744
Taxes to be collected within 60 days	\$ 388,494
Deferred inflows of resources - delinquent property taxes	915,250
Taxes receivable	\$ 1,303,744
Deferred Inflow of Resources	
Delinquent taxes	\$ 915,250
Total deferred inflow of resources	\$ 915,250

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Interfund Accounts and Transfers**

All interfund receivable/payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances are expected to be repaid within the following year. As of June 30, 2023, the interfund receivable/payable balances are as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities		
General Fund	\$ 36,381	\$ -
Business-Type Activities - Food Service	-	36,381
	<u>\$ 36,381</u>	<u>\$ 36,381</u>

Individual fund transfers during the fiscal year ended June 30, 2023, are as follows:

	Transfers in	Transfers out
Governmental Activities		
General Fund	\$ 31	
Capital Projects Fund	-	31
	<u>\$ 31</u>	<u>\$ 31</u>

Transfers and payments within the District are substantially for purposes of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Capital and Right-To-Use Assets**

Asset activity for the year ended June 30, 2023, was as follows:

	July 1, 2022	Increases	Decreases	June 30, 2023
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 1,115,863	\$ -	\$ -	\$ 1,115,863
Construction-in-progress	2,264,450	2,841,710	(2,264,450)	2,841,710
Total capital assets, not being depreciated	<u>3,380,313</u>	<u>2,841,710</u>	<u>(2,264,450)</u>	<u>3,957,573</u>
Other capital and right-to-use assets				
Site improvements	4,950,290	204,050	-	5,154,340
Buildings and building improvements	81,992,764	4,428,955	(103,036)	86,318,683
Furniture and equipment	17,286,430	3,114,248	(1,512,372)	18,888,306
Right-to-use leased equipment	247,979	-	-	247,979
Right-to-use subscription assets	-	654,641	-	654,641
Total capital and right-to-use assets being depreciated/amortized	<u>104,477,463</u>	<u>8,401,894</u>	<u>(1,615,408)</u>	<u>111,263,949</u>
Less accumulated depreciation				
Site improvements	(3,116,263)	(96,266)	-	(3,212,529)
Buildings and building improvements	(31,526,263)	(1,740,031)	100,796	(33,165,498)
Furniture and equipment	(9,397,103)	(1,280,554)	1,483,257	(9,194,400)
Less accumulated amortization for				
Right-to-use leased equipment	(49,596)	(49,596)	-	(99,192)
Right-to-use subscription assets	-	(99,287)	-	(99,287)
Total accumulated depreciation and amortization	<u>(44,089,225)</u>	<u>(3,265,734)</u>	<u>1,584,053</u>	<u>(45,770,906)</u>
Total capital assets being depreciated, net	<u>60,388,238</u>	<u>5,136,160</u>	<u>(31,355)</u>	<u>65,493,043</u>
Total Governmental Activities, Capital Assets - Net	<u>\$ 63,768,551</u>	<u>\$ 7,977,870</u>	<u>\$ (2,295,805)</u>	<u>\$ 69,450,616</u>
<b>Business-Type Activities:</b>				
Capital assets being depreciated				
Furniture and equipment	\$ 882,922	\$ 31,000	\$ (62,900)	\$ 851,022
Less accumulated depreciation for machinery and equipment	(798,995)	(13,705)	62,900	(749,800)
Total Business-Type Activities, Capital Assets - Net	<u>\$ 83,927</u>	<u>\$ 17,295</u>	<u>\$ -</u>	<u>\$ 101,222</u>

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 6. Capital and Right-To-Use Assets (Continued)**

Depreciation/Amortization expense was charged to the functions/programs of the District as follows:

Depreciation Allocation	Amount
Governmental Activities:	
Instruction	\$ 897,142
Instructional student support	15,412
Administration and financial support	384,907
Operation and maintenance of plant	1,919,964
Transportation	854
Student activities	47,458
Total Governmental Activities	<u>3,265,737</u>
Business-Type Activities:	
Food Service	13,705
Total Primary Government	<u>\$ 3,279,442</u>

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note 7. Long-Term Obligations**

During the fiscal year ended June 30, 2023, long-term debt changed as follows:

	Balances			Balances	
	July 1,			June 30,	Due within
	2022	Increases	Decreases	2023	one year
General Obligation Debt					
Series of 2020	\$ 5,025,000	\$ -	\$ (1,605,000)	\$ 3,420,000	\$ 1,660,000
Series A of 2021*	16,200,000	-	(860,000)	15,340,000	865,000
Series B of 2021*	10,565,000	-	(5,000)	10,560,000	5,000
Bond premium (discount)	452,041	124,355	(12,542)	563,854	-
Total General Obligation Debt	32,242,041	124,355	(2,482,542)	29,883,854	2,530,000
Leases payable	200,012	-	(48,514)	151,498	49,494
Compensated absences	1,098,389	69,302	-	1,167,691	-
Totals	\$ 33,540,442	\$ 193,657	\$ (2,531,056)	\$ 31,203,043	\$ 2,579,494

\* Direct Borrowing Note

General Obligation Bonds Series of 2020 - During fiscal 2019-2020, the District issued General Obligation Bonds, Series of 2020, for the purpose of fully refunding General Obligation Bonds, Series of 2012, The Par Value of General Obligation Bond, Series of 2020 is \$7,915,000. The refinancing created an economic savings of \$144,836. The bonds bear annual interest rates ranging from 1.03% to 4.00%. Interest is payable semi-annually and the bonds mature serially in amounts ranging from \$400,000 to \$1,260,000. The bonds mature on June 1, 2026.

