

**SOUTH EASTERN SCHOOL DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Eastern School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Eastern School District as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14 and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

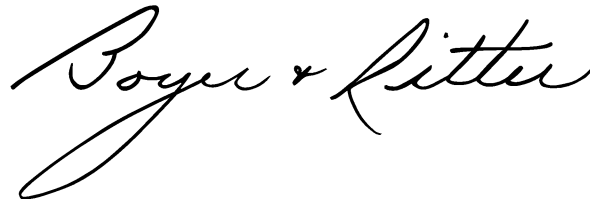
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Eastern Area School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) 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.

The accompanying Schedule of Expenditures of Federal Awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of 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 7, 2017, on our consideration of South Eastern School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Eastern School District's internal control over financial reporting and compliance.

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

Camp Hill, Pennsylvania  
November 7, 2017

**SOUTH EASTERN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended June 30, 2017**

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, 2017. 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 takes into account 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
- ✦ Proprietary Funds
  - Enterprise Fund - Food Services
- ✦ Fiduciary Funds
  - Beakes Scholarship Fund
- ✦ Agency Funds
  - Student Activity Funds

## Financial Highlights

- ✦ Total governmental net position increased by \$3,349,514, changing from a negative \$13.9 million in 2015-2016 to negative \$10.5 million in the 2016-2017 fiscal year. The 2015-2016 year was the first year the District was required to record its share of the retirement liability at the Public School Employees' Retirement System (PSERS).
- ✦ Total outstanding debt decreased by \$2,960,000 during 2016-2017 as principal payments were made on existing debt. The Series A of 2013 bond (elementary renovation project and other projects) was submitted for the state to approve a temporary reimbursement rate as part of PlanCon Part H. The state approved payment of \$700,645 for prior year bond payments, a one-time state revenue windfall. PlanCon Part J, which assigns the permanent reimbursement rate for the Series A of 2013 bonds, will be requested after the District receives all three elementary LEED certifications.
- ✦ Actual governmental revenues increased by 1.56%, while governmental program expenditures increased by 4.81%. A transfer from general fund to the cafeteria fund in the amount of \$120,000 was completed to subsidize food service employee benefits and equipment purchases.
- ✦ The school board committed an additional \$4,000,000 to the Fund Balance reserved for Capital Improvement Projects.
- ✦ General Fund unassigned fund balance of \$4,141,868 at June 30, 2017, represents 7.91% of the 2016-2017 General Fund Approved Budget. General Fund non-spendable fund balance includes \$5,140,509 for medical insurance prepayments with Lincoln Benefit Trust, \$15,103 for pollution insurance prepayments, and \$20,836 for prepaid 17/18 expenditures. General Fund committed fund balance increased by \$4,000,000 and includes \$8,698,238 for retirement contributions and \$4,000,000 for Capital Improvement Projects.
- ✦ Total governmental fund balances equaled \$26,716,885. The following shows the breakdown by fund:
  - General Fund Balance of \$22,016,554 (unassigned, committed, and non-spendable)
  - Capital Projects Fund Balance of \$4,700,331.



## 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 2016-2017 compared to 2015-2016.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 29,890,200	\$ 31,994,560	\$ 224,156	\$ 265,443	\$ 30,114,356	\$ 32,260,003
Capital assets, net	64,566,469	64,095,900	32,888	26,459	64,599,357	64,122,359
<b>Total assets</b>	<b>\$ 94,456,669</b>	<b>\$ 96,090,460</b>	<b>\$ 257,044</b>	<b>\$ 291,902</b>	<b>\$ 94,713,713</b>	<b>\$ 96,382,362</b>
Deferred outflows of resources	\$ 5,667,327	\$ 16,215,102	\$ 16,151	\$ 49,000	\$ 5,683,478	\$ 16,264,102
Current and other liabilities	\$ 5,201,215	\$ 4,521,166	\$ 134,496	\$ 174,940	\$ 5,335,711	\$ 4,696,106
Long-term liabilities	106,507,627	116,261,236	252,485	291,834	106,760,112	116,553,070
<b>Total liabilities</b>	<b>\$ 111,708,842</b>	<b>\$ 120,782,402</b>	<b>\$ 386,981</b>	<b>\$ 466,774</b>	<b>\$ 112,095,823</b>	<b>\$ 121,249,176</b>
Deferred outflows of resources	\$ 2,311,508	\$ 2,070,000	\$ 8,492	\$ 7,000	\$ 2,320,000	\$ 2,077,000
Net Position						
Net investment in capital assets	\$ 33,038,399	\$ 33,506,412	\$ 32,888	\$ 26,459	\$ 33,071,287	\$ 33,532,871
Unrestricted	(46,934,753)	(44,053,252)	(155,166)	(159,331)	(47,089,919)	(44,212,583)
<b>Total net position</b>	<b>\$ (13,896,354)</b>	<b>\$ (10,546,840)</b>	<b>\$ (122,278)</b>	<b>\$ (132,872)</b>	<b>\$ (14,018,632)</b>	<b>\$ (10,679,712)</b>

### Governmental Activities

On June 30, 2017, the School District had total net position from governmental activities of negative \$10,546,840; which was an improvement of 24.10% or \$3,349,514. Total governmental assets increased by 1.73% or \$1,633,791, while governmental liabilities increased by 8.12% or \$9,073,560. Factors that significantly affected net position in the 2016-2017 fiscal year were:

- ✚ General Fund cash and investments increased by \$4,166,529 from the prior year. Capital Project cash decreased by \$556,888 due to purchase of capital assets. Capital Reserve cash decreased by \$1,964,447 as roofing projects were completed.
- ✚ Outstanding debt decreased by \$2,960,000 as a result of principal repayments on existing debt. All bonds are at fixed rates, as described in note 7 of the financial statements.
- ✚ Long-term liabilities increased as pension liabilities were recognized.

Table 2 reflects the changes in net position for fiscal year 2016-2017 compared to fiscal year 2015-2016.

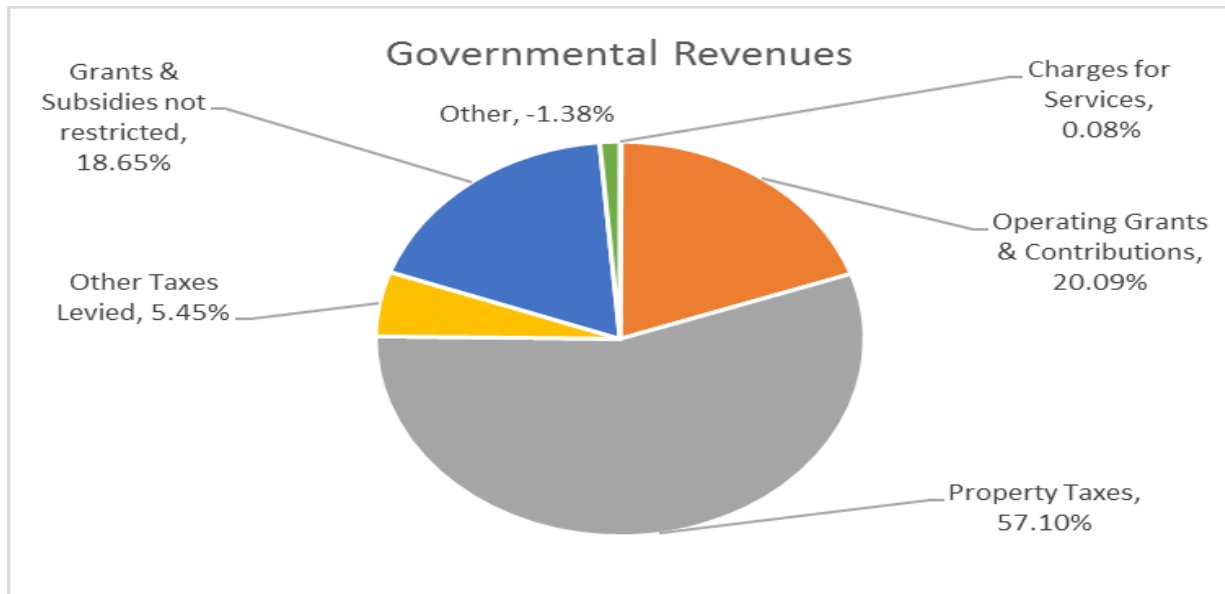
Table 2  
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 46,512	\$ 42,815	\$ 540,338	\$ 616,197	\$ 586,850	\$ 659,012
Operating grants and contributions	9,127,238	10,631,907	481,973	511,713	9,609,211	11,143,620
General revenues						
Property taxes	30,276,444	30,211,326	-	-	30,276,444	30,211,326
Other taxes	2,847,396	2,886,088	-	-	2,847,396	2,886,088
Grants, subsidies and contributions not restricted	9,638,224	9,865,965	-	-	9,638,224	9,865,965
Investment earnings	60,839	139,855	-	-	60,839	139,855
Transfers	(120,000)	(120,000)	120,000	120,000	-	-
Loss on disposal of assets	-	(876,950)	(280)	-	(280)	(876,950)
Miscellaneous	221,447	129,087	-	-	221,447	129,087
<b>Total revenues</b>	<b>52,098,100</b>	<b>52,910,093</b>	<b>1,142,031</b>	<b>1,247,910</b>	<b>53,240,131</b>	<b>54,158,003</b>
<b>Expenses</b>						
Instruction	29,378,734	31,129,330	-	-	29,378,734	31,129,330
Instructional student support	3,620,408	3,969,182	-	-	3,620,408	3,969,182
Administrative and financial support	5,047,336	5,182,645	-	-	5,047,336	5,182,645
Operation and maintenance of plant	4,434,354	4,750,324	-	-	4,434,354	4,750,324
Pupil transportation	2,676,872	2,338,957	-	-	2,676,872	2,338,957
Student activities	1,046,451	1,186,770	-	-	1,046,451	1,186,770
Community service	5,480	6,938	-	-	5,480	6,938
Interest on long-term debt	1,076,611	996,433	-	-	1,076,611	996,433
Food service	-	-	1,107,354	1,258,504	1,107,354	1,258,504
<b>Total expenses</b>	<b>47,286,246</b>	<b>49,560,579</b>	<b>1,107,354</b>	<b>1,258,504</b>	<b>48,393,600</b>	<b>50,819,083</b>
<b>Changes in net position</b>	<b>\$ 4,811,854</b>	<b>\$ 3,349,514</b>	<b>\$ 34,677</b>	<b>\$ (10,594)</b>	<b>\$ 4,846,531</b>	<b>\$ 3,338,920</b>

