

SOUTH EASTERN SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2022

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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, 2022, 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, 2022, 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.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases* as of July 1, 2021. Our opinion is not modified with respect to this matter.

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 4, 2022 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.



Camp Hill, Pennsylvania
November 4, 2022

**SOUTH EASTERN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2022**

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, 2022. 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 \$4,986,844, changing from a negative \$8.2 million in 2020-2021, to negative \$3.2 million in the 2021-2022 fiscal year. The District's share of retirement liability at the Public-School Employees' Retirement System (PSERS) is included in net position. See Notes 10 through 12 for detailed information on PSERS and Other Post-Employment Benefits.
- ✦ Total outstanding debt decreased by \$1,948,000 during 2021-2022 as principal payments were made on existing debt.
- ✦ Actual governmental revenues increased by 0.75%, while governmental program expenditures increased by 9.04%. A transfer from general fund to the cafeteria fund in the amount of \$58,026 was completed to subsidize food service employee benefits and repairs.
- ✦ The School Board committed an additional \$2,650,000 to the Fund Balance committed for Capital Projects.
- ✦ General Fund unassigned fund balance of \$4,567,258 at June 30, 2022, represents 7.60% of the 2021-2022 General Fund Approved Budget. General Fund non-spendable fund balance includes \$1,300,384 for medical insurance prepayments with Lincoln Benefit Trust (decreased from the prior year by \$1,003,780), and \$206,707 for other prepaid 2021-2022 expenditures. General Fund committed fund balance increased by \$1,170,502 and includes \$11,753,238 for retirement contributions and \$9,661,714 for Capital Improvement Projects.
- ✦ On November 18, 2021, the School Board committed to transfer \$1 million out of the General Fund committed fund balance for retirement to the General Fund non-spendable fund balance for medical insurance prepayments, which was completed on July 6, 2022. Medical claims have been outpacing contributions to Lincoln Benefit Trust (LBT) for the past three years, resulting in a loss to the LBT fund balance of over \$4 million during that time. In addition to the transfer of \$1 million, the school board renegotiated the 2022-2023 health insurance plan to include a deductible, percent of premium employee contributions, and approved an employer contribution rate increase of 20% to mitigate the loss.
- ✦ Total governmental fund balances equaled \$37,502,218. The following shows the breakdown by fund:
 - General Fund Balance of \$27,489,301 (unassigned, committed, and non-spendable)
 - Capital Projects Fund Balance of \$9,944,181 (restricted)
 - Student Activity Fund Balance of \$68,736 (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 2021-2022 compared to 2020-2021:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Current and other assets	\$ 45,077,014	\$ 44,443,547	\$ 298,347	\$ 717,943	\$ 45,375,361	\$ 45,161,490
Capital assets, net	61,906,864	63,768,551	83,933	83,927	61,990,797	63,852,478
Total assets	\$ 106,983,878	\$ 108,212,098	\$ 382,280	\$ 801,870	\$ 107,366,158	\$ 109,013,968
Deferred outflows of resources	\$ 13,141,867	\$ 13,140,065	\$ 39,759	\$ 38,494	\$ 13,181,626	\$ 13,178,559
Current and other liabilities	\$ 6,862,327	\$ 8,681,270	\$ 87,208	\$ 92,439	\$ 6,949,535	\$ 8,773,709
Long-term liabilities	119,065,095	104,138,744	267,167	220,809	119,332,262	104,359,553
Total liabilities	\$ 125,927,422	\$ 112,820,014	\$ 354,375	\$ 313,248	\$ 126,281,797	\$ 113,133,262
Deferred inflows of resources	\$ 2,418,489	\$ 11,765,471	\$ 6,470	\$ 34,469	\$ 2,424,959	\$ 11,799,940
Net Position						
Net investment in capital assets	\$ 39,939,352	\$ 41,587,549	\$ 83,933	\$ 83,927	\$ 40,023,285	\$ 41,671,476
Restricted	71,435	68,736	-	-	71,435	68,736
Unrestricted	(48,230,953)	(44,889,607)	(22,739)	408,720	(48,253,692)	(44,480,887)
Total net position	\$ (8,220,166)	\$ (3,233,322)	\$ 61,194	\$ 492,647	\$ (8,158,972)	\$ (2,740,675)

Governmental Activities

On June 30, 2022, the School District had total net position from governmental activities of negative \$3,233,322 which is a positive change of 60.67% or \$4,986,844 from the prior negative \$8,220,166. Total governmental assets increased by 1.15% or \$1,228,220, while governmental liabilities also increased by 10.41% or \$13,107,408. Factors that significantly affected net position in the 2021-2022 fiscal year were:

- ✚ General fund cash and investments increased by \$2,859,645 from the prior year. Capital Project Renovation fund cash decreased by \$1,595,189 as work on the Middle School renovation is ongoing. Capital Reserve cash increased by \$657 due to interest earnings. Capital project fund cash decreased by \$12,372 to pay for athletic uniforms.
- ✚ Outstanding debt decreased by \$1,948,000 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, and long-term liabilities decreased with final payment on the General Obligation Bonds of 2002.

Table 2 reflects the changes in net position for fiscal year 2021-2022 compared to fiscal year 2020-2021:

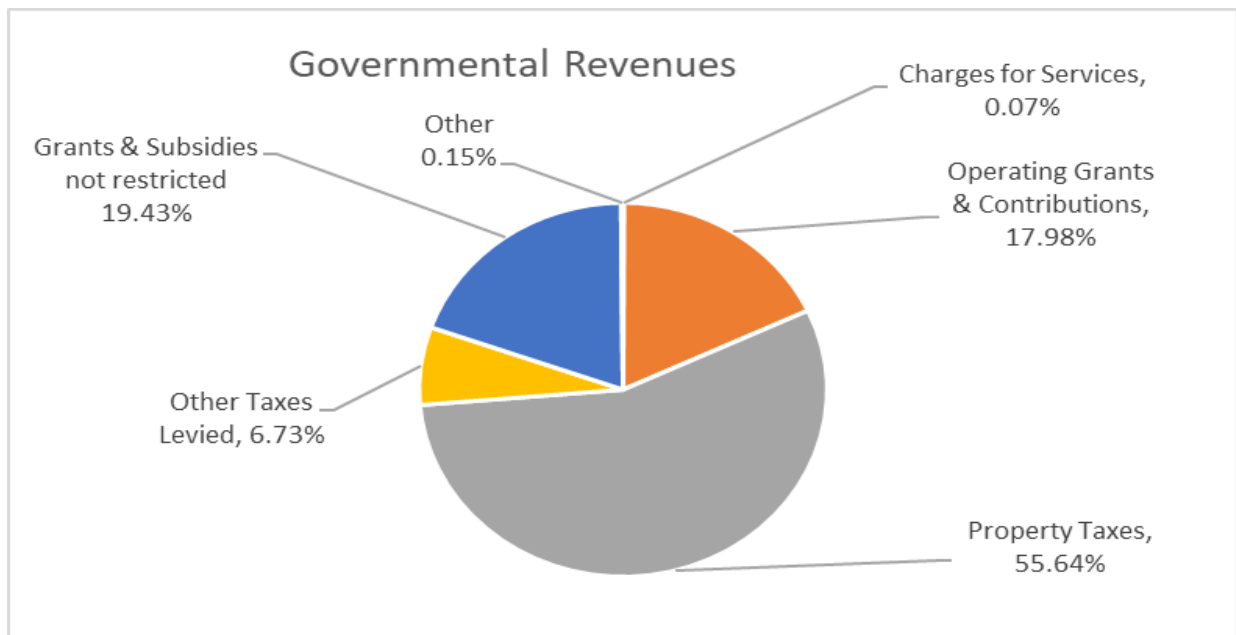
Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Revenues						
Program revenues						
Charges for services	\$ 21,567	\$ 37,662	\$ 82,770	\$ 173,495	\$ 104,337	\$ 211,157
Operating grants and contributions	11,193,994	10,199,184	1,065,449	1,501,676	12,259,443	11,700,860
Total program revenues	11,215,561	10,236,846	1,148,219	1,675,171	12,363,780	11,912,017
General revenues						
Property taxes	30,987,238	31,563,194	-	-	30,987,238	31,563,194
Other taxes	4,003,378	3,817,559	-	-	4,003,378	3,817,559
Grants, subsidies and contributions not restricted	10,980,630	11,019,901	-	-	10,980,630	11,019,901
Investment earnings	32,899	45,969	-	-	32,899	45,969
Transfers	(120,000)	(58,026)	120,000	58,026	-	-
Miscellaneous	51,468	98,490	-	-	51,468	98,490
Total general revenues	45,935,613	46,487,087	120,000	58,026	46,055,613	46,545,113
Total revenues	57,151,174	56,723,933	1,268,219	1,733,197	58,419,393	58,457,130
Expenses						
Instruction	35,840,459	32,307,745	-	-	35,840,459	32,307,745
Pupil and instruction staff	4,474,587	4,057,755	-	-	4,474,587	4,057,755
Board of Education, Administration and Fiscal	6,611,543	5,693,158	-	-	6,611,543	5,693,158
Operation and maintenance of plant	5,517,801	5,543,026	-	-	5,517,801	5,543,026
Pupil transportation	2,389,297	2,388,534	-	-	2,389,297	2,388,534
Extracurricular activities	1,148,852	1,241,680	-	-	1,148,852	1,241,680
Community	4,387	462	-	-	4,387	462
Interest on long-term debt	889,647	504,729	-	-	889,647	504,729
Food service	-	-	1,159,961	1,301,744	1,159,961	1,301,744
Total expenses	56,876,573	51,737,089	1,159,961	1,301,744	58,036,534	53,038,833
Changes in net position	\$ 274,601	\$ 4,986,844	\$ 108,258	\$ 431,453	\$ 382,859	\$ 5,418,297