General Obligation Note Series A of 2021 - During fiscal 2020-2021, the District issued General Obligation Note, Series A of 2021, for the purpose of fully refunding General Obligation Bonds, Series A of 2013, The Par Value of General Obligation Note, Series A of 2021 is \$16,200,000. The refinancing created an economic savings of \$1,243,509. Interest is payable semi-annually at a fixed rate of 1.250% and the note matures serially in amounts ranging from \$860,000 to \$3,465,000. The note matures on March 15, 2029.

General Obligation Note Series B of 2021 - During fiscal 2019-2020, the District issued General Obligation Note, Series B of 2021, to finance various capital projects of the District. The Par Value of General Obligation Note, Series B of 2021 is \$10,570,000. Interest is payable semi-annually at a fixed rate of 1.600% and the note matures serially in amounts ranging from \$880,000 to \$1,660,000. The note matures on March 15, 2033.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 7. Long-Term Obligations (Continued)

The maturities of the long-term debt issues are as follows:

Year	Bonds		Direct Borrowings		Minimum Debt Service
	Principal	Interest	Principal	Interest	
2024	1,660,000	128,800	870,000	360,710	\$ 3,019,510
2025	880,000	70,400	2,050,000	349,818	3,350,218
2026	880,000	35,200	2,125,000	324,175	3,364,375
2027	-	-	3,430,000	297,595	3,727,595
2028	-	-	3,470,000	254,703	3,724,703
2029-2034			13,955,000	633,230	14,588,230
	<u>\$ 3,420,000</u>	<u>\$ 234,400</u>	<u>\$ 25,900,000</u>	<u>\$ 1,587,001</u>	<u>\$ 31,774,631</u>

The District is currently in compliance with all debt covenants of the outstanding issues. Those covenants include the following: The District shall include the annual debt service in its budget for the fiscal year, shall appropriate said debt service from its general revenues and shall punctually cause the payment of the principal and interest of all obligations.

#### Compensated Absences

Under the terms of the School District's employment policies, employees are reimbursed for accrued vacation upon retirement or other termination of employment. The reimbursement rate is established by the employment contract and varies by employee classification. In addition, employees are granted sick days per school year and any unused sick days are permitted to be carried over to future years. Upon retirement from the School District, employees are reimbursed for accumulated sick days equal to the number of unused days multiplied by an amount established by the employment contract. The employees are also offered options regarding retirement payouts as prescribed in the contract if certain conditions are met. The total liability for accrued vacation, sick leave and retirement bonuses has been reflected in the Statement of Net Position.

#### Leases

The District leases equipment for certain District offices and buildings. The terms of the agreement are for five years.

The District's equipment leases contain scheduled monthly payments with expiration dates extending through 2026. Lease obligations are funded 100 percent by the general fund.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 7. Long-Term Obligations (Continued)**

Leases (Continued)

The following is a schedule of future minimum lease payments for leases with initial or remaining terms in excess of one year as of June 30, 2023:

Years	Governmental Activities		
	Principal	Interest	Total
2023-2024	\$ 49,494	\$ 3,221	\$ 52,715
2024-2025	50,493	2,222	52,715
2025-2026	51,512	1,203	52,715
	<u>\$ 151,498</u>	<u>\$ 6,647</u>	<u>\$ 158,145</u>

**Note 8. Fund Balance Designations**

The District has designated certain portions of the General Fund balance as follows:

Description of committed	Amount
General Fund	
PSERS	\$ 10,753,238
Capital Improvement Projects	11,308,714
	<u>\$ 22,061,952</u>
Description of nonspendable	Amount
General Fund	
Lincoln Benefit Trust deposit	\$ 2,202,818
Prepaid supplies and other	757,780
	<u>\$ 2,960,598</u>

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Lincoln Benefit Trust

The School District is exposed to risk of loss related to employee health care. In July 1989, the District joined the Lincoln Benefit Trust, a public-entity risk pool currently operating as a claim servicing pool for member school districts and the intermediate unit. The School District is liable for all claims up to \$150,000. Claims incurred for \$150,001-\$300,000 are paid from a stop-loss pool fund on a shared risk basis. Claims incurred for \$300,001-\$500,000 are paid from a stop-loss insurance policy purchased by the Trust. Stop-loss insurance is purchased through an insurance carrier for \$500,000 and above, per individual. At June 30, 2023, the District's funding for claims exceeded the payments to date; accordingly, the District has a prepaid balance of \$2,211,053 with Lincoln Benefit Trust, which is recorded in the General and Food Service Funds as an asset. The District has reserved fund balance for this amount.

The following is a summary of the financial information of the Lincoln Benefit Trust as of June 30, 2023:

	Amount
Net assets available for benefits	<u>\$ 72,367,757</u>
Accumulated plan benefits	<u>\$ 9,582,200</u>

The accumulated plan benefits represent estimated claims incurred, but not reported to the Plan Administrator at June 30, 2023. It is reasonably possible that actual benefit claims for all participating members will differ from the estimated amount and the difference may be material to the District's financial position taken as a whole.



## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 10. Defined-Benefit Pension Plan

##### Plan Description

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

##### Benefits Provided

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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 three 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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% and 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 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.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note 10. Defined-Benefit Pension Plan (Continued)**

Contribution Rates

Member Contributions:

The contribution rates based on qualified member compensation for virtually all members are presented below:

<b>Member Contribution Rates</b>				
<b>Membership Class</b>	<b>Continuous Employment Since</b>	<b>Defined Benefit (DB) Contribution Rate</b>	<b>DC Contribution Rate</b>	<b>Total Contribution Rate</b>
T- C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T- C	On or after July 22, 1983	6.25%	N/A	6.25%
T- D	Prior to July 22, 1983	6.50%	N/A	6.50%
T- D	On or after July 22, 1983	7.50%	N/A	7.50%
T- E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	7.50%
T- F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	10.30%
T- G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	8.25%
T- H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	7.50%
DC	On or after July 1, 2019	N/A	7.50%	7.50%
<b>Shared Risk Program Summary</b>				
<b>Membership Class</b>	<b>Defined Benefit (DB) Base Rate</b>	<b>Shared Risk Increment</b>	<b>Minimum</b>	<b>Maximum</b>
T- E	7.50%	+ / - 0.50%	5.50%	9.50%
T- F	10.30%	+ / - 0.50%	8.30%	12.30%
T- G	5.50%	+ / - 0.75%	2.50%	8.50%
T- H	4.50%	+ / - 0.75%	1.50%	7.50%

Employer Contributions:

The District’s contractually required contribution rate for the fiscal year ended June 30, 2023, was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Included in the District’s contractually required contribution rate is the Act 5 contribution rate totaling an estimated .20 percent.

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth’s share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total District’s rate. The District’s contributions to the Plan, relating to pension benefits, for the year ended June 30, 2023, was \$8,317,000, and is equal to the required contribution for the year. For the year ended June 30, 2023, the District recognized gross retirement subsidy revenue from the Commonwealth in the amount of \$4,308,659.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Defined-Benefit Pension Plan (Continued)**

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

At June 30, 2023, the District reported a liability of \$69,711,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2021 to June 30, 2022. 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, 2023, the District’s reported proportion was .1568%, which was a decrease of .0054% from its proportion reported as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$4,496,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,000	\$ 603,000
Changes in assumptions	2,082,000	-
Net difference between projected and actual investment earnings	-	1,183,000
Changes in proportion	216,000	1,867,000
Difference between employer contributions and proportionate share		
Share of total contributions	214,000	-
Contributions subsequent to the measurement date	8,317,000	-
	<u>\$ 10,861,000</u>	<u>\$ 3,653,000</u>

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 10. Defined-Benefit Pension Plan (Continued)

#### Pension Liabilities, Pension Expense and Deferred Outflows /Inflows of Resources Related to Pensions (Continued)

\$8,317,000 is 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 ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2024	\$ (202,000)
2025	(223,000)
2026	(2,388,000)
2027	1,698,000
2028	6,000
Thereafter	-
	<u><u>\$ (1,109,000)</u></u>

#### Actuarial Assumptions

The total pension liability as of June 30, 2022, was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.75%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.00% as of June 30, 2021 and as of June 30, 2022.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2020.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 10. Defined-Benefit Pension Plan (Continued)

##### Investments

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Absolute return	6.0%	3.5%
Cash	3.0%	50.0%
Leverage	-11.0%	50.0%
	<u>100.0%</u>	

For the year ended June 30, 2022, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.40%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The above table was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

##### Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 10. Defined-Benefit Pension Plan (Continued)

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 90,167,000	\$ 69,711,000	\$ 52,465,000

##### 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.pa.gov](http://www.psers.pa.gov).

##### Plan Payables

At June 30, 2023, the District reported a payable to PSERS of \$2,635,474, which represents the employer contributions owed to the pension plan.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 11. Other Post-Employment Benefits - Single Employer District Plan

#### Plan Description and Benefit Terms

The District provides retiree health, vision and dental-care benefits, including prescription-drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. Benefits are provided to all faculties, academic staff and support staff who meet the requirements listed in the chart below. Currently, the plan has 333 active participants and 15 retired participants. The plan does not issue a separate, stand-alone set of financial statements.

#### Funding Policy

Group	Eligibility	Coverage and Premium Sharing	Duration
I. Former Business Manager	N/A - Already Retired	Coverage: Medical Prescription Drug, Dental and Vision  Premium Sharing District pays 100% cost for member and spouse.	Coverage is provided for life for member and spouse
II. Current Superintendent	Fully Subsidized - Retire from PSERS with 13 years of service with District  \$100 Subsidy - Retire from PSERS with 10 years of service with the District  Unsubsidized - Retire from PSERS with 5 years of service with the district	Coverage: Medical Prescription Drug, Dental and Vision  Premium Sharing: If the member reaches 13 years of service with the District the member and spouse receives medical, prescription drug, dental and vision coverage fully paid for by the District until the superintendent is eligible for Medicare.  If the member reaches 10 years of service at the District, the District pays for \$100 per month and member pays the remainder. Otherwise, member pays 100% of cost. Dependent coverage is available if member pays 100% of extra premium.  If the member reaches 5 years of service with the District, and retires through PSERS, the member can receive coverage by paying the full premium.	Coverage for member is provided until Medicare eligibility.  Coverage for dependents is provided until earlier of member Medicare eligibility and member death.
III. All Other Administrators	Must retire from PSERS with 5 years of service with District	Coverage: Medical Prescription Drug, Dental and Vision  Premium Sharing: With 10 or more years of service with the District, District pays \$100 per month, and member pays the remainder. Otherwise, member pays 100% of cost. Dependent coverage is available if member pays 100% of extra premium.	Same as II.
IV. Teachers	Must retire from PSERS	Act 110/43  There is one grandfathered teacher who retired prior to 7/1/2014 who received Medical, Prescription Drug, Dental and Vision coverage until Medicare age by submitting the PSERS supplement to the District. This benefit expired on 9/1/2022.	Same as II.
V. Support Staff	Must retire from PSERS with 20 years of service with District	Act 110/43	Same as II.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. Other Post-Employment Benefits - Single Employer District Plan (Continued)**