Governmental revenue, excluding business-type activity transfers, increased by 1.56% from \$52.1 million to \$52.9 million. Reasons for the increase are primarily attributed to the following changes:

- ✚ Property tax revenues were flat with a small overall decrease of 0.22% or \$65,118. 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 increased by 0.60% or \$165,520. Tax millage remained unchanged from the prior year at 22.2503. The District collected 97% of assessed taxes.
- ✚ Operating grants and contributions increased by 16.49% or \$1,504,669. Revenue received from the state for reimbursement for retirement increased by 18.08% or \$494,667 as the retirement contribution rate increased. Revenue for bond payment reimbursement increased by 113.62% or \$841,205 primarily due to reimbursement for past and current year payments on the Series A of 2013 bond.

- ✦ Other taxes levied increased by 1.36% or \$38,692. This category includes earned income, occupational privilege, real estate transfer taxes, public utility, and delinquent earned income taxes. Increases were noted in earned income tax.
- ✦ Grants and subsidies not restricted increased by 2.36% or \$227,741 as the Basic Education Subsidy increased 2.65% or \$229,039 from the prior year. Charges for services decreased by 7.95% or \$3,697. Charges for services include revenue received from other school districts for mainstreaming, children placed in private homes, and rental of school facilities.



Property taxes continue to provide the majority of governmental revenues at 57.10% in 2016-2017, down slightly from 57.98% of total governmental revenues in 2015-2016. Other major contributors to governmental revenue include operating grants and contributions at 20.09%, grants and subsidies not restricted at 18.65%, and other taxes levied remain steady at 5.45%. The Other category in the chart above is a combination of miscellaneous income and loss on disposal of fixed assets. The loss results primarily from removing elementary conditioned air assets since recent building renovations provided air conditioning.

Governmental program expenditures increased by 4.81% from \$47.3 million to \$49.6 million. Major changes within the expenditure categories include:

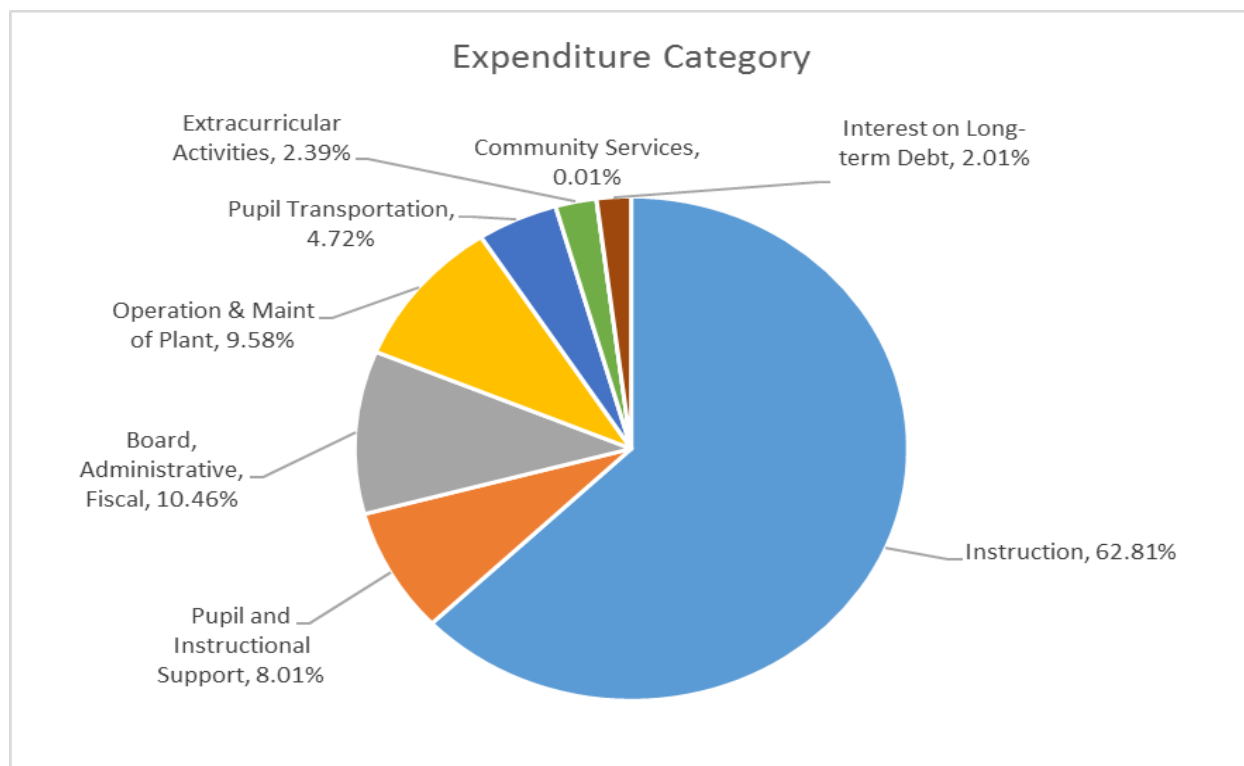
- ✦ Total annual wages increased by 2.38% as a result of board authorized raises.
- ✦ The PSERS employer contribution rate for employee retirement increased, changing from 25.84% in 2015-2016 to 30.03% in 2016-2017. Retirement expense increased by 18.55% or \$985,790. Retirement expense was 29.80% of total wages paid.

Total group insurance expenses for current employees and retirees on the plan decreased by 23.14%; which was comprised of medical insurance decrease of 23.66% or \$1,062,803, dental insurance decrease of 12.68% or \$25,863, vision insurance decrease of 9.25% or \$1,355, life insurance slight increase of 0.43% or \$91, and long-term disability decrease of 1.86% or \$73. When medical plan costs are averaged over the past three years, the trend is a decrease of 6.53%, primarily due to changes in the medical plan and reduced claim experience in the most recent year.

- ✦ Heating oil savings of approximately \$117,000 is attributed to the future rate purchasing of this commodity.
- ✦ Debt interest payments decreased by 6.41% or \$75,700.
- ✦ Student tuition costs increased by 3.25% with most of the increase attributed to a tuition rate calculated for payment to cyber charter schools and vocational technical school budget increases. Table 3 compares tuition expenses from the 2016-2017 to the 2015-2016 fiscal year.