Governmental revenue, excluding business-type activity transfers, decreased slightly by 0.75% from \$57.1 million to \$56.7 million. Reasons for the increase are primarily attributed to the following changes:

- ✚ Property tax revenues increased by 1.86% or \$575,956. 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 1.52% or \$444,571. Interim real estate collections continued the trend of annual decline by decreasing 46.37% or \$96,095 after several years of a slow decline. Tax millage remains unchanged from the 2015-2016 year through 2022-2023 at 22.2503. The district collected 97% of assessed taxes.
- ✚ Other taxes levied increased by 4.64% or \$185,819, due to an increase in receipts of earned income tax by \$335,152 offset partially by an increase in transfer tax of \$124,020. Earned income, public utility and occupational privilege taxes are also included in this category.

- ✦ Operating grants and contributions decreased by 8.89% or \$994,810. Federal CARES Act ESSER I and ESSER II grants of \$1,479,350 were spent in 2020-2021, but only \$521,652 of ARP ESSER grants were spent in 2021-2022. Cares Act IDEA funding of \$112,910 is a one-time grant received in 2021-2022. Cares Act grant provide revenue as a reimbursement after spending.
- ✦ Grants and subsidies not restricted had a small increase of 0.36% or \$39,271.
- ✦ Investment earnings started to improve in 2021-2022 with a 42.49% increase or \$13,708 for a total of \$45,969.



Property taxes continue to provide the majority of governmental revenues at 55.64% in 2021-2022, slightly less than 54.11% of total governmental revenues in 2020-2021. Other major contributors to governmental revenue include operating grants and contributions at 17.98%, grants and subsidies not restricted at 19.43%, and other taxes levied decreased slightly to 6.73% 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, sale of surplus furniture and equipment, refund of prior year expenditures, etc.

Governmental program expenditures increased by 9.04% from \$56.9 million to \$51.7 million. Major changes within the expenditure categories include:

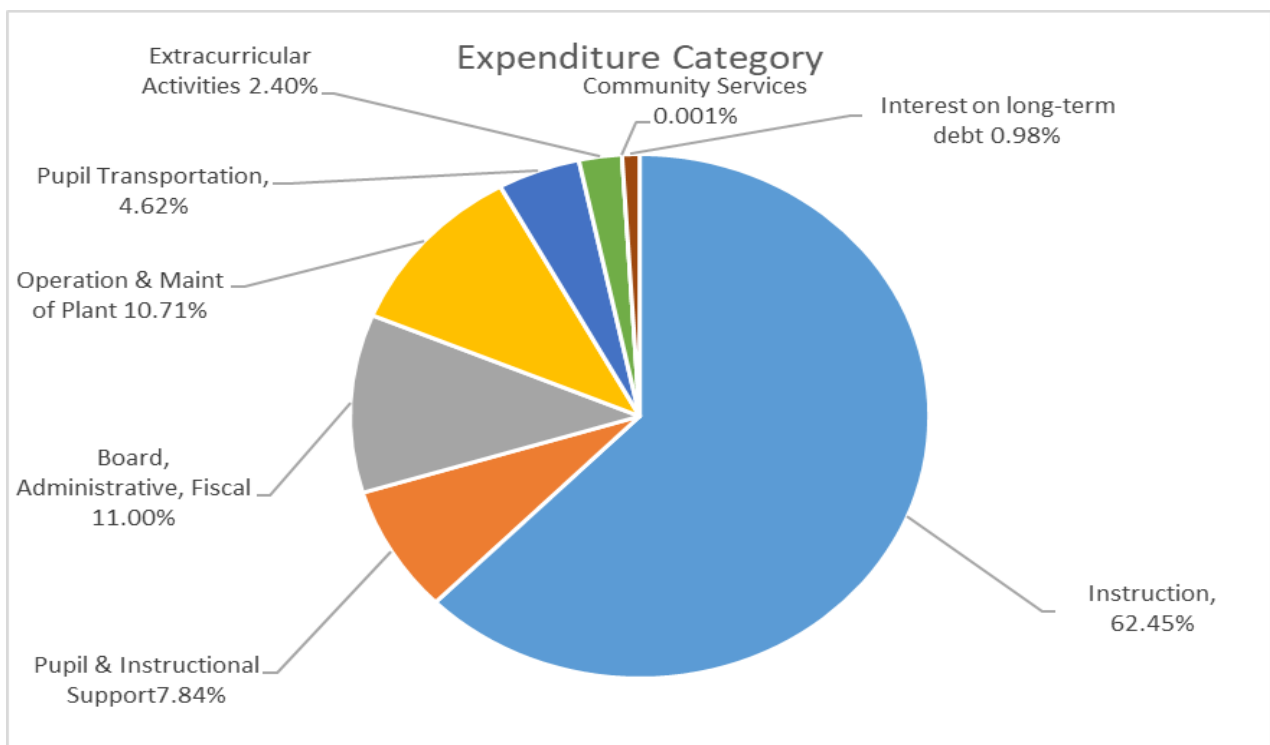
- ✦ Total annual wages increased by 2.52% as a result of board authorized raises offset by savings on unfilled positions.
- ✦ The PSERS employer contribution rate for employee retirement increased, moving from 34.51% in 2020-2021 to 34.94% in 2021-2022. Retirement expense increased by 4.02% or \$317,842. Retirement expense was 34.90% of the total wages paid.
- ✦ Unemployment claims decreased 98.08% or \$14,656.

- ✦ Total group insurance expenses for current employees and retirees on the plan increased by 9.35% or \$592,008 compared to the 2020-2021 year. Both 2020-2021 and 2021-2022 resulted in healthcare claims exceeding premium payments, however this was mitigated in part during 2021-2022 by the 10% premium increase paid by the District. The average of medical plan costs over the past three years results in an increase of 13.46%. The three-year average is a factor in determining future rates. The District has had two consecutive years of higher claims than contributions. The fund balance for healthcare at Lincoln Benefit Trust has decreased in 2021-2022 by \$1,003,780 to a balance of \$1,300,384 as of June 30, 2022. The Board of School Directors has authorized a \$1,000,000 transfer of funds into the LBT fund balance for the start of the 2022-2023 year as well as a premium contribution increase of 20% to comply with LBT fund balance minimum requirements.
- ✦ Purchased professional and technical services increased by 4.23% or \$118,950 principally due to student tuition to Lincoln Intermediate Unit 12 for services.
- ✦ Purchased property services increased by 74.14% or \$513,628 due to recognition of the copier lease as required by Governmental Accounting Standards Board Statement No. 87 and due to the exterior renovation project at South Eastern Intermediate School.
- ✦ Other purchased services decreased by 5.52% or \$347,688 mostly due to re-enrollment at district schools by students who had enrolled in cyber charter schools in the 2020-2021 year during the pandemic. Tuition rates, set by state formula are based upon District budgeted expenditures and student average daily membership, were \$16,061 for a regular education student and \$32,899 for a special education student for the 2021-2022 year.
- ✦ Capital equipment costs decreased by 22.43% or \$396,731 for planned capital projects. Major capital projects are funded through the Renovation Capital Projects Fund; however, smaller projects are funded through the General Fund. In 2020-2021, a new parking lot was created between the Administration Building and Kennard-Dale High School (KDHS). Projects for 2021-2022 included auditorium light replacement at KDHS, boiler replacements at South Eastern Middle School (SEMS) and South Eastern Intermediate School (SEIS), and automation control upgrade at SEIS.
- ✦ Debt fee costs decreased by 90% or \$502,457 because the breakage fee payment to TD Bank for renegotiation of the refinancing of the General Obligation Bond A of 2013, paid in 2020-2021 is not recurring cost. Debt interest decreased by 43.63% or \$384,129 as bond and note obligations are paid.
- ✦ Student tuition costs decreased by 10.29% or \$369,853. Charter Schools tuition decreased by \$555,712, which was inflated in the prior year due to COVID cyber enrollments. The increase in the Vocational Tech Schools is mostly due to increase in healthcare plan costs. Vocational Tech student enrollment decreased from 107 students in 2021 to 102 students in 2022. Special Education Placements increased as a result of IEP team placement changes.