Funding Policy (Continued)

The District funds OPEB on a pay-as-you-go basis and there is no obligation to make contributions in advance of when insurance premiums or claims are due for payment. The District does not maintain or accumulate any assets within a trust in accordance with paragraph 4 of GASB No. 75.

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

At June 30, 2023, the District reported a liability of \$2,942,283 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2022, and was determined by an actuarial valuation as of July 1, 2022. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	\$ 2,904,625
Changes for the year:	
Service cost	208,460
Interest	69,654
Changes of benefit terms	6,595
Differences between expected and actual experience	728,299
Changes in assumptions	(868,146)
Estimated Benefit payments	(107,204)
Net changes	<u>37,658</u>
Total OPEB Liability, ending	<u><u>\$ 2,942,283</u></u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$324,143. At June 30, 2023, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 982,766	\$ -
Changes in assumptions	261,628	918,402
Benefit payments subsequent to the measurement date	158,755	-
	<u>\$ 1,403,149</u>	<u>\$ 918,402</u>



# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 11. Other Post-Employment Benefits - Single Employer District Plan (Continued)

#### OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources Related to OPEB (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$158,755 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year	Total
2024	\$ 39,434
2025	39,434
2026	39,434
2027	39,434
2028	39,434
Thereafter	128,822
	<u>\$ 325,992</u>

#### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - 2.5%.
- Salary Increases - 2.5% cost of living adjustment, 1.5% real wage growth and for teachers and administrators a merit increases which varies by age from 2.75 to 0%.
- Investment rate of return – 4.06%. Based on S&P Municipal Bond 20-year High Grade Rate Index at 7/1/2022.
- Health care cost trend rate - 6.5% in 2022, 6.0% in 2023, 5.5% in 2024 through 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retirees' Share of Benefit Related Costs - Retiree contributions are assumed to increase at the same rate as Health Care Cost Trend Rate.

Mortality rates are separate and assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. Other Post-Employment Benefits - Single Employer District Plan (Continued)**

Sensitivity of the District's Total OPEB liability to Changes in Discount Rate and Health Care Trend Rate

The following presents the total OPEB liability of the District calculated using the discount rate of 1.86%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.86%) or one percentage higher (2.86%) than the current rate:

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
District's proportionate share of the net OPEB liability	\$ 3,170,876	\$ 2,942,283	\$ 2,725,863

The discount rate used to measure the Total OPEB liability increased from 2.28% as of July 1, 2021 to 4.06% as of July 1, 2022.

The following presents the total OPEB liability of the District calculated using the health care cost trend rate of (5.5% in 2020 decreasing to 4.0% in 2075), as well as what the total OPEB liability would be if it were calculated using a health care cost trend rate that is one-percentage point lower or one-percentage higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,623,989	\$ 2,942,283	\$ 3,314,378

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 12. Other Post-Employment Benefits - PSERS Cost Sharing Plan**

##### Plan Description

PSERS administers a defined benefit pension plan, and two post-employment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other post-employment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

##### Plan Description (Continued)

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 12. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)**

##### Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

##### Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2023, was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$180,758 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$3,879,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's reported proportion was .1564%, which was a decrease of .0056% from its proportion reported as of June 30, 2022.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 12. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)**

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Related to OPEB (Continued)

For the year ended June 30, 2023, the District recognized OPEB expense of \$73,500. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,000	\$ 15,000
Changes in assumptions	320,000	680,000
Net difference between projected and actual investment earnings	8,000	-
Changes in proportion	24,000	111,000
Difference between employer contributions and proportionate share of total contributions	6,700	200
Contributions subsequent to the measurement date	181,000	-
	<u>\$ 566,700</u>	<u>\$ 806,200</u>

\$181,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	Amount
2024	\$ (83,100)
2025	(70,100)
2026	(75,900)
2027	(89,900)
2028	(102,000)
Thereafter	500
	<u>\$ (420,500)</u>

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 12. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

##### Actuarial Assumptions

The Total OPEB Liability as of June 30, 2022, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2021 to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2021.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%
- The discount rate used to measure the total OPEB liability increased from 2.18% as of June 30, 2021 to 4.09%, as of June 30, 2022.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020, determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021, was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 12. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

#### Investments

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

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

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class of June 30, 2022.

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	0.5%
	<u>100.0%</u>	

#### Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 12. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)**

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.09%) or one percentage point higher (5.09%) than the current discount rate:

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
District's proportionate share of the net OPEB liability	\$ 3,256,000	\$ 2,879,000	\$ 2,564,000

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

The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (between 5% to 7%) that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,879,000	\$ 2,879,000	\$ 2,879,000

OPEB Plan Fiduciary Net Position

Detailed information about PSERS’ fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System’s website at [www.psers.pa.gov](http://www.psers.pa.gov).