Table 3  
Tuition Costs

Description	2016	2017	Dollar Change	Percent of Change
Other Public Schools	\$ 103,816	\$ 78,260	\$ (25,556)	-24.62%
Charter Schools	782,119	864,892	82,773	10.58%
Vocational Tech Schools	1,124,380	1,233,100	108,720	9.67%
Special Education Placement	689,225	621,810	(67,415)	-9.78%
Private Schools/PRRIs	22,315	12,304	(10,011)	-44.86%
	<u>\$ 2,721,855</u>	<u>\$ 2,810,366</u>	<u>\$ 88,511</u>	<u>3.25%</u>



Instructional costs contributed to 62.81% of total program expenses for governmental activities for South Eastern School District in fiscal year 2016-2017.

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 of services.

Table 4  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2017	2016	2017
Instruction	\$ 29,378,734	\$ 31,129,330	\$ 22,944,785	\$ 24,030,159
Support Services				
Pupil and instruction staff	3,620,408	3,969,182	3,175,748	3,445,479
Board of Education,				
Administrative and fiscal	5,047,336	5,182,645	4,610,537	4,610,394
Operation and maintenance of plant	4,434,354	4,750,324	4,176,947	4,457,097
Pupil transportation	2,676,872	2,338,957	1,306,582	1,021,927
Student activities	1,046,451	1,186,770	906,943	1,012,272
Community	5,480	6,938	5,480	6,938
Interest on long-term debt	1,076,611	996,433	985,474	301,591
<b>Total expenses</b>	<b>\$ 47,286,246</b>	<b>\$ 49,560,579</b>	<b>\$ 38,112,496</b>	<b>\$ 38,885,857</b>

Only 21.54% of the 2016-2017 total cost of services for the governmental activities was funded by charges for services, grants, and contributions. The remaining costs were funded by 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 School District provides both breakfast and lunch programs for grades K through 12, and breakfast for Pre-K students. This program had revenues of \$1,127,910, a transfer in from the General Fund of \$120,000 and expenses of \$1,258,504 for the 2016-2017 fiscal year.

School lunch, breakfast and milk prices remained the same as in 2015-2016. The School District received 45.36% of its revenues from operating grants and contributions from the federal and state reimbursable breakfast and lunch programs. Revenue from state and federal subsidies increased by 6.17% or \$29,740. Total operating revenues increased by 14.03% or \$75,859. Expenditures increased by 13.64% or \$151,150. Total net position is negative \$132,872, reducing net position by \$10,594 from the 2015-2016 negative \$122,278 net position. Contributing to the negative net position is the recognition of future retirement benefits for the District's food service employees. The District offered free breakfast to all students in pre-kindergarten, kindergarten and grade 1 in 2016-2017, and opened Bistros at Kennard-Dale High School and South Eastern Middle School.

## General Fund Budgeting Highlights

For the 2016-2017 fiscal year, General Fund revenue was higher than budget, reflecting an increase of 4.03% or \$2,086,229. Local revenue was greater than budgeted by 1.94% or \$646,244, as a result of a slight increase in collection of real estate taxes, additional earned income tax and realty transfer tax receipts, interest earnings, and refund of prior year expenditures. State funded revenue was greater than budget by 8.18% or \$1,459,909 as a result of PlanCon reimbursement for the Series A of 2013 bond and approximately \$340,000 in additional Basic Education and Special Education Subsidy payments distributed to the District. Federal revenue decreased by 3.73% or \$19,924.

Total General Fund expenditures were under budget by 5.93% or \$3,082,344. Total other financing sources and uses of funds were under budget by 70.40% or \$285,361 since the budgetary reserve was not needed. Other significant expenditure budget variances are discussed below.

- ✚ Salaries and benefits were lower than budget due to professional staff on unpaid leave, temporary vacancies in hourly positions, and corresponding lower retirement and FICA payments. Additionally, savings in healthcare costs were approximately \$1.3 million resulting from spousal exclusion for a full year and good claims experience.
- ✚ Alternative education placements were under budget as fewer regular education and special education students required these services. The District opened its own emotional support classrooms, and fewer students needed Intermediate Unit speech and language services than anticipated.
- ✚ Building electricity and heating oil costs were under budget due to locking in the electricity rate and fuel oil commodity in advance.
- ✚ Transportation cost savings resulted from the elimination of two bus runs.

## Fixed Assets

At June 30, 2017, total net governmental capital assets decreased by \$470,569. The decrease in capital assets resulted from loss on disposal of surplus equipment of \$876,950 and depreciation expense of \$2,772,360 offsetting investment in equipment, roofing, and stadium construction. Capital Reserve funds were spent to complete roofing projects at South Eastern Intermediate School and Kennard-Dale High School. Capital Projects funds were spent on stadium press-box construction, auditorium sound system, student desks and chairs, HVAC unit replacements, final payments for the elementary renovation projects, and stadium well and stadium fieldhouse construction.

Table 5  
Capital Assets at June 30, 2017  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land	\$ 1,115,863	\$ 1,115,863	\$ -	\$ -	\$ 1,115,863	\$ 1,115,863
Site improvements	1,290,554	1,205,327	-	-	1,290,554	1,205,327
Building and building improvements	55,960,301	56,719,584	-	-	55,960,301	56,719,584
Machinery and equipment	4,241,429	4,492,723	32,888	26,459	4,274,317	4,519,182
Construction-in-progress	1,958,322	562,403	-	-	1,958,322	562,403
Total capital assets	\$ 64,566,469	\$ 64,095,900	\$ 32,888	\$ 26,459	\$ 64,599,357	\$ 64,122,359

**Debt**

At June 30, 2017, the South Eastern School District had \$34,870,000 in bonds outstanding. Table 6 summarizes and compares bonds outstanding for the 2016-2017 and 2015-2016 fiscal years.

Table 6  
Bonds Outstanding

General Obligation Bonds:	2016	2017
Series of 2002 - Refunding of Series of 2000	\$ 4,280,000	\$ 3,600,000
Series of 2009 - Refunding of Series of 2003	330,000	-
Series of 2012 - Refunding of Series A of 2008	9,715,000	9,565,000
Series of 2013 - Refunding of Series of 2005, Series A of 2005, and Series of 2008	6,310,000	4,590,000
Series A of 2013 - Elementary Renovations and projects	17,195,000	17,115,000
Total Outstanding Debt	<u>\$ 37,830,000</u>	<u>\$ 34,870,000</u>

**Ancillary Required Debt Disclosure Data**

Student enrollment projections are provided in the chart below from the Pennsylvania Department of Education based on live births. Beginning and Year End enrollment figures are student membership tallied in October and June, 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 Yr End	1,373	1,177	2,580
2017-2018 Beginning	1,360	1,170	2,530
2018-2019 Projected	1,223	1,159	2,382
2019-2020 Projected	1,217	1,145	2,362

Additionally, bond covenants require disclosure of the District's top ten taxpayers. Accordingly, the ten largest tax assessments by fiscal year from 2014-2015 to 2017-2018 are provided in the chart below.

Name	Property Assessed Value			
	2014-2015	2015-2016	2016-2017	2017-2018
EXELON GENERATION COMPANY LLC	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
CONNECTIV MID MERIT LLC	10,814,870	11,053,260	11,200,650	11,200,650
HOME DEPOT USA INC	5,757,430	4,840,000	4,840,000	4,840,000
STEWARTSTOWN COURTYARD LP	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
STONEBRIDGE FLEX I LTD PARTNERSHIP	2,249,000	2,249,000	2,249,000	2,249,000
TWOTON INCORPORATED	2,694,010	2,694,010	2,694,010	2,694,010
RIACH FAMILY LIMITED PARTNERSHIP	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
STONEBRIDGE PLAZA LP	-	-	-	-
STEWARTSTOWN STATION VILLAGE	2,133,290	2,133,290	2,133,290	2,133,290
	<u>\$ 51,707,600</u>	<u>\$ 51,028,560</u>	<u>\$ 51,175,950</u>	<u>\$ 51,175,950</u>



## **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 is 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 2016-2017 is 30.03% and for 2017-2018 is 32.57%. PSERS has published future rate projections of 34.18%, 35.62%, 36.13% and 36.56% for fiscal years 2018-2019 to 2021-2022. To prepare for future rate increases, the District has been successful in managing staffing needs and maintaining a committed fund balance of \$8,698,238 as of June 30, 2017.