Table 3 compares tuition expenses from the 2020-2021 to the 2021-2022 fiscal year.

Table 3
Tuition Costs

<u>Description</u>	<u>2021</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percent Percent of Change</u>
Other Public Schools	\$ 34,300	\$ 41,741	\$ 7,441	21.69%
Charter Schools	1,764,558	1,208,846	(555,712)	-31.49%
Vocational Tech Schools	1,473,989	1,524,458	50,469	3.42%
Special Education Placement	274,903	423,501	148,598	54.05%
Adj/Private Schools/PRRIs	46,224	25,575	(20,649)	-44.67%
Totals	\$ 3,593,974	\$ 3,224,121	\$ (369,853)	-10.29%



Instructional costs contributed to 62.45% of total program expenses for governmental activities for South Eastern School District in fiscal year 2021-2022.

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.

Only 19.79% of the 2021-2022 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 operated under the Seamless Summer Option (SSO) for the 2021-2022 school year. The SSO program and multiple food service waivers by the US Department of Agriculture allowed the District to provide free breakfast and free lunch to all students. The food service program had revenues of \$1,675,171, which includes two charges for service, state and federal reimbursement, a donation of \$500, and a transfer in from the general fund of \$58,026. Expenses were \$1,301,744 for the 2021-2022 fiscal year, which is an increase of 12.22% or \$141,783. Food shortages, labor shortages, and the rising cost of products were challenges throughout the year.

School lunch, breakfast and milk prices did not increase in 2021-2022. The District received 89.67% 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 increased by 40.94% or \$436,227. Total operating revenues decreased 109.00% or \$90,225 as students only needed to pay for a la carte or extra items.

Total net position increased by 705.06% from \$61,194 in 2020-2021 to \$492,647 in 2021-2022 as the District received the highest reimbursement for all reimbursable meals. The SSO program was not extended; however, the school board voted to provide free breakfast to all students in grades K to 6 for the 2022-2023 year. Subsequently, Governor Tom Wolf provided an initiative for free breakfast for students K to 12 beginning October 2022.

General Fund Budgeting Highlights

For the 2021-2022 fiscal year, general fund revenue was flat in comparison to the revenue budget, with an decrease of 0.11% or \$62,942. Local revenue was greater than budget by 5.09% or \$1,770,446 mainly due to greater receipts of current and interim real estate tax, current earned income tax, and transfer tax. Current real estate tax collection rate increased from 96% to 97%. State revenue was greater than budget by 1.21% or \$230,581. Increases were seen in subsidies or grants for vocational education, special education, pupil transportation, and retirement contribution. Federal revenue was less than budget by 66.59% or \$2,063,969. The CARES ACT ARP ESSER grants were budgeted in full for the 2021-2022 year to provide maximum flexibility in spending; however, the district is now budgeting to spend these funds over the next two years.

Total general fund expenditures were over the current budget by 5.14% or \$3,055,754. Significant expenditure budget variances are noted below.

- ✦ Salaries and benefits (other than healthcare) were lower than budget due to professional staff sabbatical leave, military leave, child rearing leaves, resignations, unfilled support staff positions netted with higher than anticipated substitute wages and severance payments. Healthcare costs exceeded budget for the third consecutive year.
- ✦ Tuition to other schools was lower than budget as cyber charter enrollment decreased as students enrollments dropped back to pre-COVID levels, as well as a decrease in special education outside placements.
- ✦ Operation of Building was 3.20% lower than budget as fewer one-time repairs were needed, propane usage was less than projected, and capital equipment purchases were less than budgeted.
- ✦ Transportation costs were lower than budget by 11.01% due to consolidation of bus runs as a result of the labor shortage, and lower LIU special education transportation costs, also due to driver labor shortage.

- ✦ Technology services were lower than budget by 57.02% as the District applied Cares Act ARP ESSER and PCCD grants to cover the cost of chromebooks, laptops, and iPads replaced in 2021-2022. The budget was established using the total grant award; however, the District will spend the grant funds over the next two years.
- ✦ Student activities were lower than budget by 8.41% as spending for bus transportation, supplies, and capital athletic equipment was lower than anticipated.
- ✦ Existing building capital replacement equipment was purchased in 2021-2022 with funding from the Committed Capital Projects Fund Balance, which is not reflected in the budget. When spending Committed Capital Projects Funds, the school board authorizes each project. The board authorized spending \$1,479,498 on automation system upgrades for SEIS, boiler replacement at SEIS and SEMS, and auditorium lighting upgrade at KDHS.
- ✦ Fund transfer to the Cafeteria Fund was under budget because of the influx of cash to the Cafeteria Fund as a result of free meals for all students subsidized by the state and federal governments.

Capital Assets

At June 30, 2022, total net governmental capital assets increased by \$1,861,687. The increase in governmental capital assets resulted from depreciation expense of \$2,943,627 offset by investment in machinery and equipment, building improvements and site improvements. Construction in Progress includes masonry façade (brick repointing) at SEMS and the Administration building (Admin), and SEMS renovations. Land improvements include KDHS courtyard, new parking lot sidewalk at Admin, and asphalt replacement at Stewartstown Elementary. Building improvements include masonry façade (brick repointing) at SEIS, and Salt Shed, Storage Shed, and Information Technology offices at Admin. Machinery and Equipment included the following:

Capital Assets (Continued)

Table 5A
Machinery and Equipment Additions
2021-2022

<u>Project</u>	<u>School/Building</u>
Chromebooks-Federal Grant	Administration
iPads & Cases-Federal Grant	Administration
Sound System	Administration
Tech Office-furniture	Administration
Door and Switch replacement	Delta-Peach Bottom
Hot water heaters	Fawn Area
Poster printer	Fawn Area
3 projectors for classrooms	Stewartstown
HVAC-Compressor replaced	Stewartstown
Automation System	SEIS
Boiler SEIS replacement	SEIS
Camera Server	SEIS
Boiler SEMS replacement	SEMS
Mini-Split wood shop	SEMS
Oil Tank-SEMS Generator	SEMS
SEMS Auditorium Curtain	SEMS
SEMS Auditorium Lighting	SEMS
Auditorium Lights	KD
Girl Basketball uniforms	KD
Girls LAX uniforms	KD
Graphing Calculators	KD
Mixing Valve	KD
Sound System-Auditorium	KD

Business-type capital assets were flat with depreciation of \$12,301 offset by investment of \$12,295 in a booster heater and convection oven. Contractual commitments for the 2022-2023 year are for lighting upgrades at KDHS and SEIS, access camera project, SEMS furniture and ‘Into Reading’ curriculum.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Land	\$ 1,115,863	\$ 1,115,863	\$ -	\$ -	\$ 1,115,863	\$ 1,115,863
Construction-in-progress	1,655,044	2,264,450	-	-	1,655,044	2,264,450
Site improvements	1,868,382	1,834,027	-	-	1,868,382	1,834,027
Building and building improvements	51,935,295	50,466,501	-	-	51,935,295	50,466,501
Machinery and equipment	5,332,280	7,889,327	83,933	83,927	5,416,213	7,973,254
Leased equipment	-	198,383	-	-	-	198,383
Total capital assets	\$ 61,906,864	\$ 63,768,551	\$ 83,933	\$ 83,927	\$ 61,990,797	\$ 63,852,478

Debt

At June 30, 2022, the South Eastern School District had \$31,790,000 in total debt outstanding, comprised of \$5,025,000 in bonds and \$26,765,000 in notes. The Series of 2002 bonds were paid off during the year. Table 6 summarizes and compares debt outstanding for the 2021-2022 and 2020-2021 fiscal years. The District's bonds are rated AA Stable.