Plan Payables

At June 30, 2023, the District reported a payable to PSERS of \$57,276, which represents the employer contributions owed to the OPEB plan.



## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 13. Joint Ventures**

##### York County School of Technology

The District is one of 14-member school districts participating in the operation of the York County School of Technology (YCST). YCST is operated, administered and managed by a joint operating committee consisting of board members from the "14-member school districts." Member districts are responsible for funding the major portion of YCST's operating budget. The District's share of annual operating costs for YCST is based on the number of students attending the school from the District and is reflected as instructional expenditures of the District's General Fund. For the year ended June 30, 2023, the District paid \$1,385,978 for its estimated share of the operating budget.

The York County School of Technology formed The York County School of Technology Authority (the Authority) on March 29, 1967, as a financing medium for the construction, improvement and maintenance of YCST. The Authority has issued Lease Revenue Bonds, Series A and Series B of 2017 for the purpose of the funding of the renovations, alterations and additions to the school facilities constructed in previous years. As of June 30, 2023, the District's pro-rata share represented 5.60% of total assessed value. The District's obligation is a conduit debt arrangement with other School Districts listed as the obligors and the Authority as the issuer and is consistent with their ongoing obligation to fund the operations of the YCST. Conduit debt obligations are exempt from Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*, requirements. The District made a lease rental payment to YCST in the amount of \$187,512 the payment is included in the instructional expenditures of the District's General Fund.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. Joint Ventures (Continued)**

York County School of Technology (Continued)

As of the report date, audited financial statements for the York County School of Technology for the year ended June 30, 2023, are not yet available. The following is condensed financial information for the YCST, excerpted from the June 30, 2022, audited financial statements, available for inspection at the School District's Business Office:

	Amount
Total assets and deferred outflows	\$ 18,885,749
Total liabilities and deferred inflows	55,564,464
Net assets	
Investments in capital assets, net of related debt	2,162,276
Unrestricted	(38,840,991)
Total net assets	<u>\$ (36,678,715)</u>
Total revenues (including \$21,260,002 from member districts)	\$ 34,762,398
Total expenses	<u>32,049,908</u>
Change in net assets	<u>\$ 2,712,490</u>

The annual requirements of the District based on the 5.60% assessed value rate to amortize the Lease Revenue Bonds 2017, Series A and B recorded on the books of the York County School of Technology Authority, are as follows:

Year Ending	Principal	Interest	Total
September 30			
2024	\$ 145,320	\$ 38,031	\$ 183,351
2025	109,200	30,773	139,973
2026	83,160	25,739	108,899
2027	87,360	21,581	108,941
2028	91,840	17,213	109,053
2029-2031	301,280	25,072	326,352
2032	44,800	1,400	46,200
Total	<u>862,960</u>	<u>\$ 159,810</u>	<u>\$ 1,022,770</u>
Less: due within one year	145,320		
Total long-term outstanding	<u>\$ 717,640</u>		

## **SOUTH EASTERN SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 13. Joint Ventures (Continued)**

##### York/LIU Joint Authority

The District is one of 13 York County School Districts which are included within the Lincoln Intermediate Unit (LIU), which provides classes and other programs to students within each of the member school districts. In 2005, the LIU determined that it needed a facility in York County to house classes and other programs which it provides to York County students. During March 2006, the York/LIU Joint Authority (the Authority) was created with the purpose of purchasing the property and leasing it to the LIU. The LIU and the school districts which formed the Authority are not liable or responsible for the debts or obligations of the Authority. The Authority leases the property to the LIU for a monthly rental fee which is sufficient to provide the Authority with funds to pay (a) all interest and other payments which are due with respect to the debt incurred by the Authority and (b) the other costs and expenses which the Authority will incur. Total liabilities include a Construction Loan Note - Series of 2017, with a balance of \$250,315 as of June 30, 2023.

#### **Note 14. Construction Commitments**

The District has approved \$8,797,069 of construction projects as of June 30, 2023. The District expended approximately \$2,841,710 during the 2022-2023 year which is shown in expenditures in the governmental funds. The remaining \$5,955,359 is an outstanding commitment of the District.

#### **Note 15. Tax Abatements**

In 2012, South Eastern School District entered into an agreement to participate in the Stonebridge Tax Increment Finance District, a geographic area within the Township of Hopewell where certain business will be located. The financing district is authorized under the Pennsylvania Tax Increment Financing Act of 1990, and provides that local governments may grant tax abatements to businesses to assist in the revitalization and economic growth of the community. As part of the agreement, the District agreed to allocate 70% of the incremental property tax revenues to the Stonebridge Tax Increment Finance. The District collects the real estate taxes and portions are to be paid to the Redevelopment Authority of the County of York for debt service. As part of the agreement, the project developer paid the District a total of \$600,000 during the 2013-2015 fiscal years.

For the fiscal year ended June 30, 2023, the District abated property taxes totaling \$592,799. The District will be foregoing tax revenue through the 20-year period running from 2017-2038.