In the Commonwealth of Pennsylvania, decision-making that occurs at the state level has the potential to significantly impact South Eastern School District economically. If there is a change to the basic education funding formula, there could be a range of implications for South Eastern, particularly considering the pattern of the declining enrollment we have seen over the past decade. The escalating pension costs make it extremely difficult to maintain present programs and current staffing levels. Inevitable changes to the Affordable Care Act in the next several years may have substantial impact on our healthcare costs. Additionally, the lengthy time to pass a state budget has caused a downgrade to the state's bond rating and is having a trickle-down effect on school districts.

Future plans for the district include consideration of the redistribution of students to maximize investment in building maintenance and renovation, expansion of blended learning opportunities for students requiring improved broadband internet throughout the community, and strategic replacement of devices in the long-term.

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

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

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,704,530	\$ 92,092	\$ 4,796,622
Investments	19,312,778	-	19,312,778
Receivables	2,800,803	67,282	2,868,085
Inventories	-	51,614	51,614
Prepaid expenses	5,176,449	54,455	5,230,904
Capital assets			
Land and construction-in-progress	1,678,265	-	1,678,265
Other capital assets, net of depreciation	62,417,635	26,459	62,444,094
Total capital assets	64,095,900	26,459	64,122,359
<b>Total assets</b>	<b>\$ 96,090,460</b>	<b>\$ 291,902</b>	<b>\$ 96,382,362</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts on pension liability	\$ 15,866,000	\$ 49,000	\$ 15,915,000
Deferred amounts on refunding debt	349,102	-	349,102
<b>Total deferred outflows of resources</b>	<b>\$ 16,215,102</b>	<b>\$ 49,000</b>	<b>\$ 16,264,102</b>
<b>Liabilities</b>			
Internal balances	\$ (115,154)	\$ 115,154	\$ -
Accounts payable and accrued expenses	4,558,303	35,193	4,593,496
Unearned revenues	78,017	24,593	102,610
Long-term liabilities			
Due within one year	2,983,000	-	2,983,000
Due in more than 1 year	113,278,236	291,834	113,570,070
Total long-term liabilities	116,261,236	291,834	116,553,070
<b>Total liabilities</b>	<b>\$ 120,782,402</b>	<b>\$ 466,774</b>	<b>\$ 121,249,176</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts on pension liability	\$ 2,070,000	\$ 7,000	\$ 2,077,000
<b>Net Position</b>			
Net investment in capital assets	\$ 33,506,412	\$ 26,459	\$ 33,532,871
Unrestricted	(44,053,252)	(159,331)	(44,212,583)
<b>Total net position</b>	<b>\$ (10,546,840)</b>	<b>\$ (132,872)</b>	<b>\$ (10,679,712)</b>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 31,129,330	\$ 12,145	\$ 7,087,026	\$ -	\$ (24,030,159)	\$ -	\$ (24,030,159)
Instructional student support	3,969,182	-	523,703	-	(3,445,479)	-	(3,445,479)
Administration and financial support	5,182,645	-	572,251	-	(4,610,394)	-	(4,610,394)
Operation and maintenance of plant	4,750,324	30,670	262,557	-	(4,457,097)	-	(4,457,097)
Pupil transportation	2,338,957	-	1,317,030	-	(1,021,927)	-	(1,021,927)
Student activities	1,186,770	-	174,498	-	(1,012,272)	-	(1,012,272)
Community services	6,938	-	-	-	(6,938)	-	(6,938)
Interest on long-term debt	996,433	-	694,842	-	(301,591)	-	(301,591)
<b>Total governmental activities</b>	<b>49,560,579</b>	<b>42,815</b>	<b>10,631,907</b>	<b>-</b>	<b>(38,885,857)</b>	<b>-</b>	<b>(38,885,857)</b>
<b>Business-Type Activities:</b>							
Food service	1,258,504	616,197	511,713	-	-	(130,594)	(130,594)
<b>Total primary government</b>	<b>\$ 50,819,083</b>	<b>\$ 659,012</b>	<b>\$ 11,143,620</b>	<b>\$ -</b>	<b>\$ (38,885,857)</b>	<b>\$ (130,594)</b>	<b>\$ (39,016,451)</b>
<b>General Revenues (Expenses):</b>							
Property taxes, levied for general purposes, net					\$ 30,211,326	\$ -	\$ 30,211,326
Public utility realty, earned income, and other Sec 679 and Act 511 taxes					2,886,088	-	2,886,088
Grants, subsidies and contributions not restricted					9,865,965	-	9,865,965
Investment earnings					139,855	-	139,855
Transfers					(120,000)	120,000	-
Loss on disposal of fixed asset					(876,950)	-	(876,950)
Miscellaneous income					129,087	-	129,087
<b>Total general revenues</b>					<b>42,235,371</b>	<b>120,000</b>	<b>42,355,371</b>
<b>Changes in net position</b>					<b>3,349,514</b>	<b>(10,594)</b>	<b>3,338,920</b>
<b>Net Position - July 1, 2016</b>					<b>(13,896,354)</b>	<b>(122,278)</b>	<b>(14,018,632)</b>
<b>Net Position - June 30, 2017</b>					<b>\$ (10,546,840)</b>	<b>\$ (132,872)</b>	<b>\$ (10,679,712)</b>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2017**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 4,373,287	\$ 331,243	\$ 4,704,530
Investments	14,612,778	4,700,000	19,312,778
Receivables			
Taxes	1,304,463	-	1,304,463
Federal subsidies	80,424	-	80,424
State subsidies	1,369,990	-	1,369,990
Other	45,118	-	45,118
Due from other governments	808	-	808
Due from other funds	115,154	-	115,154
Prepaid expenses	5,176,449	-	5,176,449
<b>Total assets</b>	<b>\$ 27,078,471</b>	<b>\$ 5,031,243</b>	<b>\$ 32,109,714</b>
<b>Liabilities</b>			
Due to other governments	\$ 61,160	\$ -	\$ 61,160
Accounts payable	319,137	330,912	650,049
Accrued salaries and benefits	3,379,601	-	3,379,601
Payroll withholdings	218,023	-	218,023
Unearned revenues	78,017	-	78,017
<b>Total liabilities</b>	<b>4,055,938</b>	<b>330,912</b>	<b>4,386,850</b>
<b>Deferred Inflows of Resources</b>			
Delinquent property taxes	1,005,979	-	1,005,979
<b>Fund Balances</b>			
Restricted for capital projects	-	4,700,331	4,700,331
Nonspendable	5,176,448	-	5,176,448
Committed	12,698,238	-	12,698,238
Unassigned	4,141,868	-	4,141,868
<b>Total fund balances</b>	<b>22,016,554</b>	<b>4,700,331</b>	<b>26,716,885</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 27,078,471</b>	<b>\$ 5,031,243</b>	<b>\$ 32,109,714</b>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**June 30, 2017**

<b>Total fund balances - governmental funds</b>	<b>\$ 26,716,885</b>
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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 \$95,546,511 and the accumulated depreciation is \$31,450,611.	64,095,900
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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.	1,005,979
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The difference between the reacquisition price and the net carrying amount of the old debt is a deferred outflow of resources, which is not reported in the funds.	349,102
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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	(2,070,000)
Deferred outflows	15,866,000

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 discounts	15,162
Unamortized bond premiums	(784,083)
	(768,921)

Long-term liabilities, including bonds 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 payable	(34,870,000)
Accrued interest	(249,470)
Compensated absences and pension	(79,809,434)
Other post-employment benefits	(812,881)
	(115,741,785)

<b>Total net position - governmental activities</b>	<b>\$ (10,546,840)</b>
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See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2017**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 34,041,181	\$ 26,115	\$ 34,067,296
State sources	19,304,217	-	19,304,217
Federal sources	514,521	-	514,521
<b>Total revenues</b>	<b>53,859,919</b>	<b>26,115</b>	<b>53,886,034</b>
<b>Expenditures</b>			
Instructional	28,791,460	132,767	28,924,227
Support services	14,554,937	139,216	14,694,153
Operation of noninstructional services	1,148,797	-	1,148,797
Capital outlay	338,371	1,864,677	2,203,048
Debt service	4,056,259	-	4,056,259
Refund of prior-year receipts	9,291	-	9,291
<b>Total expenditures</b>	<b>48,899,115</b>	<b>2,136,660</b>	<b>51,035,775</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>4,960,804</b>	<b>(2,110,545)</b>	<b>2,850,259</b>
<b>Other Financing Sources (Uses)</b>			
Interfund transfers out	(120,000)	-	(120,000)
Insurance recoveries	-	13,151	13,151
<b>Total other financing sources (uses)</b>	<b>(120,000)</b>	<b>13,151</b>	<b>(106,849)</b>
<b>Net changes in fund balances</b>	<b>4,840,804</b>	<b>(2,097,394)</b>	<b>2,743,410</b>
<b>Fund Balances:</b>			
July 1, 2016	17,175,750	6,797,725	23,973,475
June 30, 2017	<u>\$ 22,016,554</u>	<u>\$ 4,700,331</u>	<u>\$ 26,716,885</u>

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, 2017**

**Net changes in fund balances - all governmental funds** \$ 2,743,410

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 expense. This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	3,172,312	
Less net book value of disposed assets	(876,950)	
Less depreciation expense	(2,765,931)	(470,569)
		(470,569)

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.

