

**SOUTH EASTERN SCHOOL DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2021**

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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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the 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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Eastern School District as of June 30, 2021, 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.

## **Emphasis of Matter**

As disclosed in Note 1 to the financial statements, the School adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 84 *Fiduciary Activities*, as of July 1, 2020. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 4 through 15 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 11, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Eastern School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering 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 11, 2021

**SOUTH EASTERN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended June 30, 2021**

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, 2021. The intent of the discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes in conjunction with the discussion and analysis to enhance their understanding of the School District's financial performance.

**Overview of the Financial Statements**

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

**District-wide Statements**

*Statement of Net Position and Statement of Activities*

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

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

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

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

## Fund Financial Statements

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

Funds at South Eastern School District include:

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

## Financial Highlights

- ✦ Total governmental net position increased by \$366,471, changing from a negative \$8.6 million in 2019-2020, to negative \$8.2 million in the 2020-2021 fiscal year. The District's share of retirement liability at the Public-School Employees' Retirement System (PSERS) is included in net position. See Notes 11 through 13 for detailed information on PSERS and Other Post-Employment Benefits.
- ✦ Total outstanding debt increased by \$8,057,000 during 2020-2021. Principal payments were made on existing debt, General Obligation Bonds (GOB) A of 2013 were refunded for a net present value savings of \$1,243,509 through General Obligation Notes (GON) A of 2021, and new borrowing of \$10,570,00 for renovations was completed through GON B of 2021.
- ✦ Actual governmental revenues increased by 3.09%, while governmental program expenditures increased by 5.40%. A transfer from general fund to the cafeteria fund in the amount of \$120,000 was completed to subsidize food service employee benefits and repairs.
- ✦ The School Board committed an additional \$2,440,000 to the Fund Balance committed for Capital Projects.
- ✦ Student Activity Funds were reclassified from a fiduciary type fund to a governmental fund as required by Governmental Accounting Standards Board Statement No. 84.
- ✦ General Fund unassigned fund balance of \$4,203,844 at June 30, 2021, represents 7.45% of the 2020-2021 General Fund Approved Budget. General Fund non-spendable fund balance includes \$2,304,164 for medical insurance prepayments with Lincoln Benefit Trust (decreased from the prior year by \$1,954,285), and \$311,861 for other prepaid 2021-2022 expenditures. General Fund committed fund balance increased by \$1,051,212 and includes \$11,753,238 for retirement contributions and \$8,491,212 for Capital Improvement Projects.
- ✦ Total governmental fund balances equaled \$39,359,711. The following shows the breakdown by fund:
  - General Fund Balance of \$27,064,320 (unassigned, committed, and non-spendable)
  - Capital Projects Fund Balance of \$12,223,956
  - Student Activity Fund Balance of \$71,435 (restricted)



## Reporting the School District as a Whole

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of net position for 2020-2021 compared to 2019-2020:

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
Current and other assets	\$ 35,772,715	\$ 45,077,014	\$ 249,553	\$ 298,347	\$ 36,022,268	\$ 45,375,361
Capital assets, net	61,224,401	61,906,864	45,635	83,933	61,270,036	61,990,797
<b>Total assets</b>	<b>\$ 96,997,116</b>	<b>\$ 106,983,878</b>	<b>\$ 295,188</b>	<b>\$ 382,280</b>	<b>\$ 97,292,304</b>	<b>\$ 107,366,158</b>
Deferred outflows of resources	\$ 11,040,306	\$ 13,141,867	\$ 34,289	\$ 39,759	\$ 11,074,595	\$ 13,181,626
Current and other liabilities	\$ 7,545,570	\$ 6,862,327	\$ 66,322	\$ 87,208	\$ 7,611,892	\$ 6,949,535
Long-term liabilities	105,725,489	119,065,095	299,219	267,167	106,024,708	119,332,262
<b>Total liabilities</b>	<b>\$ 113,271,059</b>	<b>\$ 125,927,422</b>	<b>\$ 365,541</b>	<b>\$ 354,375</b>	<b>\$ 113,636,600</b>	<b>\$ 126,281,797</b>
Deferred inflows of resources	\$ 3,353,000	\$ 2,418,489	\$ 11,000	\$ 6,470	\$ 3,364,000	\$ 2,424,959
Net Position						
Net investment in capital assets	\$ 37,323,548	\$ 39,939,352	\$ 45,635	\$ 83,933	\$ 37,369,183	\$ 40,023,285
Restricted	-	71,435	-	-	-	71,435
Unrestricted	(45,910,185)	(48,230,953)	(92,699)	(22,739)	(46,002,884)	(48,253,692)
<b>Total net position</b>	<b>\$ (8,586,637)</b>	<b>\$ (8,220,166)</b>	<b>\$ (47,064)</b>	<b>\$ 61,194</b>	<b>\$ (8,633,701)</b>	<b>\$ (8,158,972)</b>