## **SOUTH EASTERN SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 16. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors, or omissions. Most significant losses are covered by commercial insurance for major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years. During the year ended June 30, 2023, the District did not incur any significant losses that were not covered by insurance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH EASTERN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULES OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -  
DISTRICT'S SINGLE EMPLOYER PLAN**

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

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB liability</b>						
Service cost	\$ 208,460	\$ 210,006	\$ 141,488	\$ 141,824	\$ 116,025	\$ 113,743
Interest	69,654	55,940	79,448	69,819	61,114	48,029
Changes of benefit terms	6,595	-	25,742	-	769	-
Differences between expected and actual experience	728,299	-	148,384	-	326,652	29,861
Changes in assumptions	(868,146)	(90,184)	316,050	(66,864)	2,361	-
Benefit payments	(107,204)	(149,803)	(121,066)	(124,932)	(162,864)	(178,997)
<b>Net change in total OPEB liability</b>	<b>37,658</b>	<b>25,959</b>	<b>590,046</b>	<b>19,847</b>	<b>344,057</b>	<b>12,636</b>
<b>Total OPEB Liability - beginning</b>	<b>2,904,625</b>	<b>2,878,666</b>	<b>2,288,620</b>	<b>2,268,773</b>	<b>1,924,716</b>	<b>1,912,080</b>
<b>Total OPEB Liability - ending</b>	<b>\$ 2,942,283</b>	<b>\$ 2,904,625</b>	<b>\$ 2,878,666</b>	<b>\$ 2,288,620</b>	<b>\$ 2,268,773</b>	<b>\$ 1,924,716</b>
<b>Covered payroll</b>	<b>\$ 21,714,076</b>	<b>\$ 22,531,619</b>	<b>\$ 22,531,619</b>	<b>\$ 20,903,127</b>	<b>\$ 20,903,127</b>	<b>\$ 16,811,686</b>
<b>Net OPEB liability as a percentage of covered payroll</b>	<b>13.55%</b>	<b>12.89%</b>	<b>12.78%</b>	<b>10.95%</b>	<b>10.85%</b>	<b>11.45%</b>

**Notes to Schedule:**

For the fiscal year ended June 30, 2023:

Changes in assumptions: The discount rate changed from 2.28% to 4.06%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

**SOUTH EASTERN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -  
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

<b>For the Fiscal Year Ended June 30</b>	<b>District's Proportion of the Net OPEB Liability</b>	<b>District's Proportionate Share of the Net OPEB Liability</b>	<b>District's Covered Payroll</b>	<b>District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
2023	0.1564%	\$ 2,879,000	\$ 22,992,780	12.52%	6.86%
2022	0.1620%	\$ 3,839,000	\$ 22,961,782	16.72%	5.30%
2021	0.1613%	\$ 3,485,000	\$ 22,644,139	15.39%	5.69%
2020	0.1612%	\$ 3,428,000	\$ 22,230,186	15.42%	5.56%
2019	0.1610%	\$ 3,357,000	\$ 21,676,522	15.49%	5.56%
2018	0.1630%	\$ 3,321,000	\$ 21,703,884	15.30%	5.73%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year-end.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

**SOUTH EASTERN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULES OF DISTRICT'S OPEB CONTRIBUTIONS -  
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

<b>For the Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>District's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2023	\$ 180,758	\$ (180,758)	\$ -	\$ 23,954,079	0.75%
2022	\$ 188,284	\$ (188,284)	\$ -	\$ 23,557,903	0.80%
2021	\$ 188,565	\$ (188,565)	\$ -	\$ 22,967,570	0.82%
2020	\$ 190,353	\$ (190,353)	\$ -	\$ 22,645,476	0.84%
2019	\$ 184,465	\$ (184,465)	\$ -	\$ 22,231,334	0.83%
2018	\$ 179,668	\$ (179,668)	\$ -	\$ 21,683,701	0.83%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.



**SOUTH EASTERN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

<b>For the Fiscal Year Ended June 30</b>	<b>District's Proportion of the Net Pension Liability</b>	<b>District's Proportionate Share of the Net Pension Liability</b>	<b>District's Covered Payroll</b>	<b>District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2023	0.1568%	\$ 69,711,000	\$ 22,992,780	303.19%	61.34%
2022	0.1622%	\$ 66,594,000	\$ 22,961,782	290.02%	63.67%
2021	0.1614%	\$ 79,472,000	\$ 22,644,139	350.96%	54.32%
2020	0.1612%	\$ 75,414,000	\$ 22,230,186	339.24%	55.66%
2019	0.1610%	\$ 77,288,000	\$ 21,676,522	356.55%	54.00%
2018	0.1630%	\$ 80,503,000	\$ 21,703,884	370.92%	51.84%
2017	0.1596%	\$ 79,093,000	\$ 20,671,111	382.63%	50.14%
2016	0.1528%	\$ 66,185,000	\$ 19,656,472	336.71%	54.36%
2015	0.1577%	\$ 62,418,000	\$ 20,128,744	310.09%	57.24%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year-end.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

**SOUTH EASTERN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULES OF DISTRICT'S PENSION CONTRIBUTIONS -  
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

<b>For the Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>District's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2023	\$ 8,317,245	\$ (8,317,245)	\$ -	\$ 23,954,079	34.72%
2022	\$ 8,056,353	\$ (8,056,353)	\$ -	\$ 23,557,903	34.20%
2021	\$ 7,747,271	\$ (7,747,271)	\$ -	\$ 22,967,570	33.73%
2020	\$ 7,580,118	\$ (7,580,118)	\$ -	\$ 22,645,476	33.47%
2019	\$ 7,245,260	\$ (7,245,260)	\$ -	\$ 22,231,334	32.59%
2018	\$ 6,870,693	\$ (6,870,693)	\$ -	\$ 21,683,701	31.69%
2017	\$ 6,143,580	\$ (6,143,580)	\$ -	\$ 21,708,088	28.30%
2016	\$ 5,175,995	\$ (5,175,995)	\$ -	\$ 20,665,042	25.05%
2015	\$ 3,940,670	\$ (3,940,670)	\$ -	\$ 19,652,834	20.05%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

**SUPPLEMENTARY INFORMATION**

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

Board of School Directors  
South Eastern School District  
Fawn Grove, 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 South Eastern School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 District'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.