17,149

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.

23,850

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

District pension contributions		6,125,000
Cost of benefits earned net of employee contributions (pension expense)		(8,142,610)

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	17,779	
Other post-employment benefits	(471)	17,308
		17,308

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

Repayment of long-term debt	2,960,000	
Amortization of refunding loss	(61,376)	
Amortization of premiums and discounts - net	137,352	3,035,976
		3,035,976

**Change in net position of governmental activities** \$ 3,349,514

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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 34,388,924	\$ 33,394,937	\$ 34,041,181	\$ 646,244
State sources	16,850,321	17,844,308	19,304,217	1,459,909
Federal sources	467,445	534,445	514,521	(19,924)
<b>Total revenues</b>	<b>51,706,690</b>	<b>51,773,690</b>	<b>53,859,919</b>	<b>2,086,229</b>
<b>Expenditures</b>				
Instructional	30,632,393	30,696,360	28,791,460	1,904,900
Support services	15,371,415	15,747,127	14,554,937	1,192,190
Operation of noninstructional services	1,083,720	1,079,642	1,148,797	(69,155)
Capital outlay	10,000	399,609	338,371	61,238
Debt services	4,058,691	4,058,690	4,056,259	2,431
Refund of prior-year receipts	-	-	9,291	(9,291)
<b>Total expenditures</b>	<b>51,156,219</b>	<b>51,981,428</b>	<b>48,899,115</b>	<b>3,082,313</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>550,471</b>	<b>(207,738)</b>	<b>4,960,804</b>	<b>5,168,542</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(120,000)	(120,000)	(120,000)	-
Budgetary reserve	(1,043,600)	(285,391)	-	285,391
<b>Total other financing uses</b>	<b>(1,163,600)</b>	<b>(405,391)</b>	<b>(120,000)</b>	<b>285,391</b>
<b>Net changes in fund balance</b>	<b>\$ (613,129)</b>	<b>\$ (613,129)</b>	<b>4,840,804</b>	<b>\$ 5,453,933</b>
<b>Fund Balance:</b>				
July 1, 2016			17,175,750	
June 30, 2017			<u>\$ 22,016,554</u>	

See Notes to Financial Statements.



**SOUTH EASTERN SCHOOL DISTRICT**

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

**June 30, 2017**

<b>Assets</b>	
Cash and cash equivalents	\$ 92,092
Receivables	
Federal subsidies	62,223
State subsidies	5,059
Inventories	51,614
Prepaid expenses	54,455
Other capital assets, net of depreciation	26,459
<b>Total assets</b>	<u><u>\$ 291,902</u></u>
<b>Deferred Outflows of Resources</b>	
Deferred amounts on pension liability	<u><u>\$ 49,000</u></u>
<b>Liabilities</b>	
Internal balances	\$ 115,154
Accounts payable	35,193
Unearned revenues	24,593
Long-term liabilities - compensated absences and pension	291,834
<b>Total liabilities</b>	<u><u>\$ 466,774</u></u>
<b>Deferred Inflows of Resources</b>	
Deferred amounts on pension liability	<u><u>\$ 7,000</u></u>
<b>Net Position</b>	
Net investment in capital assets	\$ 26,459
Unrestricted	(159,331)
<b>Total net position</b>	<u><u>\$ (132,872)</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, 2017**

<hr/>	
Operating Revenues	
Food service revenues	\$ 616,197
Operating Expenses	
Salaries	63,813
Employee benefits	49,884
Purchased property service	44,323
Other purchased services	1,004,960
Supplies	86,104
Equipment	2,991
Depreciation	6,429
<b>Total operating expenses</b>	<u>1,258,504</u>
<b>Operating loss</b>	(642,307)
Nonoperating Revenues	
State sources	43,622
Federal sources	468,091
<b>Total nonoperating revenues</b>	<u>511,713</u>
Interfund Transfer In	<u>120,000</u>
<b>Change in net position</b>	(10,594)
Net Position:	
July 1, 2016	(122,278)
June 30, 2017	<u>\$ (132,872)</u>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND - FOOD SERVICE  
 Year Ended June 30, 2017**

<hr/>	
Cash Flows From Operating Activities	
Cash received from meal sales	\$ 616,066
Cash payments to employees for services	(108,689)
Cash payments for goods and services	(1,024,468)
<b>Net cash used in operating activities</b>	<u>(517,091)</u>
Cash Flows From Noncapital Financing Activities	
Federal and state sources	414,364
Interfund transfers in	120,000
<b>Net cash provided by noncapital financing activities</b>	<u>534,364</u>
<b>Net increase in cash and cash equivalents</b>	17,273
Cash and Cash Equivalents:	
July 1, 2016	74,819
June 30, 2017	<u>\$ 92,092</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (642,307)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	6,429
Value of donated commodities	86,104
(Increase) decrease in:	
Inventories	(12,769)
Deferred outflow resources	(32,849)
(Decrease) increase in:	
Internal balances	112,303
Accounts payable	(71,728)
Unearned revenues	(131)
Compensated absences and pension	39,349
Deferred inflow of resources	(1,492)
<b>Net cash used in operating activities</b>	<u>\$ (517,091)</u>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2017**

	Agency Fund	Private-Purpose Trust Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 117,431	\$ -
Investments	-	10,000
Other receivables	-	114
<b>Total assets</b>	<b>\$ 117,431</b>	<b>\$ 10,114</b>
<b>Liabilities</b>		
Due to student groups	\$ 117,431	\$ -
<b>Net Position</b>		
Restricted for student scholarship funds	\$ -	\$ 10,114
<b>Total net position</b>	<b>\$ -</b>	<b>\$ 10,114</b>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
PRIVATE-PURPOSE TRUST FUND  
Year Ended June 30, 2017**

	Private-Purpose Trust Fund
<hr/>	
Additions	
Investment earnings	\$ 100
<b>Change in net position</b>	<u>100</u>
Net Position - July 1, 2016	10,014
Net Position - June 30, 2017	<u><u>\$ 10,114</u></u>

See Notes to Financial Statements.

# **SOUTH EASTERN SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

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

South Eastern School District (the District), located in York County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12<sup>th</sup> grade. These include regular and advanced academic programs and special education programs. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The District is comprised of three elementary schools, two middle schools and one high school, serving approximately 2,600 students.

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

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

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

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the District, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements. Non-major, individual governmental funds are also reported as separate columns in the fund financial statements. Fiduciary funds are reported by fund type.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

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

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

The government-wide financial statements are reported using the economic-resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net position (assets plus deferred outflows of resources less liabilities less deferred inflows of resources) are used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as an expense against current operations and accumulated depreciation is reported in the Statement of Net Position.

Governmental fund financial statements are reported using the current financial-resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and expenditures related to compensated absences and claims and judgments, are recorded only when payments are due.

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

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

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

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

The District reports the following major governmental funds:

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

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

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:

Student Activities Agency Fund - The Student Activities Agency fund accounts for assets held on behalf of student groups.

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



## **SOUTH EASTERN SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

A physical inventory of the Proprietary Fund food and supplies was taken as of June 30, 2017. The inventory consisted of government-donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at costs using the first-in, first-out (FIFO) method. The District has adopted a single, inventory-recordkeeping system which does not distinguish between donated and purchased commodities. Accordingly, no unearned revenues for donated commodities have been recorded.

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

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

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

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Land (site) Improvements	40 years
Buildings and Building Improvements	40 - 45 years
Furniture and Equipment	5 - 20 years

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

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

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

Deferred Outflows of Resources - Pensions: The District recognizes the difference between actual employer contributions to their pension plan and the proportionate share of contributions and the contributions to the plan subsequent to the measurement date of June 30, 2016, as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

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.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

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

Compensated Absences: The District's policy regarding payments for compensated absences varies based on the contract under which the individual is employed. Upon retirement from the District's service, teachers and non-certified employees will receive a lump-sum payment amounting to the greater of (1) \$100 for every year of service or (2) \$25 per accumulated sick day up to a maximum of 120 days. Administrative personnel will receive the greater of (1) \$100 for every year of service or (2) \$50 per accumulated sick day up to a maximum of 120 days. Upon separation, due to retirement or termination of employment, employees are compensated for any remaining 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.