### Governmental Activities

On June 30, 2021, the School District had total net position from governmental activities of negative \$8,220,166, which is a positive change of 4.27% or \$366,471 from the prior \$8,586,637. Total governmental assets increased by 10.30% or \$9,986,762, while governmental liabilities also increased by 11.17% or \$12,656,363. Factors that significantly affected net position in the 2020-2021 fiscal year were:

- ✚ General fund cash and investments increased by \$225,804 from the prior year. Capital Project Renovation fund cash was established at \$10,513,475 from the new borrowing (GON B of 2021). Capital Reserve cash decreased by \$813,633 in paying for the synthetic turf field. Capital project fund cash will be used to pay for a new wrestling mat received in 2020-2021 for a cost of \$11,250.
- ✚ Outstanding debt increased by \$8,057,000 as a result of principal payments on existing debt, refunding of General Obligation Bond A of 2013, and borrowing of new money for future renovations. All bonds and notes are at fixed rates, as described in Note 7 of the financial statements.
- ✚ Short-term governmental fund liabilities increased for accounts payable for capital improvement projects. Long-term liabilities increased due to issuance of the General Obligation Note B of 2021 for future renovation project.

Table 2 reflects the changes in net position for fiscal year 2020-2021 compared to fiscal year 2019-2020:

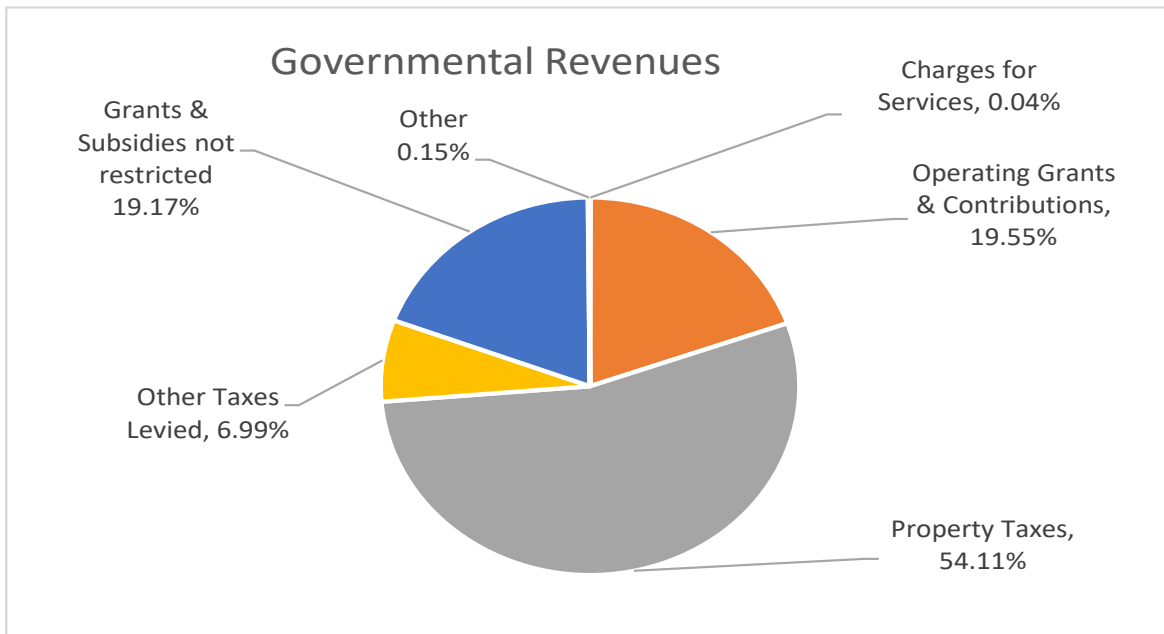
Table 2  
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 43,959	\$ 21,567	\$ 450,064	\$ 82,770	\$ 494,023	\$ 104,337
Operating grants and contributions	10,201,147	11,193,994	517,067	1,065,449	10,718,214	12,259,443
Total program revenues	10,245,106	11,215,561	967,131	1,148,219	11,212,237	12,363,780
General revenues						
Property taxes	30,861,163	30,987,238	-	-	30,861,163	30,987,238
Other taxes	3,023,346	4,003,378	-	-	3,023,346	4,003,378
Grants, subsidies and contributions not restricted	10,868,349	10,980,630	-	-	10,868,349	10,980,630
Investment earnings	502,270	32,899	-	-	502,270	32,899
Transfers	(120,000)	(120,000)	120,000	120,000	-	-
Miscellaneous	57,706	51,468	-	-	57,706	51,468
Total general revenues	45,192,834	45,935,613	120,000	120,000	45,312,834	46,055,613
<b>Total revenues</b>	<b>55,437,940</b>	<b>57,151,174</b>	<b>1,087,131</b>	<b>1,268,219</b>	<b>56,525,071</b>	<b>58,419,393</b>
<b>Expenses</b>						
Instruction	34,489,717	35,840,459	-	-	34,489,717	35,840,459
Pupil and instruction staff	4,268,666	4,474,587	-	-	4,268,666	4,474,587
Board of Education, Administration and Fiscal	5,482,494	6,611,543	-	-	5,482,494	6,611,543
Operation and maintenance of plant	5,555,150	5,517,801	-	-	5,555,150	5,517,801
Pupil transportation	2,275,393	2,389,297	-	-	2,275,393	2,389,297
Extracurricular activities	1,122,492	1,148,852	-	-	1,122,492	1,148,852
Community	2,445	4,387	-	-	2,445	4,387
Interest on long-term debt	765,448	889,647	-	-	765,448	889,647
Food service	-	-	1,069,135	1,159,961	1,069,135	1,159,961
<b>Total expenses</b>	<b>53,961,805</b>	<b>56,876,573</b>	<b>1,069,135</b>	<b>1,159,961</b>	<b>55,030,940</b>	<b>58,036,534</b>
<b>Changes in net position</b>	<b>\$ 1,476,135</b>	<b>\$ 274,601</b>	<b>\$ 17,996</b>	<b>\$ 108,258</b>	<b>\$ 1,494,131</b>	<b>\$ 382,859</b>