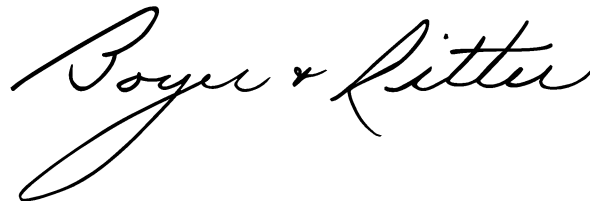
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

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Camp Hill, Pennsylvania  
November 13, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE**

Board of School Directors  
South Eastern School District  
Fawn Grove, Pennsylvania

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

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

We have audited South Eastern School District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in cursive script that reads "Boyer & Ritter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania  
November 13, 2023



**SOUTH EASTERN SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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**Section I -- Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness (es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)?  Yes  None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)3?  Yes  No

Identification of the major programs:

Assistance Listing Number(s)	Name of Federal Programs/Cluster
84.425	Education Stabilization Fund

**SOUTH EASTERN SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2023**

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

Auditee qualified as low-risk auditee?  X  Yes   No

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**Section II -- Financial Statement Findings**

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A. Significant Deficiency (ies) in Internal Control

There were no findings relating to the financial statement audit required to be reported.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

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**Section III -- Federal Award Findings and Questioned Costs**

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A. Compliance Findings

There were no findings relating to the Federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

B. Significant Deficiency (ies) in Internal Control

There were no findings relating to the Federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

SOUTH EASTERN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

	Assistance Listing Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2023	Provided to Subrecipients
<b>U.S. Department of Education</b>										
Passed through the Pennsylvania Department of Education:										
Title I - Grants to Local Education Agencies	84.010	013-22-0395	21-22	\$ 340,837	\$ 45,394	\$ 45,394	\$ -	\$ -	\$ -	\$ -
Title I - Grants to Local Education Agencies	84.010	013-23-0395	22-23	\$ 336,212	268,972	-	336,212	336,212	67,240	-
					<u>314,366</u>	<u>45,394</u>	<u>336,212</u>	<u>336,212</u>	<u>67,240</u>	<u>-</u>
Title II - Supporting Effective Instruction State Grants	84.367	020-22-0395	21-22	\$ 70,661	9,682	9,682	-	-	-	-
Title II - Supporting Effective Instruction State Grants	84.367	020-23-0395	22-23	\$ 64,662	64,662	-	64,662	64,662	-	-
					<u>74,344</u>	<u>9,682</u>	<u>64,662</u>	<u>64,662</u>	<u>-</u>	<u>-</u>
Title IV - Student Support and Academic Enrichment Grant	84.424	144-22-0395	21-22	\$ 25,901	15	15	-	-	-	-
Title IV - Student Support and Academic Enrichment Grant	84.424	144-23-0395	22-23	\$ 26,744	26,744	-	26,744	26,744	-	-
					<u>26,759</u>	<u>15</u>	<u>26,744</u>	<u>26,744</u>	<u>-</u>	<u>-</u>
COVID-19 ARP Elementary & Secondary School Emergency Relief Fund	84.425U	223-21-0395	20-24	\$2,572,595	795,165	303,444	947,159	947,159	455,437	-
COVID-19 ARP Elementary & Secondary School Emergency 7% Learning Loss	84.425U	225-21-0395	20-24	\$ 142,821	51,935	(5,462)	48,957	48,957	(8,440)	-
COVID-19 ARP Elementary & Secondary School Emergency 7% Summer Program	84.425U	225-21-0395	20-24	\$ 28,564	10,387	(1,817)	15,470	15,470	3,266	-
COVID-19 ARP Elementary & Secondary School Emergency 7% After School Program	84.425U	225-21-0395	20-24	\$ 28,564	10,387	(2,077)	28,564	28,564	16,100	-
					<u>72,709</u>	<u>(9,356)</u>	<u>92,991</u>	<u>92,991</u>	<u>10,926</u>	<u>-</u>
COVID-19 ARP Elementary & Secondary School Emergency Homeless Children and Youth	84.425W	181-22-0395	21-24	\$ 17,012	16,140	15,408	732	732	-	-
					<u>16,140</u>	<u>15,408</u>	<u>732</u>	<u>732</u>	<u>-</u>	<u>-</u>
Total passed through the Pennsylvania Department of Education					<u>1,299,483</u>	<u>364,587</u>	<u>1,468,500</u>	<u>1,468,500</u>	<u>533,603</u>	<u>-</u>
Passed through the Pennsylvania Commission on Crime & Delinquency										
COVID-19 Elementary & Secondary School Emergency Relief Fund I	84.425D	2020-ES-01-35130	21-22	\$ 75,074	75,000	75,000	-	-	-	-
					<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total passed through the Pennsylvania Commission on Crime & Delinquency					<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Passed through the Lincoln Intermediate Unit:										
Title III - English Language Acquisition Grants	84.365	010-23-0612 A	22-23	\$ 2,429	2,429	-	2,429	2,429	-	-
					<u>2,429</u>	<u>-</u>	<u>2,429</u>	<u>2,429</u>	<u>-</u>	<u>-</u>
Special Education Cluster										
Special Education - Grants to States	84.027	N/A	22-23	\$ 551,305	551,305	-	551,305	551,305	-	-
Early Intervention - Special Education Preschool Grants	84.173	N/A	22-23	\$ 6,318	6,318	-	6,318	6,318	-	-
Total Special Education Cluster					<u>557,623</u>	<u>-</u>	<u>557,623</u>	<u>557,623</u>	<u>-</u>	<u>-</u>
Total passed through the Lincoln Intermediate Unit					<u>560,052</u>	<u>-</u>	<u>560,052</u>	<u>560,052</u>	<u>-</u>	<u>-</u>
<b>Total U.S. Department of Education</b>					<u>1,934,535</u>	<u>439,587</u>	<u>2,028,552</u>	<u>2,028,552</u>	<u>533,603</u>	<u>-</u>