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, which is funded through the District's contribution to the statewide Public School Employees' Retirement System, a governmental, cost-sharing, multiple-employer defined-benefit pension plan. The District provides access to health and dental-care benefits, including prescription-drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

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: The District recognizes their share of the difference between projected earnings and actual investments of their pension plan and the changes in proportions in the pension plan as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

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 sixty days after year-end. Those property tax receivables expected to be collected after sixty 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.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

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

##### 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.

F. 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 7, 2017, the date the financial statements were available to be issued.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### 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, 2017, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	M&T Bank
Insured (FDIC)	1,962,778	1,962,778	Various Banks CD's
Uninsured and collateralized by assets maintained in conformity with Act 72	1,135,962	1,348,329	
	<u>\$ 3,348,740</u>	<u>\$ 3,561,107</u>	

Financial Institutions - Various Banks CD's - The District invests in Certificates of Deposit at a number of banks through a PSDLAF program. These investments are individually covered by FDIC as they are under the FDIC insurance threshold of \$250,000. The certificates are invested at the various banks and are held in the name of the District.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

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.

#### Investments

As of June 30, 2017, the District had the following investments:

	Credit Rating	Weighted Avg. Maturity in Years	Carrying Value
Pennsylvania School District Liquid Asset Fund (PSDLAF)			
PSDMAX	AAAm	.114	\$ 3,538,091
PSDLAF Full Flex Pool	NA	.375	17,350,000
			<u>\$ 20,888,091</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

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

##### Investments (Continued)

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

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

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

##### Weighted-Average Maturity

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



# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

#### 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 2016-2017 was 22.25 mills (\$22.2503 per \$1,000 assessed valuation). 97% 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, 2017, follows:

	Amount
Taxes Receivable	\$ 1,304,463
Taxes to be collected within 60 days	\$ 298,484
Deferred inflows of resources - delinquent property taxes	1,005,979
Taxes Receivable	\$ 1,304,463
Deferred Inflow of Resources	
Delinquent taxes	\$ 1,005,979
Total Deferred Inflow of Resources	\$ 1,005,979

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Interfund Accounts and Transfers**

Individual fund receivable and payable balances at June 30, 2017, are as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities		
General Fund	\$ 115,154	\$ -
Business-Type Activities - Food Service	-	115,154
	<u>\$ 115,154</u>	<u>\$ 115,154</u>

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.

Individual fund transfers during the fiscal year ended June 30, 2017, are as follows:

	Transfers in	Transfers out
Governmental Activities		
General Fund	\$ -	\$ 120,000
Business-Type Activities - Food Service	120,000	-
	<u>\$ 120,000</u>	<u>\$ 120,000</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. General Fixed Assets**

Capital asset activity for the year ended June 30, 2017, was as follows:

	July 1, 2016	Increases	Decreases	June 30, 2017
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 1,115,863	\$ -	\$ -	\$ 1,115,863
Construction-in-progress	1,958,322	475,988	(1,871,907)	562,403
Total capital assets, not being depreciated	3,074,185	475,988	(1,871,907)	1,678,266
Capital assets being depreciated				
Site improvements	3,782,334	23,093	-	3,805,427
Buildings and building improvements	77,980,728	3,325,273	(1,361,263)	79,944,738
Furniture and equipment	9,432,042	1,219,865	(533,827)	10,118,080
Total capital assets being depreciated	91,195,104	4,568,231	(1,895,090)	93,868,245
Less accumulated depreciation				
Site improvements	2,491,780	108,320	-	2,600,100
Buildings and building improvements	22,020,427	1,699,078	(494,351)	23,225,154
Furniture and equipment	5,190,613	958,533	(523,789)	5,625,357
Total accumulated depreciation	29,702,820	2,765,931	(1,018,140)	31,450,611
Total capital assets being depreciated, net	61,492,284	1,802,300	(876,950)	62,417,634
Total Governmental Activities, Capital Assets - Net	<u>\$ 64,566,469</u>	<u>\$ 2,278,288</u>	<u>\$ (2,748,857)</u>	<u>\$ 64,095,900</u>
<b>Business-Type Activities:</b>				
Capital assets being depreciated				
Furniture and equipment	\$ 816,142	\$ -	\$ -	\$ 816,142
Less accumulated depreciation for machinery and equipment	783,254	6,429	-	789,683
Total Business-Type Activities, Capital Assets - Net	<u>\$ 32,888</u>	<u>\$ 6,429</u>	<u>\$ -</u>	<u>\$ 26,459</u>

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 6. General Fixed Assets (Continued)**

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

	Amount
Governmental Activities:	
Instruction	\$ 1,082,880
Instructional student support	6,953
Administration and financial support	240,014
Operation and maintenance of plant	1,408,682
Student activities	<u>27,402</u>
Total Governmental Activities	2,765,931
Business-Type Activities:	
Food Service	<u>6,429</u>
Total Primary Government	<u><u>\$ 2,772,360</u></u>

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note 7. Long-Term Debt**

During the fiscal year ended June 30, 2017, long-term debt changed as follows:

	Balances July 1, 2016	Increases	Decreases	Balances June 30, 2017	Due within one year
General Obligation Bonds					
Series of 2002	\$ 4,280,000	\$ -	\$ (680,000)	\$ 3,600,000	\$ 693,000
Series of 2009	330,000	-	(330,000)	-	-
Series of 2012	9,715,000	-	(150,000)	9,565,000	375,000
Series of 2013	6,310,000	-	(1,720,000)	4,590,000	1,770,000
Series A of 2013	17,195,000	-	(80,000)	17,115,000	145,000
Bond premium (discount)	906,273	-	(137,352)	768,921	-
Total General Obligation Bonds	38,736,273	-	(3,097,352)	35,638,921	2,983,000
Compensated Absences	1,026,429	-	(18,161)	1,008,268	-
Net Pension Liability	66,185,000	12,908,000	-	79,093,000	-
Other Post-Employment Benefits	812,410	471	-	812,881	-
Totals	\$ 106,760,112	\$ 12,908,471	\$ (3,115,513)	\$ 116,553,070	\$ 2,983,000

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 2009 - During fiscal 2009-2010, the District issued General Obligation Bonds - Series of 2009, in the principal amount of \$5,095,000. The proceeds were used to fully refund the Series of 2003 Bonds. The economic gain on the refunding of the Series of 2003 Bonds was \$67,486. The bonds bear annual interest rates ranging from 2.00% to 4.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$325,000 to \$895,000. The bond was paid in full in the 2016-2017 year.

General Obligation Bonds - Series of 2012 - During fiscal 2012-2013, the District issued General Obligation Bonds - Series of 2012, in the principal amount of \$9,735,000. The proceeds were used to fully refund the Series A of 2008 Bonds. The economic gain on the refunding of the Series A of 2008 Bonds was \$1,439,179. The bonds bear annual interest rates ranging from .30% to 2.35%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$5,000 to \$1,710,000. The bonds mature on June 1, 2026.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

General Obligation Bonds - Series of 2013 - During fiscal 2012-2013, the District issued General Obligation Bonds - Series of 2013, in the principal amount of \$10,245,000. The proceeds were used to fully refund the Series of 2005, Series A of 2005, and Series of 2008 Bonds. The economic gain on the refunding was \$1,040,852. The bonds bear annual interest rates ranging from 2.00% to 4.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$600,000 to \$1,770,000. The bonds mature on June 30, 2021.

General Obligation Bonds - Series A of 2013 - During fiscal 2012-2013, the District issued General Obligation Bonds - Series A of 2013, in the principal amount of \$18,110,000. The proceeds were used to finance various capital projects of the District. The bonds bear annual interest rates ranging from .30% to 5.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$5,000 to \$3,280,000. The bonds mature on March 15, 2029.