Governmental revenue, excluding business-type activity transfers, increased by 3.08% from \$55.6 million to \$57.3 million. Reasons for the increase are primarily attributed to the following changes:

- ✚ Property tax revenues increased by 0.41% or \$126,075. This category includes current real estate taxes, interim real estate taxes, payments in lieu of current taxes, and delinquent real estate taxes. Current real estate taxes slightly increased by 0.58% or \$169,590. Interim real estate collections continued the trend of annual decline by decreasing 11.33% or \$26,481. Tax millage remains unchanged from the 2015-2016 year through 2021-2022 at 22.2503. The district collected 96% of assessed taxes.
- ✚ Other taxes levied increased by 32.42% or \$980,033, due to an increase in receipts of earned income tax by \$419,400 and delinquent earned income tax by \$449,240. Additionally, transfer tax increased by \$111,532 as home sales gained momentum. Public utility and occupational privilege taxes are also included in this category.

- ✦ Operating grants and contributions increased by 9.73% or \$992,847. Revenue received from the state for reimbursement of transportation costs decreased by 22.27% or \$332,947 as ridership decreased for the 2020-2021 school year due to pandemic related reductions. State subsidy for retirement increased by 3.69% or \$146,103 mainly due to the reimbursement formula providing a slightly higher reimbursement for newer employees. Federal CARES ACT ESSER I and ESSER II grants provided additional federal revenue of \$1.4 million, which offset the COVID health and safety grant decrease of \$175,498 administered by Pennsylvania Commission on Crime and Delinquency.
- ✦ Grants and subsidies not restricted increased slightly by 1.03% or \$112,281.
- ✦ Investment earnings decreased by 93.58% or \$470,009 as interest rates were scarcely above 0%.



Property taxes continue to provide the majority of governmental revenues at 54.11% in 2020-2021, slightly less than 55.67% of total governmental revenues in 2019-2020. Other major contributors to governmental revenue include operating grants and contributions at 19.55%, grants and subsidies not restricted at 19.17%, and other taxes levied decreased slightly to 6.99% of all revenues. The Other category in the chart above is reflective of decreased interest earnings on invested funds.