(Continued)

SOUTH EASTERN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
Year Ended June 30, 2023

	Assistance Listing Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2023	Provided to Subrecipients
<b>Federal Communications Commission</b>										
COVID-19 Emergency Connectivity Fund Program	32.009	ECF2190013675	21-22	\$ 24,000	9,206	9,206	-	-	-	-
COVID-19 Emergency Connectivity Fund Program	32.009	ECF202204776	22-23	\$ 18,000	8,265	-	8,265	8,265	-	-
<b>Total Federal Communications Commission</b>					<b>17,471</b>	<b>9,206</b>	<b>8,265</b>	<b>8,265</b>	<b>-</b>	<b>-</b>
<b>U.S. Department of Agriculture</b>										
Passed through the Pennsylvania Department of Education:										
National School Lunch Program	10.555	N/A	21-22	N/A	11,881	11,881	-	-	-	-
National School Lunch Program	10.555	N/A	22-23	N/A	445,667	-	445,667	445,667	-	-
					<b>457,548</b>	<b>11,881</b>	<b>445,667</b>	<b>445,667</b>	<b>-</b>	<b>-</b>
School Breakfast Program	10.553	N/A	21-22	N/A	4,147	4,147	-	-	-	-
School Breakfast Program	10.553	N/A	22-23	N/A	187,550	-	187,550	187,550	-	-
					<b>191,697</b>	<b>4,147</b>	<b>187,550</b>	<b>187,550</b>	<b>-</b>	<b>-</b>
COVID-19 - National School Lunch Program - Supply Chain Assistance	10.555	N/A	21-22	\$ 50,879	-	(50,879)	50,879	50,879	-	-
COVID-19 - National School Lunch Program - Supply Chain Assistance	10.555	N/A	22-23	\$ 46,632	46,632	-	16,010	16,010	(30,622)	-
COVID-19 - National School Lunch Program - Supply Chain Assistance	10.555	N/A	22-23	\$ 23,704	23,704	-	-	-	(23,704)	-
COVID-19- Pandemic EBT Administrative Funds	10.649	N/A	22-23	N/A	628	-	628	628	-	-
					<b>70,964</b>	<b>(50,879)</b>	<b>67,517</b>	<b>67,517</b>	<b>(54,326)</b>	<b>-</b>
Total passed through the Pennsylvania Department of Education					<b>720,209</b>	<b>(34,851)</b>	<b>700,734</b>	<b>700,734</b>	<b>(54,326)</b>	<b>-</b>
Passed through the Pennsylvania Department of Agriculture:										
National School Lunch Program - Food Donation	10.555	N/A	22-23	N/A	159,916	-	159,916	159,916	-	-
<b>Total U.S. Department of Agriculture</b>					<b>880,125</b>	<b>(34,851)</b>	<b>860,650</b>	<b>860,650</b>	<b>(54,326)</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>					<b>\$ 2,832,131</b>	<b>\$ 413,942</b>	<b>\$ 2,897,467</b>	<b>\$ 2,897,467</b>	<b>\$ 479,277</b>	<b>\$ -</b>
Child Nutrition Cluster (Assistance Listing Numbers - 10.553, 10.555, and 10.579)					<b>\$ 879,497</b>	<b>\$ (34,851)</b>	<b>\$ 860,022</b>	<b>\$ 860,022</b>	<b>\$ (54,326)</b>	<b>\$ -</b>
Special Education Cluster (Assistance Listing Numbers - 84.027 and 84.173)					<b>\$ 557,623</b>	<b>\$ -</b>	<b>\$ 557,623</b>	<b>\$ 557,623</b>	<b>\$ -</b>	<b>\$ -</b>
Education Stabilization Fund (Assistance Listing Numbers 84.425)					<b>\$ 959,014</b>	<b>\$ 384,496</b>	<b>\$ 1,040,882</b>	<b>\$ 1,040,882</b>	<b>\$ 466,363</b>	<b>\$ -</b>

See Notes to Schedule of Expenditures of Federal Awards.

## **SOUTH EASTERN SCHOOL DISTRICT**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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#### **Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the District's under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the District's operations, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

#### **Note 2. Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10% de Minimis indirect cost rate as allowed under the Uniform Guidance.

**SOUTH EASTERN SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**Year Ended June 30, 2023**

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There were no prior year's audit findings.