Table 6
Bonds and Notes Outstanding

General Obligation Debt:	2021	2022
Series of 2002 - Refunding of Series of 2000	\$ 748,000	\$ -
Series of 2020 - Refunding of Series of 2012	6,220,000	5,025,000
Series A of 2021 - Refunding of Series A of 2013	16,200,000	16,200,000
Series B of 2021 - Renovation projects	10,570,000	10,565,000
Total Outstanding Debt	<u>\$ 33,738,000</u>	<u>\$ 31,790,000</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

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 2018-2019 to 2022-2023 are provided in the chart below. Please note that Exelon Generation Company LLC is now Constellation Energy Gen LLC.

DISCLOSURE OF OPERATIONAL DATA
TOP TEN TAXPAYERS

Name	Property Assessed Value				
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
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	33,406,640	33,411,890	-
CONSTELLATION ENERGY GEN LLC					33,453,040
CONNECTIV MID MERIT LLC	11,200,650	11,200,650	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>\$ 107,896,530</u>	<u>\$ 112,058,280</u>	<u>\$ 112,063,530</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		Common Level Ratio	Real estate levy imposed	Amount of real estate taxes collected current year		Amount of real estate taxes collected for prior years		Total amount of real estate collected	Percent of current tax levy
			of taxable real estate	of taxable real estate			Percent of current tax levy	Percent of current tax levy				
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	*	*	31,855,975	29,739,075	93.4%	892,065	30,631,140	96.20%		

* Data available August 2023

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 2021-2022 was 34.94% and for 2022-2023 is 35.26%. PSERS has published future rate projections of 35.69%, 36.02%, and 36.48% for fiscal years 2023-2024 to 2025-2026, respectively. To prepare for future rate increases, the District has been successful in managing staffing needs and maintaining a committed fund balance of \$11,753,238 as of June 30, 2022. It should be noted that the General Fund committed fund balance for retirement will decrease by \$1 million at the beginning of the 2022-2023 year to provide funds for the General Fund non-spendable fund balance for medical insurance payments.

Healthcare costs of the District have been outpacing premiums paid for three consecutive years. The District participates in a healthcare consortium with 22 educational institutions through Lincoln Benefit Trust. Due to the District's adverse claims experience, a 10% increase in premiums was approved for 2021-2022 and a 20% increase in premiums as well as a \$1 million contribution was approved for 2022-2023. In addition to premiums and contributions, changes to the healthcare plan authorized to start January 1, 2023 are another means of cost control being enacted.

The ability to hire staff is 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. Additionally, supply chain issues and rising product costs are of a concern in procuring paper and food.

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 2 school years. While the initial concern was with incoming kindergarten numbers, the District has 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). Over the course of the past two years an increase in enrollment has increased the student numbers by 50 and added two additional classes. The concern is 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 Board of School 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 will begin work in January 2023 and conclude in January 2024.

In addition to a concern with the enrollment trends, the District has moved into the second 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 will be similar to the scope of Phase 1. In Phase 2 both the South Eastern Intermediate School and Kennard-Dale High School will be renovated. The goal will be to have the renovations completed by August 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 District's finances and shows the 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, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,440,629	\$ 640,037	\$ 7,080,666
Investments	32,941,063	-	32,941,063
Receivables	3,554,764	19,347	3,574,111
Inventories	-	50,324	50,324
Prepaid expenses	1,507,091	8,235	1,515,326
Capital assets			
Land and construction-in-progress	3,380,313	-	3,380,313
Other capital assets, net of depreciation	60,388,238	83,927	60,472,165
Total capital assets	63,768,551	83,927	63,852,478
Total assets	\$ 108,212,098	\$ 801,870	\$ 109,013,968
Deferred Outflows of Resources			
Deferred amounts on pension liability	\$ 11,714,000	\$ 35,000	\$ 11,749,000
Deferred amounts on OPEB liabilities	1,426,065	3,494	1,429,559
Total deferred outflows of resources	\$ 13,140,065	\$ 38,494	\$ 13,178,559
Liabilities			
Accounts payable and accrued expenses	\$ 6,011,962	\$ 41,496	\$ 6,053,458
Internal balances	29,013	(29,013)	-
Unearned revenues	121,781	79,956	201,737
Long-term liabilities			
Due within one year	2,518,514	-	2,518,514
Due in more than one year	31,018,928	3,000	31,021,928
Net pension liability	66,394,000	200,000	66,594,000
OPEB liabilities	6,725,816	17,809	6,743,625
Total long-term liabilities	106,657,258	220,809	106,878,067
Total liabilities	\$ 112,820,014	\$ 313,248	\$ 113,133,262
Deferred Inflows of Resources			
Deferred amounts on pension liability	\$ 11,445,000	\$ 34,000	\$ 11,479,000
Deferred amounts on OPEB liabilities	203,613	469	204,082
Deferred amounts on refunding debt	116,858	-	116,858
Total deferred inflows of resources	\$ 11,765,471	\$ 34,469	\$ 11,799,940
Net Position			
Net investment in capital assets	\$ 41,587,549	\$ 83,927	\$ 41,671,476
Restricted	68,736	-	68,736
Unrestricted	(44,889,607)	408,720	(44,480,887)
Total net position	\$ (3,233,322)	\$ 492,647	\$ (2,740,675)

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2022**

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
Governmental Activities:							
Instruction	\$ 32,307,745	\$ 37,662	\$ 7,374,635	\$ -	\$(24,895,448)	\$ -	\$(24,895,448)
Instructional student support	4,057,755	-	535,160	-	(3,522,595)	-	(3,522,595)
Administration and financial support	5,693,158	-	661,497	-	(5,031,661)	-	(5,031,661)
Operation and maintenance of plant	5,543,026	-	272,722	-	(5,270,304)	-	(5,270,304)
Pupil transportation	2,388,534	-	1,158,937	-	(1,229,597)	-	(1,229,597)
Student activities	1,241,680	-	161,042	-	(1,080,638)	-	(1,080,638)
Community services	462	-	-	-	(462)	-	(462)
Interest on long-term debt	504,729	-	35,191	-	(469,538)	-	(469,538)
Total governmental activities	51,737,089	37,662	10,199,184	-	(41,500,243)	-	(41,500,243)
Business-Type Activities:							
Food service	1,301,744	173,495	1,501,676	-	-	373,427	373,427
Total primary government	\$ 53,038,833	\$ 211,157	\$ 11,700,860	\$ -	\$(41,500,243)	\$ 373,427	\$(41,126,816)
General Revenues							
Property taxes, levied for general purposes, net					\$ 31,563,194	\$ -	\$ 31,563,194
Public utility realty, earned income, and other Sec 679 and Act 511 taxes					3,817,559	-	3,817,559
Grants, subsidies and contributions not restricted					11,019,901	-	11,019,901
Investment earnings					45,969	-	45,969
Transfers					(58,026)	58,026	-
Miscellaneous income					98,490	-	98,490
Total general revenues					46,487,087	58,026	46,545,113
Changes in net position					4,986,844	431,453	5,418,297
Net Position - July 1, 2021					(8,220,166)	61,194	(8,158,972)
Net Position - June 30, 2022					\$ (3,233,322)	\$ 492,647	\$ (2,740,675)

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Capital Projects Fund	Student Activity Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,089,921	\$ 281,972	\$ 68,736	\$ 6,440,629
Investments	22,594,736	10,346,328	-	32,941,064
Receivables				
Taxes	1,203,166	-	-	1,203,166
Federal subsidies	570,392	-	-	570,392
State subsidies	1,738,445	-	-	1,738,445
Other	42,761	-	-	42,761
Prepaid expenses	1,507,091	-	-	1,507,091
Total assets	\$ 33,746,512	\$ 10,628,300	\$ 68,736	\$ 44,443,548
Liabilities				
Due to other funds	\$ 29,013	\$ -	\$ -	\$ 29,013
Accounts payable	146,864	684,119	-	830,983
Accrued salaries and benefits	4,904,236	-	-	4,904,236
Payroll withholdings	153,544	-	-	153,544
Unearned revenues	121,781	-	-	121,781
Total liabilities	5,355,438	684,119	-	6,039,557
Deferred Inflows of Resources				
Delinquent property taxes	901,773	-	-	901,773
Fund Balances				
Restricted for capital projects	-	9,944,181	-	9,944,181
Restricted for student activities	-	-	68,736	68,736
Nonspendable	1,507,091	-	-	1,507,091
Committed	21,414,952	-	-	21,414,952
Unassigned	4,567,258	-	-	4,567,258
Total fund balances	27,489,301	9,944,181	68,736	37,502,218
Total liabilities, deferred inflows of resources and fund balances				
	\$ 33,746,512	\$ 10,628,300	\$ 68,736	\$ 44,443,548