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

Years	General Obligation Debt		
	Principal	Interest	Total
2017-2018	\$ 2,983,000	\$ 1,004,624	\$ 3,987,624
2018-2019	2,916,000	937,135	3,853,135
2019-2020	2,980,000	870,774	3,850,774
2020-2021	2,988,000	790,706	3,778,706
2021-2022	2,908,000	731,680	3,639,680
2022-2027	14,675,000	2,614,560	17,289,560
2027-2029	5,420,000	245,700	5,665,700
	<u>\$ 34,870,000</u>	<u>\$ 7,195,179</u>	<u>\$ 42,065,179</u>

The District is 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.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### 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	\$ 8,698,238
Capital Improvement Projects	4,000,000
	<u>\$ 12,698,238</u>
Description of nonspendable	Amount
General Fund	
Lincoln Benefit Trust deposit	\$ 5,140,509
Pollution liability deposit	15,103
Prepaid trainings and licensing	20,836
	<u>\$ 5,176,448</u>

### 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 \$125,000. Claims incurred for \$125,001-\$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. The School District pays all of the premiums from the General Fund. At June 30, 2017, the District's funding for claims exceeded the payments to date; accordingly, the District has a prepaid balance of \$5,194,964 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, 2017:

	Amount
Net assets available for benefits	<u>\$ 95,706,536</u>
Accumulated plan benefits	<u>\$ 8,033,800</u>

The accumulated plan benefits represent estimated claims incurred, but not reported to the Plan Administrator at June 30, 2017. It is reasonably possible that actual benefit claims for all participating members will differ from the estimated amount, and the difference may be material to the District's financial position taken as a whole.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 10. Lease Rental Obligation

The District has entered into a new five-year copier agreement with Phillips Capital that consists of quarterly payments of \$16,607. This lease will expire in July 2021. The District also entered into a three-year Managed Print Service Program Agreement with Phillips Office Solutions, which calls for quarterly payments of \$3,940. The future minimum lease payments are as follows:

<u>Years</u>	<u>Amount</u>
2017-2018	\$ 83,375
2018-2019	83,375
2019-2020	67,615
2020-2021	67,615
	<u>\$ 301,980</u>

### Note 11. Defined-Benefit Pension Plan

#### Plan Description

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

#### Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service



## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 11. Defined-Benefit Pension Plan (Continued)**

##### Benefits Provided (Continued)

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 on 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.

##### Contribution Rates

###### Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions: The District's required contributions are based upon an actuarial valuation. For the fiscal year ended June 30, 2017, the District's rate of contribution was 30.03% of covered payroll. The 30.03% rate is composed of a pension contribution rate of 29.20% for pension benefits and 0.83% for healthcare-insurance premium assistance.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. Defined-Benefit Pension Plan (Continued)**

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 for the years ended June 30, 2017, 2016 and 2015, were \$6,318,209, \$5,711,366, and \$4,485,657 respectively, and are equal to the required contributions for said years. For the year ended June 30, 2017 the District recognized retirement subsidy revenue from the Commonwealth in the amount of \$3,231,396.

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

At June 30, 2017, the District reported a liability of \$79,093,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. The District's proportion of the new pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was .1596 percent, which was an increase of .0068% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$8,120,000. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources in the governmental funds and proprietary fund:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 659,000
Changes in assumptions	2,855,000	-
Net difference between projected and actual investment earnings	4,408,000	-
Changes in proportions	2,371,000	1,418,000
Difference between employer contributions and proportionate share of total contributions	138,000	-
Contributions subsequent to the measurement date	6,144,000	-
	<u>\$ 15,916,000</u>	<u>\$ 2,077,000</u>

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Defined-Benefit Pension Plan (Continued)

\$6,144,000 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2018	\$ 1,414,000
2019	1,414,000
2020	2,597,000
2021	2,270,000
	<u>\$ 7,695,000</u>

#### Actuarial Assumptions

The total pension liability as of June 30, 2016, was determined by rolling forward the System's total pension liability as of the June 30, 2015 to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurements:

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

- The investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016, valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016, Board meeting and were effective beginning with the June 30, 2016, actuarial valuation.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Defined-Benefit Pension Plan (Continued)

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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	20.0%
Financing (LIBOR)	-14.0%	50.0%
	<u>100.0%</u>	

The above table was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 11. Defined-Benefit Pension Plan (Continued)

#### Sensitivity of the District's proportionate share of the new pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
<u>District's proportionate share of the net pension liability</u>	\$ 96,752,000	\$ 79,093,000	\$ 64,254,000
<u>Pension Plan Fiduciary Net Position</u>			

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

#### Plan Payables

At June 30, 2017, the District has payables to the PSERS pension plan of \$2,092,066. This total is composed of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions in the second quarter of 2017.

### Note 12. Other Post-Employment Benefits

#### Plan Description

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 following requirements. Act 93 staff and teachers are eligible under Act 110/43 requirements with at least 20 years and 34 years with the District, respectively. Support staff is eligible following Act 110/43 requirements. Currently, the plan has approximately 375 members. The plan does not issue a separate, stand-alone set of financial statements.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 12. Other Post-Employment Benefits (Continued)

#### Funding Policy

Group	Eligibility	Coverage and Premium Sharing	Duration
I. Former Business Managers			
A) Former Business Manager A	N/A - Already Retired	Coverage: Medical Prescription Drug, Dental, and Vision Premium Sharing District pays 100% cost for member and spouse	Coverage is provided for life for member and spouse
II. Current Superintendent	Must retire from PSERS	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 Assistant Superintendent	Must retire from PSERS	Act 110/43	Same as II.
IV. Current Business Manager and Act 93 employees	Must retire from PSERS with 5 years of service with District	Coverage: Medical Prescription Drug, Dental, and Vision Premium Sharing: With 15 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.
V. 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	Coverage: Medical Prescription Drug, Dental, and Vision Premium Sharing: With 34 or more years of service with the District as of December 31, 2014, member pays \$100 per month and District pays the remainder. Otherwise, member pays 100% of cost. Dependent coverage available if member pays 100% of extra premium	Same as II.
VI. Support Staff	Must retire from PSERS with 20 years of service with District	Act 110/43	Same as II.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 12. Other Post-Employment Benefits (Continued)**

Funding Progress

For the year ended June 30, 2017, the District has estimated the cost (annual expense) of providing retiree health, vision, and dental-care benefits through an actuarial valuation as of July 1, 2016. In accordance with GASB Statement No. 45, the valuation computes an annual required contribution, which represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. This valuation's computed contribution and actual funding are summarized as follows:

	Amount
Annual required contribution	\$ 197,698
Interest on Net OPEB Obligation	36,558
Less adjustment to the annual required contribution	<u>(54,788)</u>
Annual OPEB cost	179,468
Amounts contributed:	
Payments of current premiums and claims	<u>(178,997)</u>
Increase in net OPEB obligation	471
OPEB obligation - beginning of year	<u>812,410</u>
OPEB obligation - end of year	<u><u>\$ 812,881</u></u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the years ended are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 287,520	35.61%	\$ 807,370
June 30, 2016	\$ 286,168	35.22%	\$ 812,410
June 30, 2017	\$ 179,468	22.08%	\$ 812,881

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 12. Other Post-Employment Benefits (Continued)**

##### Actuarial Methods and Assumptions

Actuarial valuations of an on-going plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost-trend rates. Amounts are determined regarding the funded status of the plan, and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the July 1, 2016, actuarial valuation, the entry-Age normal cost method was used. The actuarial assumptions include an annual health-care, cost trend rate of 6.50% in 2016, reduced by periodic decrements to an ultimate rate of 5.50% in 2020. Both rates included a 4.50% inflation assumption. The unfunded actuarial accrued liability (UAAL) is being amortized over 30 years as a level percentage of projected payroll on an open basis, with 29 years remaining.



## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 13. Joint Ventures

##### York County School of Technology

The District is one of fourteen 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 "fourteen 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, 2017, the District paid \$1,022,452 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 of 2003 for the purpose of the funding of the renovations, alterations and additions to the school facilities constructed in previous years, and to refund the Guaranteed Revenue Note, Series of 2002. The Authority will lease the school facilities to YCST under a lease agreement dated May 15, 2003, under which YCST will operate and maintain the school facilities and will be obligated to pay the lease rentals to the Authority in fixed amounts sufficient to pay the principal and interest on the Lease Revenue Bonds, Series of 2003. The District's obligation for lease payments is calculated annually based on its pro-rata share of assessed market value of real estate located within the fourteen member districts. Pursuant to the Restated Articles of Agreement for the formation of the joint venture, withdrawal by a member district does not relieve the district of its obligations incurred while a member district, such as the required payment of funds for the lease rentals of YCST. These bonds were refinanced in June of 2017 as two separate issuances, Series A and Series B of 2017. As of June 30, 2017, the District's pro-rata share represented 5.73% of total assessed value. The District made a lease rental payment to YCST in the amount of \$215,637 the payment is included in the instructional expenditures of the District's General Fund.