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2022**

Total fund balances - governmental funds	\$ 37,502,218
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$107,857,776, and the accumulated depreciation/amortization is \$44,089,225.	63,768,551
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.	901,773
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.	(116,858)
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	(11,445,000)
Deferred outflows	11,714,000
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	(203,613)
Deferred outflows	1,426,065
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>(452,042)</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	(31,790,000)
Lease obligations	(200,012)
Accrued interest	(123,199)
Compensated absences	(1,095,389)
Net pension liability	(66,394,000)
Other post-employment benefits	<u>(6,725,816)</u> (106,328,416)
Total net position - governmental activities	<u><u>\$ (3,233,322)</u></u>

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2022**

	General Fund	Capital Projects Fund	Student Activity Fund	Total Governmental Funds
Revenues				
Local sources	36,299,307	\$ 8,555	\$ 146,487	\$ 36,454,349
State sources	19,327,410	-	-	19,327,410
Federal sources	1,035,571	-	-	1,035,571
Total revenues	56,662,288	8,555	146,487	56,817,330
Expenditures				
Instructional	34,316,279	-	-	34,316,279
Support services	16,845,387	-	-	16,845,387
Operation of noninstructional services	1,132,308	1,144	149,186	1,282,638
Capital outlay	1,692,805	2,287,186	-	3,979,991
Debt service	2,440,710	-	-	2,440,710
Refund of prior year receipts	3,664	-	-	3,664
Total expenditures	56,431,153	2,288,330	149,186	58,868,669
Excess (deficiency) of revenues under expenditures	231,135	(2,279,775)	(2,699)	(2,051,339)
Other Financing Sources (Uses)				
Interfund transfers out	(58,026)	-	-	(58,026)
Leases on right of use arrangements	247,979	-	-	247,979
Insurance recoveries	3,893	-	-	3,893
Total other financing sources	193,846	-	-	193,846
Net changes in fund balances	424,981	(2,279,775)	(2,699)	(1,857,493)
Fund Balances:				
July 1, 2021	27,064,320	12,223,956	71,435	39,359,711
June 30, 2022	\$ 27,489,301	\$ 9,944,181	\$ 68,736	\$ 37,502,218

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, 2022

Net changes in fund balances - all governmental funds \$ (1,857,493)

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

Capital outlays 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	4,921,860	
Less book value of disposed assets	(1,449,660)	
Less depreciation/amortization expense	2,943,627	6,415,827

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. 80,949

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. (105,351)

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)	8,229,000	
Cost of benefits earned net of employee contributions (PSERS)	(4,894,600)	

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	42,827	
Other post-employment benefits (District Plan)	(211,493)	(168,666)

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	1,948,000	
Amortization of refunding loss	(12,476)	
Amortization of premiums and discounts - net	105,806	
Issuance of lease	(247,979)	
Repayment of lease obligation	47,967	1,841,318

Change in net position of governmental activities \$ 9,540,984

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 34,780,734	\$ 34,780,734	\$ 36,299,307	\$ 1,518,573
State sources	19,096,829	19,096,829	19,327,410	230,581
Federal sources	3,099,540	3,099,540	1,035,571	(2,063,969)
Total revenues	56,977,103	56,977,103	56,662,288	(314,815)
Expenditures				
Instructional	35,967,877	35,963,974	34,316,279	1,647,695
Support services	18,915,984	19,333,983	16,845,387	2,488,596
Operation of noninstructional services	1,236,138	1,236,138	1,132,308	103,830
Capital outlay	20,000	364,566	1,692,805	(1,328,239)
Debt services	2,588,245	2,588,245	2,440,710	147,535
Refund of prior year receipts	-	-	3,664	(3,664)
Total expenditures	58,728,244	59,486,906	56,431,153	3,055,753
Excess (deficiency) of revenues over expenditures	(1,751,141)	(2,509,803)	231,135	2,740,938
Other Financing Sources (Uses)				
Operating transfers out	(120,000)	(120,000)	(58,026)	(61,974)
Leases on right of use arrangements	-	-	247,979	(247,979)
Insurance recoveries	-	-	3,893	(3,893)
Budgetary reserve	(1,262,125)	(503,463)	-	(503,463)
Total other financing (uses)	(1,382,125)	(623,463)	193,846	(817,309)
Net changes in fund balance	\$ (3,133,266)	\$ (3,133,266)	424,981	\$ 1,923,629
Fund Balance:				
July 1, 2021			27,064,320	
June 30, 2022			<u>27,489,301</u>	

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE
June 30, 2022

Assets	
Cash and cash equivalents	\$ 640,037
Receivables	
Federal subsidies	16,028
State subsidies	511
Other receivables	2,808
Internal balances	29,013
Inventories	50,324
Prepaid expenses	8,235
Other capital assets, net of depreciation	83,927
Total assets	<u><u>\$ 830,883</u></u>
 Deferred Outflows of Resources	
Deferred amounts on pension liability	\$ 35,000
Deferred amounts on OPEB liabilities	3,494
Total deferred outflows of resources	<u><u>\$ 38,494</u></u>
 Liabilities	
Accounts payable	\$ 41,496
Unearned revenues	79,956
Long-term liabilities	
Compensated absences	3,000
Net pension liability	200,000
OPEB liabilities	17,809
Total long-term liabilities	<u>220,809</u>
Total liabilities	<u><u>\$ 342,261</u></u>
 Deferred Inflows of Resources	
Deferred amounts on pension liability	\$ 34,000
Deferred amounts on OPEB liabilities	469
Total deferred inflows of resources	<u><u>\$ 34,469</u></u>
 Net Position	
Net investment in capital assets	\$ 83,927
Unrestricted	408,720
Total net position	<u><u>\$ 492,647</u></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, 2022

Operating Revenues	
Food service revenues	\$ 172,995
Operating Expenses	
Salaries	44,320
Employee benefits	30,611
Purchased property service	16,718
Other purchased services	1,091,080
Supplies	105,024
Depreciation	12,301
Other expenses	1,690
Total operating expenses	<u>1,301,744</u>
Operating loss	(1,128,749)
Nonoperating Revenues	
State sources	52,551
Federal sources	1,449,125
Donations	500
Total nonoperating revenues	<u>1,502,176</u>
Interfund Transfer In	<u>58,026</u>
Change in net position	431,453
Net Position:	
July 1, 2021	61,194
June 30, 2022	<u>\$ 492,647</u>

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND - FOOD SERVICE
 Year Ended June 30, 2022**

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Cash Flows From Operating Activities	
Cash received from meal sales	\$ 209,180
Cash payments to employees for services	(92,025)
Cash payments for goods and services	(1,164,662)
Net cash used in operating activities	<u>(1,047,507)</u>
 Cash Flows From Noncapital Financing Activities	
Federal and state sources	1,451,708
Interfund transfers in	58,026
Donations	500
Net cash provided by noncapital financing activities	<u>1,510,234</u>
 Cash Flows From Capital and Related Financing Activities	
Purchase of property and equipment	<u>(12,295)</u>
Net increase in cash and cash equivalents	450,432
 Cash and Cash Equivalents:	
July 1, 2021	189,605
June 30, 2022	<u>\$ 640,037</u>
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (1,128,749)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	12,301
Value of donated commodities	88,585
(Increase) decrease in:	
Inventories	(8,548)
Other receivables	(2,808)
Prepaid expenses	3,575
Deferred outflow resources	795
(Decrease) increase in:	
Internal balances	(29,013)
Accounts payable	(4,749)
Unearned revenues	38,993
Compensated absences	(7,531)
Net pension liability	(38,000)
OPEB liabilities	(827)
Deferred inflow of resources	28,469
Net cash used in operating activities	<u>\$ (1,047,507)</u>
 Supplemental Disclosure	
Noncash noncapital financing activity:	
USDA donated commodities	<u>\$ 88,585</u>

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2022

	Private-Purpose Trust Fund
<hr/>	
Assets	
Investments	\$ 10,000
Other receivables	50
Total assets	<u>\$ 10,050</u>
Liabilities	
Due to student groups	<u>\$ -</u>
Net Position	
Restricted for student scholarship funds	10,050
Total net position	<u>\$ 10,050</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, 2022**

	Private-Purpose Trust Fund
<hr/>	
Deductions	
Investment loss	\$ (280)
Scholarship awards	(500)
	<hr/>
Change in net position	(780)
Net Position - July 1, 2021	10,830
Net Position - June 30, 2022	<u><u>\$ 10,050</u></u>

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 12th 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

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

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

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

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, 2022. 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

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

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.

Leases: The District is a lessee for non-cancellable leases of equipment. A lease liability and an intangible right-to-use lease asset is recognized in the government-wide financial statements.

The District considers all leases above their capitalization policy for recognition. Leases that are material individually or in aggregate are recognized. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease 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 lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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) \$150 per year for years of service with the option to receive \$200 per year for year of service if notice is given by October 1st, or (2) \$35.00 per accumulated sick day up to a maximum of 200 days with the option to receive \$40.00 per accumulated sick day up to the maximum of 200 days if notice is given by October 1st. 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. 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

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, 2022, are as follows:

OPEB Obligations	Governmental Activities	Business-Type Activities	Total
PSERS Cost Sharing Plan - OPEB Liabilities (Note 12)	\$ 3,827,000	\$ 12,000	\$ 3,839,000
District Plan - OPEB Liabilities (Note 11)	2,898,816	5,809	2,904,625
Total	\$ 6,725,816	\$ 17,809	\$ 6,743,625
Deferred Outflows of Resources			
PSERS Cost Sharing Plan Liability	\$ 680,400	\$ 2,000	\$ 682,400
District OPEB Plan Liability	745,665	1,494	747,159
Total	\$ 1,426,065	\$ 3,494	\$ 1,429,559
Deferred Inflows of Resources			
PSERS Cost Sharing Plan Liability	\$ 69,200	\$ 200	\$ 69,400
District OPEB Plan Liability	134,413	269	134,682
Total	\$ 203,613	\$ 469	\$ 204,082

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

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

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, 2022:

GASB issued Statement No. 87, *Leases* increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, per GASB No. 95, and earlier application is encouraged. The District has implemented this pronouncement in the current year.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of various GASB standards previously issued.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* addresses accounting and financial reporting implications that result from the replacement of an IBOR.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, (1) increases consistency and comparability related to the reporting of fiduciary component units where a governing board does not exist and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension and OPEB plans and other employee benefit plans as fiduciary component units; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. New Accounting Pronouncements (Continued)

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*, 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.

GASB Statement No. 99, *Omnibus 2022* will be effective in fiscal years 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.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. will be effective for 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. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. New Accounting Pronouncements (Continued)

GASB Statement No. 101, *Compensated Absences* will be effective for 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. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. It requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. 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. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

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 4, 2022, the date the financial statements were available to be issued.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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.

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, 2022, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	M&T Bank
Insured (FDIC)	4,718,048	4,718,048	Various Banks CD's
Uninsured and collateralized by assets maintained in conformity with Act 72	1,376,403	1,509,854	
	<u>\$ 6,344,451</u>	<u>\$ 6,477,902</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

Note 2. Deposits and Investments (Continued)

Investments

As of June 30, 2022, the District had the following investments:

	Credit Rating	Weighted Avg. Maturity in Years	Carrying Value
Pennsylvania School District Liquid Asset Fund (PSDLAF)			
PSDMAX	AAAm	.164	\$ 5,464,263
PSDLAF US Treasury Bill	NA	NA	4,192,884
PSDLAF Full Flex Pool	NA	.025	19,030,131
PSDLAF Collateralized CD Pool Term	NA	NA	5,000,000
			<u>\$ 33,687,278</u>

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

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

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 2021-2022 was 22.2503 mills (\$22.2503 per \$1,000 assessed valuation). Ninety-six 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, 2022, follows:

	Amount
Taxes Receivable	\$ 1,203,166
Taxes to be collected within 60 days	\$ 301,393
Deferred inflows of resources - delinquent property taxes	901,773
Taxes receivable	\$ 1,203,166
Deferred Inflow of Resources	
Delinquent taxes	\$ 901,773
Total deferred inflow of resources	\$ 901,773

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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, 2022, the interfund receivable/payable balances are as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities		
General Fund	\$ -	\$ 29,013
Business-Type Activities - Food Service	29,013	-
	<u>\$ 29,013</u>	<u>\$ 29,013</u>

Individual fund transfers during the fiscal year ended June 30, 2022, are as follows:

	Transfers in	Transfers out
Governmental Activities		
General Fund	\$ -	\$ 58,026
Business-Type Activities - Food Service	58,026	-
	<u>\$ 58,026</u>	<u>\$ 58,026</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 Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	July 1, 2021	Increases	Decreases	June 30, 2022
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 1,115,863	\$ -	\$ -	\$ 1,115,863
Construction-in-progress	1,655,044	2,264,450	(1,655,044)	2,264,450
Total capital assets, not being depreciated	<u>2,770,907</u>	<u>2,264,450</u>	<u>(1,655,044)</u>	<u>3,380,313</u>
Other Capital Assets				
Site improvements	4,894,866	55,424	-	4,950,290
Buildings and building improvements	81,992,938	336,872	(337,046)	81,992,764
Furniture and equipment	14,060,308	3,672,179	(446,057)	17,286,430
Leased equipment	-	247,979	-	247,979
Total capital assets being depreciated	<u>100,948,112</u>	<u>4,312,454</u>	<u>(783,103)</u>	<u>104,477,463</u>
Less accumulated depreciation				
Site improvements	(3,026,484)	(89,779)	-	(3,116,263)
Buildings and building improvements	(30,057,643)	(1,689,120)	220,500	(31,526,263)
Furniture and equipment	(8,728,028)	(1,115,132)	446,057	(9,397,103)
Less accumulated amortization for				
Leased assets	-	(49,596)	-	(49,596)
Total accumulated depreciation and amortization	<u>(41,812,155)</u>	<u>(2,943,627)</u>	<u>666,557</u>	<u>(44,089,225)</u>
Total capital assets being depreciated, net	<u>59,135,957</u>	<u>1,368,827</u>	<u>(116,546)</u>	<u>60,388,238</u>
Total Governmental Activities, Capital Assets - Net	<u>\$ 61,906,864</u>	<u>\$ 3,633,277</u>	<u>\$ (1,771,590)</u>	<u>\$ 63,768,551</u>
Business-Type Activities:				
Capital assets being depreciated				
Furniture and equipment	\$ 870,627	\$ 12,295	\$ -	\$ 882,922
Less accumulated depreciation for machinery and equipment	(786,694)	(12,301)	-	(798,995)
Total Business-Type Activities, Capital Assets - Net	<u>\$ 83,933</u>	<u>\$ (6)</u>	<u>\$ -</u>	<u>\$ 83,927</u>

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

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

	Amount
Governmental Activities:	
Instruction	\$ 834,549
Instructional student support	7,129
Administration and financial support	352,527
Operation and maintenance of plant	1,706,463
Transportation	262
Student activities	42,697
Total Governmental Activities	<u>2,943,627</u>
Business-Type Activities:	
Food Service	12,301
Total Primary Government	<u>\$ 2,955,928</u>

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations

During the fiscal year ended June 30, 2022, long-term debt changed as follows:

	Balances			Balances	
	July 1,			June 30,	Due within
	2021	Increases	Decreases	2022	one year
General Obligation Debt					
Series of 2002	\$ 748,000	\$ -	\$ (748,000)	\$ -	\$ -
Series of 2020	6,220,000	-	(1,195,000)	5,025,000	1,605,000
Series A of 2021*	16,200,000	-	-	16,200,000	860,000
Series B of 2021*	10,570,000	-	(5,000)	10,565,000	5,000
Bond premium (discount)	557,849	-	(105,808)	452,041	-
Total General Obligation Debt	34,295,849	-	(2,053,808)	32,242,041	2,470,000
Lease obligations	-	247,979	(47,967)	200,012	48,514
Compensated absences	1,148,747	-	(50,358)	1,098,389	-
Totals	\$ 35,444,596	\$ 247,979	\$ (2,152,133)	\$ 33,540,442	\$ 2,518,514

* Direct Borrowing Note

General Obligation Bonds - Series of 2002 - During fiscal 2002-2003, the District issued General Obligation Bonds - Series of 2002, in the principal amount of \$10,900,000. Interest is payable monthly at a fixed rate of 1.887%. The bonds mature serially in amounts ranging from \$357,000 to \$859,000. The bonds mature on February 25, 2022.

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.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

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.