As of the report date, audited financial statements for the York County School of Technology for the year ended June 30, 2017, are not yet available. The following is condensed financial information for the YCST, excerpted from the June 30, 2016, audited financial statements, available for inspection at the School District's Business Office:

	Amount
Total assets	\$ 11,691,898
Total liabilities	43,884,659
Net assets	
Investments in capital assets, net of related debt	2,644,804
Unrestricted	(34,837,565)
Total net assets	<u>\$ (32,192,761)</u>
Total revenues (including \$18,145,836 from member districts)	\$ 27,246,081
Total expenses	<u>28,133,685</u>
Change in net assets	<u>\$ (887,604)</u>

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

The annual requirements of the District based on the 5.73% 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 September 30	Principal	Interest	Total
2018	\$ 141,531	\$ 31,411	\$ 172,942
2019	120,903	66,846	187,749
2020	123,482	64,072	187,554
2021	128,639	59,141	187,780
2022	134,942	52,719	187,661
2023-2027	576,438	164,801	741,239
2028-2032	448,086	44,699	492,785
Total	1,674,021	\$ 483,689	\$ 2,157,710
Less: due within one year	141,531		
Total long-term outstanding	<u>\$ 1,532,490</u>		

#### York/LIU Joint Authority

The District is one of thirteen 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 \$3,439,971 as of June 30, 2017.

## **SOUTH EASTERN SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 14. Commitments and Subsequent Events**

##### Construction Commitments

The District has approved \$992,000 of construction projects as of June 30, 2017. The District expended approximately \$24,500 during the 2016-2017 year which is shown in expenditures in the governmental funds. The remaining \$967,500 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 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, 2017, the District abated property taxes totaling \$1,798. The District will be foregoing tax revenue through the 20 year period running from 2017-2037.

#### **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, 2017, the District did not incur any significant losses that were not covered by insurance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH EASTERN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
POST-EMPLOYMENT BENEFITS PLAN  
SCHEDULE OF FUNDING PROGRESS**

**Year Ended June 30, 2017**

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / c
Support Staff	7/1/2016	\$ -	\$ 54,343	\$ 54,343	\$ -	\$ 2,810,141	1.93%
Professional Teachers	7/1/2016	-	1,294,781	1,294,781	-	15,002,940	8.63%
Act 93 Staff	7/1/2016	-	309,500	309,500	-	1,974,107	15.68%
Total		\$ -	\$ 1,658,624	\$ 1,658,624	\$ -	\$ 19,787,188	8.38%
Support Staff	1/1/2014	\$ -	\$ 68,252	\$ 68,252	\$ -	\$ 2,596,583	2.63%
Professional Teachers	1/1/2014	-	1,972,125	1,972,125	-	14,718,020	13.40%
Act 93 Staff	1/1/2014	-	325,541	325,541	-	1,839,117	17.70%
Total		\$ -	\$ 2,365,918	\$ 2,365,918	\$ -	\$ 19,153,720	12.35%
Support Staff	1/1/2012	\$ -	\$ 39,836	\$ 39,836	\$ -	\$ 2,549,887	1.56%
Professional Teachers	1/1/2012	-	2,681,551	2,681,551	-	15,558,095	17.24%
Act 93 Staff	1/1/2012	-	271,062	271,062	-	1,655,901	16.37%
Total		\$ -	\$ 2,992,449	\$ 2,992,449	\$ -	\$ 19,763,883	15.14%

**SOUTH EASTERN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF DISTRICT'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Year Ended June 30, 2017**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.1596%	0.1528%	0.1577%
District's proportionate share of the net pension liability	<u>\$ 79,093,000</u>	<u>\$ 66,185,000</u>	<u>\$ 62,418,000</u>
District's covered-employee payroll	<u>\$ 20,671,111</u>	<u>\$ 19,656,472</u>	<u>\$ 20,128,744</u>
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	382.63%	336.71%	310.09%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%

**SOUTH EASTERN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
Year Ended June 30, 2017**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 6,143,580	\$ 5,175,995	\$ 3,940,670
Contributions in relation to the contractually required contribution	(6,143,580)	(5,175,995)	(3,940,670)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 21,708,088</u>	<u>\$ 20,665,042</u>	<u>\$ 19,652,834</u>
Contributions as a percentage of covered-employee payroll	28.30%	25.05%	20.05%

**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, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise South Eastern School District's basic financial statements, and have issued our report thereon dated November 7, 2017.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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 7, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND 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**

We have audited South Eastern School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Eastern School District's major federal programs for the year ended June 30, 2017. South Eastern School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of South Eastern School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Eastern School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South Eastern School District's compliance.

## Opinion on Each Major Federal Program

In our opinion, South Eastern School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of South Eastern School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Eastern School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Eastern School District's internal control over compliance.

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

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

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



Camp Hill, Pennsylvania  
November 7, 2017

**SOUTH EASTERN SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

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

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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

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

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

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

**SOUTH EASTERN SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2017**

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

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, 2017**

	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award
<b>U.S. Department of Education</b>				
Passed through the Pennsylvania Department of Education:				
Title I - Grants to Local Education Agencies	84.010	013-170395	16-17	\$ 439,727
Title II - Supporting Effective Instruction State Grants	84.367	020-160395	15-16	\$ 75,913
Title II - Supporting Effective Instruction State Grants	84.367	020-170395	16-17	\$ 73,949
Total passed through the Pennsylvania Department of Education				
Passed through the Lincoln Intermediate Unit:				
Title III - English Language Acquisition Grants	84.365	010-170612	16-17	\$ 845
Special Education Cluster				
Special Education - Grants to States	84.027	N/A	16-17	\$ 535,063
Early Intervention - Special Education Preschool Grants	84.173	N/A	16-17	\$ 4,085
Total Special Education Cluster				
Total passed through the Lincoln Intermediate Unit				
<b>Total U.S. Department of Education</b>				

(Continued)

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2016	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2017	Provided to Subrecipients
\$ 383,772	\$ -	\$ 439,727	\$ 439,727	\$ 55,955	\$ -
383,772	-	439,727	439,727	55,955	-
5,409	5,409	-	-	-	-
49,480	-	73,949	73,949	24,469	-
54,889	5,409	73,949	73,949	24,469	-
438,661	5,409	513,676	513,676	80,424	-
845	-	845	845	-	-
535,063	-	535,063	535,063	-	-
4,085	-	4,085	4,085	-	-
539,148	-	539,148	539,148	-	-
539,993	-	539,993	539,993	-	-
978,654	5,409	1,053,669	1,053,669	80,424	-



**SOUTH EASTERN SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Year Ended June 30, 2017**

	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award
<b>U.S. Department of Agriculture</b>				
Passed through the Pennsylvania Department of Education:				
National School Lunch Program*	10.555	N/A	15-16	N/A
National School Lunch Program*	10.555	N/A	16-17	N/A
School Breakfast Program*	10.553	N/A	15-16	N/A
School Breakfast Program*	10.553	N/A	16-17	N/A
Total passed through the Pennsylvania Department of Education				
Passed through the Pennsylvania Department of Agriculture:				
National School Lunch Program - Food Donation*	10.555	N/A	16-17	N/A
<b>Total U.S. Department of Agriculture</b>				
<b>Total Expenditures of Federal Awards</b>				

\* Programs in the Child Nutrition Cluster

National School Lunch Program	\$ 308,358
School Breakfast Program	75,802
National School Lunch Program - Food Donation	83,931
	<u>\$ 468,091</u>

See Notes to Schedule of Expenditures of Federal Awards.

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2016	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2017	Provided to Subrecipients
42,688	42,688	-	-	-	-
259,521	-	308,358	308,358	48,837	-
302,209	42,688	308,358	308,358	48,837	-
9,190	9,190	-	-	-	-
62,416	-	75,802	75,802	13,386	-
71,606	9,190	75,802	75,802	13,386	-
373,815	51,878	384,160	384,160	62,223	-
83,931	-	83,931	83,931	-	-
457,746	51,878	468,091	468,091	62,223	-
\$ 1,436,400	\$ 57,287	\$ 1,521,760	\$ 1,521,760	\$ 142,647	\$ -

## **SOUTH EASTERN SCHOOL DISTRICT**

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

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

The accompanying schedule of expenditures of federal awards includes the federal award activity of the District's under programs of the federal government for the year ended June 30, 2017. 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-percent 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, 2017**

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There were no prior year's audit findings.