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

Year	Bonds		Direct Borrowings		Minimum Debt Service
	Principal	Interest	Principal	Interest	
2023	\$ 1,605,000	\$ 178,000	\$ 865,000	\$ 371,540	\$ 3,019,540
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
2028-2033	-	-	17,425,000	887,933	18,312,933
	<u>\$ 5,025,000</u>	<u>\$ 412,400</u>	<u>\$ 26,765,000</u>	<u>\$ 2,591,771</u>	<u>\$ 34,794,171</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

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, 2022:

Years	Governmental Activities		
	Principal	Interest	Total
2022-2023	\$ 48,514	\$ 4,201	\$ 52,715
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>\$ 200,012</u>	<u>\$ 10,847</u>	<u>\$ 210,860</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	\$ 11,753,238
Capital Improvement Projects	9,661,714
	<u>\$ 21,414,952</u>
Description of nonspendable	Amount
General Fund	
Lincoln Benefit Trust deposit	\$ 1,300,384
Prepaid trainings and licensing	206,707
	<u>\$ 1,507,091</u>

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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, 2022, the District's funding for claims exceeded the payments to date; accordingly, the District has a prepaid balance of \$1,308,619 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, 2022:

	Amount
Net assets available for benefits	<u>\$ 77,511,069</u>
Accumulated plan benefits	<u>\$ 8,320,800</u>

The accumulated plan benefits represent estimated claims incurred, but not reported to the Plan Administrator at June 30, 2022. 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

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.

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. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members, whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for 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:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
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%
Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
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, 2022, was 34.14% 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 .15 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, 2022, was \$8,056,000, and is equal to the required contribution for the year. For the year ended June 30, 2022, the District recognized gross retirement subsidy revenue from the Commonwealth in the amount of \$4,285,982.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined-Benefit Pension Plan (Continued)

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

At June 30, 2022, the District reported a liability of \$66,594,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2022, the District's reported proportion was .1622 percent, which was a increase of .0008% percent from its proportion reported as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense of \$4,666,000. At June 30, 2022, 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	\$ 49,000	\$ 875,000
Changes in assumptions	3,230,000	-
Net difference between projected and actual investment earnings	-	10,600,000
Changes in proportion	360,000	-
Difference between employer contributions and proportionate share		
Share of total contributions	54,000	4,000
Contributions subsequent to the measurement date	8,056,000	-
	<u>\$ 11,749,000</u>	<u>\$ 11,479,000</u>

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined-Benefit Pension Plan (Continued)

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

\$8,056,000 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, 2023. 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>
2023	\$ (2,032,000)
2024	(1,160,000)
2025	(1,181,000)
2026	(3,416,000)
2027	3,000
Thereafter	-
	<u><u>\$ (7,786,000)</u></u>

Actuarial Assumptions

The total pension liability as of June 30, 2021, was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2020
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- 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 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.

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 ended June 30, 2020.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	-13.0%	0.1%
	<u>100.0%</u>	

For the year ended June 30, 2021, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense, was 24.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

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

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	\$ 87,407,000	\$ 66,594,000	\$ 49,037,000

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.

Plan Payables

At June 30, 2022, the District reported a payable to PSERS of \$2,795,750, 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 358 active participants and 12 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. Former Superintendent	N/A - Already Retired	Coverage: Medical Prescription Drug, Dental and Vision Premium Sharing: With 5 or more years of service with the District, District pays 100% of cost for member. Otherwise, member pays 100% of cost. Dependent coverage available if member pays 100% of extra premium.	Coverage for member is provided until Medicare eligibility. Coverage for dependents is provided until earlier of member Medicare eligibility and member death.
III. Current Superintendent, Assistant Superintendent, Current Business Manager, Director of Human Resources and Act 93	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 available if member pays 100% of extra premium.	Same as II.
IV. Teachers A) ERIP for 2010-2011 school year	N/A - Already Retired	Coverage: Medical Prescription Drug, Dental and Vision Premium Sharing: With 34 or more years of service with the District, District pays 100% of cost for member and 100% of cost for dependents if member pays \$100 PSERS supplement. With 30 or more years of PSERS service, member pays \$100 PSERS supplement and 100% of cost for Dental and District pays the remainder for 5 years. Member pays 100% of cost for dependent coverage.	Same as II.
B) All other Teachers	Must retire from PSERS	Act 110/43	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

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, 2022, the District reported a liability of \$2,904,625 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2020, and was determined by an actuarial valuation as of July 1, 2020. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	\$ 2,878,666
Changes for the year:	
Service cost	210,006
Interest	55,940
Changes in assumptions	(90,184)
Estimated Benefit payments	(149,803)
Net changes	25,959
Total OPEB Liability, ending	<u>\$ 2,904,625</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$317,034. At June 30, 2022, 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	\$ 351,700	\$ -
Changes in assumptions	288,255	134,682
Benefit payments subsequent to the measurement date	107,204	-
	<u>\$ 747,159</u>	<u>\$ 134,682</u>

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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, \$107,204 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, 2023. 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
2023	\$ 51,088
2024	51,088
2025	51,088
2026	51,088
2027	51,088
Thereafter	249,833
	<u>\$ 505,273</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, 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% real wage growth and for teachers and administrators a merit increases which varies by age from 2.75 to 0%.
- Investment rate of return – 2.28%. Based on S&P Municipal Bond 20-year High Grade Rate Index at 7/1/2021.
- Health care cost trend rate - 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% 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 by the Buck Modified 2016 projection scale to reflect mortality improvement.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 1.28%	Current Discount Rate 2.28%	1% Increase 3.28%
District's proportionate share of the net OPEB liability	\$ 3,122,148	\$ 2,904,625	\$ 2,697,318

The discount rate used to measure the Total OPEB liability increased from 1.86% as of July 1, 2020 to 2.28% as of July 1, 2021.

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	\$ 2,541,586	\$ 2,904,625	\$ 3,334,809

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.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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, and
- Participate in the HOP or employer-sponsored health insurance program

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2022, was 0.80% 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 \$188,284 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$3,839,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2022, the District's reported proportion was .1620% percent, which was an increase of .0007% percent from its proportion reported as of June 30, 2021.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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, 2022, the District recognized OPEB expense of \$235,700. At June 30, 2022, 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	\$ 36,000	\$ -
Changes in assumptions	409,000	51,000
Net difference between projected and actual investment earnings	8,000	-
Changes in proportion	37,000	18,000
Difference between employer contributions and proportionate share of total contributions	3,400	400
Contributions subsequent to the measurement date	189,000	-
	<u>\$ 682,400</u>	<u>\$ 69,400</u>

\$189,000 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, 2023. 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
2023	\$ 71,900
2024	70,900
2025	86,100
2026	78,100
2027	64,000
Thereafter	53,000
	<u>\$ 424,000</u>

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2021, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2020 to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2020
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.18% - 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 decreased from 2.66% as of June 30, 2020 to 2.18%, as of June 30, 2021.

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019, determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality 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

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, 2021.

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	79.8%	0.1%
US Core Fixed Income	17.5%	0.7%
Non-US Developed Fixed	2.7%	-0.3%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.18%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.18% which represents the S&P 20-year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 2.18%, 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 (1.18%) or one percentage point higher (3.18%) than the current discount rate:

	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
District's proportionate share of the net OPEB liability	\$ 4,406,000	\$ 3,839,000	\$ 3,372,000

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	\$ 3,839,000	\$ 3,839,000	\$ 3,839,000

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.

Plan Payables

At June 30, 2022, the District reported a payable to PSERS of \$65,513, which represents the employer contributions owed to the OPEB plan.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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, 2022, the District paid \$1,382,956 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, 2022, 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 \$186,678 the payment is included in the instructional expenditures of the District's General Fund.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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, 2022, are not yet available. The following is condensed financial information for the YCST, excerpted from the June 30, 2021, audited financial statements, available for inspection at the School District's Business Office:

	Amount
Total assets and deferred outflows	\$ 17,424,869
Total liabilities and deferred inflows	56,816,074
Net assets	
Investments in capital assets, net of related debt	2,160,476
Unrestricted	(41,551,681)
Total net assets	<u>\$ (39,391,205)</u>
Total revenues (including \$20,125,705 from member districts)	\$ 32,276,649
Total expenses	<u>32,902,051</u>
Change in net assets	<u>\$ (625,402)</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			
2023	\$ 138,320	\$ 44,938	\$ 183,258
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
2028-2031	393,120	42,285	435,405
2032	44,800	1,400	46,200
Total	<u>1,001,280</u>	<u>\$ 204,748</u>	<u>\$ 1,206,028</u>
Less: due within one year	138,320		
Total long-term outstanding	<u>\$ 862,960</u>		

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 \$729,708 as of June 30, 2022.

Note 14. Construction Commitments

The District has approved \$5,831,843 of construction projects as of June 30, 2022. The District expended approximately \$2,264,450 during the 2021-2022 year which is shown in expenditures in the governmental funds. The remaining \$3,567,393 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, 2022, the District abated property taxes totaling \$604,897. The District will be foregoing tax revenue through the 20-year period running from 2017-2038.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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, 2022, 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,**

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

Notes to Schedule:

For the fiscal year ended June 30, 2022:

Changes in assumptions: The discount rate changed from 1.86% to 2.28%. 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**

For the Fiscal Year Ended June 30	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
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**

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
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**

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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**

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
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, 2022, 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 4, 2022.

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.

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

Camp Hill, Pennsylvania
November 4, 2022

**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, 2022. 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, 2022.

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 4, 2022

SOUTH EASTERN SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I -- Summary of Auditor's Results

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

SOUTH EASTERN SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Identification of the major programs:

Assistance Listing Number(s)	Name of Federal Programs/Cluster
84.425	Education Stabilization Fund
84.010	Title I - Grants to Local Education Agencies

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

Auditee qualified as low-risk auditee? X Yes No

Section II -- Financial Statement Findings

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.

Section III -- Federal Award Findings and Questioned Costs

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, 2022

	Assistance Listing Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2021	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2022	Provided to Subrecipients
U.S. Department of Education										
Passed through the Pennsylvania Department of Education:										
Title I - Grants to Local Education Agencies	84.010	013-22-0395	21-22	\$ 340,837	\$ 295,443	\$ -	\$ 340,837	\$ 340,837	\$ 45,394	\$ -
Title II - Supporting Effective Instruction State Grants	84.367	020-22-0395	21-22	\$ 70,661	60,979	-	70,661	70,661	9,682	-
Title IV - Student Support and Academic Enrichment Grant	84.424	144-22-0395	21-22	\$ 25,901	25,886	-	25,901	25,901	15	-
COVID-19 Elementary & Secondary School Emergency Relief Fund I	84.425D	200-20-0395	20-21	\$ 294,126	154,803	154,803	-	-	-	-
COVID-19 Elementary & Secondary School Emergency Relief Fund II	84.425D	200-21-0395	20-21	\$ 1,271,855	1,180,708	1,180,708	-	-	-	-
COVID-19 ARP Elementary & Secondary School Emergency Relief Fund	84.425U	223-21-0395	20-24	\$ 2,572,595	187,098	-	490,542	490,542	303,444	-
COVID-19 ARP Elementary & Secondary School Emergency 7% Learning Loss	84.425U	225-21-0395	20-24	\$ 142,821	10,387	-	4,925	4,925	(5,462)	-
COVID-19 ARP Elementary & Secondary School Emergency 7% Summer Program	84.425U	225-21-0395	20-24	\$ 28,564	2,077	-	260	260	(1,817)	-
COVID-19 ARP Elementary & Secondary School Emergency 7% After School Program	84.425U	225-21-0395	20-24	\$ 28,564	2,077	-	-	-	(2,077)	-
					14,541	-	5,185	5,185	(9,356)	-
COVID-19 ARP Elementary & Secondary School Emergency Homeless Children and Youth	84.425W	181-22-0395	21-24	\$ 17,012	872	-	16,280	16,280	15,408	-
COVID-19 SECIM Special Education Mitigation Grant (GEER)	84.027	252-20-1395	20-21	\$ 13,482	899	899	-	-	-	-
Total passed through the Pennsylvania Department of Education					1,921,229	1,336,410	949,406	949,406	364,587	-
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	74	-	75,074	75,074	75,000	-
Total passed through the Pennsylvania Commission on Crime & Delinquency					74	-	75,074	75,074	75,000	-
Passed through the Lincoln Intermediate Unit:										
Title III - English Language Acquisition Grants	84.365	010-22-0612	21-22	\$ 1,428	1,446	-	1,446	1,446	-	-
Special Education Cluster										
Special Education - Grants to States	84.027	N/A	21-22	\$ 526,418	526,418	-	526,418	526,418	-	-
COVID-19 ARP - Special Education - Grants to States	84.027	N/A	21-22	\$ 112,910	112,910	-	112,910	112,910	-	-
Early Intervention - Special Education Preschool Grants	84.173	N/A	21-22	\$ 4,158	4,158	-	4,158	4,158	-	-
Total Special Education Cluster					643,486	-	643,486	643,486	-	-
Total passed through the Lincoln Intermediate Unit					644,932	-	644,932	644,932	-	-
Passed through the Lancaster Lebanon Intermediate Unit:										
Special Education - Grant to States	84.027	062-20-0033	20-21	\$ 10,000	1,004	1,004	-	-	-	-
Total passed through the Lancaster Lebanon Intermediate Unit					1,004	1,004	-	-	-	-
Total U.S. Department of Education					2,567,239	1,337,414	1,669,412	1,669,412	439,587	-

(Continued)

SOUTH EASTERN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2022

	Assistance Listing Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2021	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2022	Provided to Subrecipients
Federal Communications Commission										
COVID-19 Emergency Connectivity Fund Program	32.009	ECF2190013675	21-22	\$ 24,000	-	-	9,644	9,644	9,644	-
Total Federal Communications Commission					-	-	9,644	9,644	9,644	-
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education:										
National School Lunch Program	10.555	N/A	20-21	N/A	36,308	36,308	-	-	-	-
National School Lunch Program	10.555	N/A	21-22	N/A	983,775	-	994,870	994,870	11,095	-
					<u>1,020,083</u>	<u>36,308</u>	<u>994,870</u>	<u>994,870</u>	<u>11,095</u>	<u>-</u>
School Breakfast Program	10.553	N/A	20-21	N/A	16,624	16,624	-	-	-	-
School Breakfast Program	10.553	N/A	21-22	N/A	327,689	-	332,622	332,622	4,933	-
					<u>344,313</u>	<u>16,624</u>	<u>332,622</u>	<u>332,622</u>	<u>4,933</u>	<u>-</u>
COVID-19 - National School Lunch Program - SNP Emergency Operating Costs	10.555	N/A	21-22	N/A	32,433	-	32,433	32,433	-	-
COVID-19 - National School Lunch Program - Supply Chain Assistance	10.555	N/A	21-22	N/A	50,879	-	-	-	(50,879)	-
COVID-19- Pandemic EBT Administrative Funds	10.649	N/A	21-22	N/A	614	-	614	614	-	-
					<u>83,926</u>	<u>-</u>	<u>33,047</u>	<u>33,047</u>	<u>(50,879)</u>	<u>-</u>
Child Nutrition Discretionary Grants - Elementary School	10.579	20-0006	20-21	\$ 16,030	16,030	16,030	-	-	-	-
Total passed through the Pennsylvania Department of Education					<u>1,464,352</u>	<u>68,962</u>	<u>1,360,539</u>	<u>1,360,539</u>	<u>(34,851)</u>	<u>-</u>
Passed through the Pennsylvania Department of Agriculture:										
National School Lunch Program - Food Donation	10.555	N/A	21-22	N/A	88,585	-	88,585	88,585	-	-
Total U.S. Department of Agriculture					<u>1,552,937</u>	<u>68,962</u>	<u>1,449,124</u>	<u>1,449,124</u>	<u>(34,851)</u>	<u>-</u>
Total Expenditures of Federal Awards					<u>\$ 4,120,176</u>	<u>\$ 1,406,376</u>	<u>\$ 3,128,180</u>	<u>\$ 3,128,180</u>	<u>\$ 414,380</u>	<u>\$ -</u>
Child Nutrition Cluster (Assistance Listing Numbers - 10.553, 10.555, and 10.579)					<u>\$ 1,536,293</u>	<u>\$ 52,932</u>	<u>\$ 1,448,510</u>	<u>\$ 1,448,510</u>	<u>\$ (34,851)</u>	<u>\$ -</u>
Special Education Cluster (Assistance Listing Numbers - 84.027 and 84.173)					<u>\$ 645,389</u>	<u>\$ 1,903</u>	<u>\$ 643,486</u>	<u>\$ 643,486</u>	<u>\$ -</u>	<u>\$ -</u>
Education Stabilization Fund (Assistance Listing Numbers 84.425)					<u>\$ 1,538,096</u>	<u>\$ 1,335,511</u>	<u>\$ 587,081</u>	<u>\$ 587,081</u>	<u>\$ 384,496</u>	<u>\$ -</u>

See Notes to Schedule of Expenditures of Federal Awards.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2022. 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, 2021

There were no prior year's audit findings.