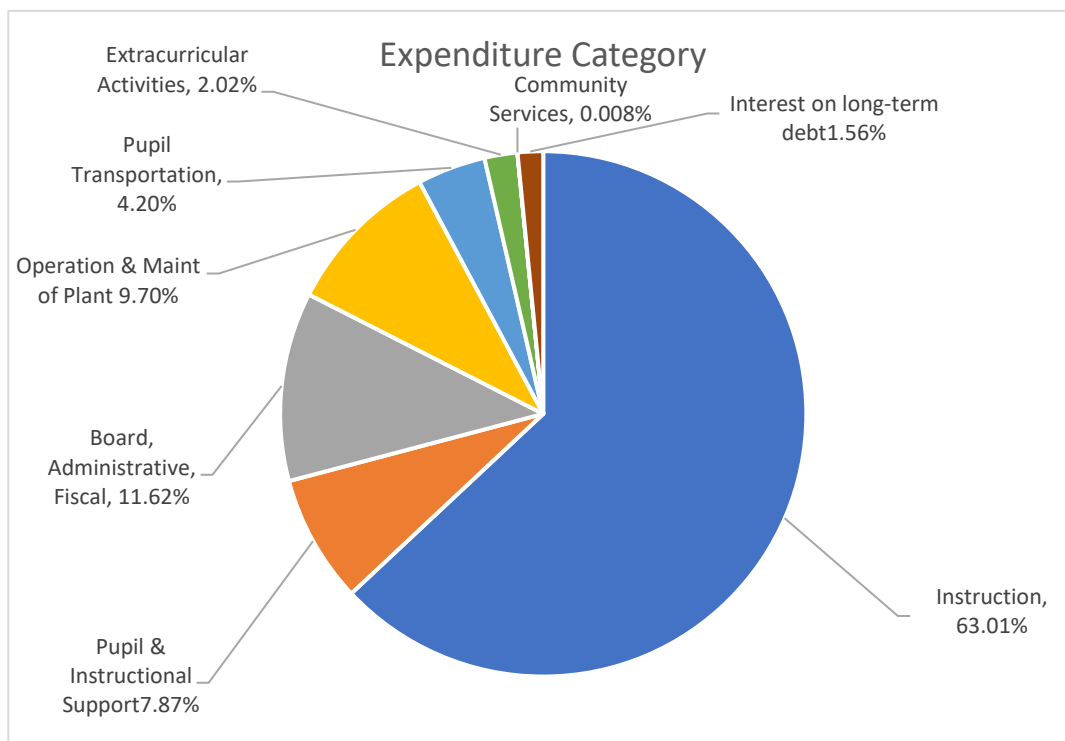
Governmental program expenditures increased by 5.40% from \$54.0 million to \$56.9 million. Major changes within the expenditure categories include:

- ✦ Total annual wages increased by 1.16% as a result of board authorized raises offset by savings on unfilled positions.
- ✦ The PSERS employer contribution rate for employee retirement increased, moving from 34.29% in 2019-2020 to 34.51% in 2020-2021. Retirement expense increased by 1.93% or \$150,111. Retirement expense was 34.40% of the total wages paid.
- ✦ Unemployment claims decreased 55.49% or \$18,631.

- ✦ Total group insurance expenses for current employees and retirees on the plan increased by 13.98% or \$776,289 as healthcare claims exceeded premium payments. The average of medical plan costs over the past three years results in an increase of 16.24%. The three-year average is a factor in determining future rates. The District has had two consecutive years of higher claims than contributions. The fund balance for healthcare at Lincoln Benefit Trust has decreased in 2020-2021 by \$1.95 million to a balance of \$2.30 million as of June 30, 2021.
- ✦ Purchased services increased by 10.34% or \$589,612 mostly due to the increase in cyber charter school enrollment and resulting tuition paid to cyber charter schools. Tuition rates set by state formula based upon district budgeted expenditures was \$14,774 for a regular education student and \$30,822 for a special education student for the 2020-2021 year.
- ✦ Capital equipment costs increased by 202.12% or \$1,624,489 for planned capital projects. Projects at South Eastern Middle School are replacement of RTU units, chiller and boiler; at South Eastern Intermediate School replacement of the boiler and controls; and at Kennard-Dale High School construction of a new parking lot and replacement of the cafeteria floor.
- ✦ Fee costs increased by 56.29% or \$527,935 mostly due to a one-time breakage fee payment to TD Bank for \$493,268 to provide for renegotiation of the refinancing of the General Obligation Bond A of 2013, which allowed the District to secure a lower rate of interest for refinancing as well as borrow funds for future renovation projects.
- ✦ Student tuition costs increased by 18.93% or \$572,038 with the increase attributed to additional enrollment of cyber charter students, offset by a reduction in costs for special education and York County School of Technology enrollments. Table 3 compares tuition expenses from the 2019-2020 to the 2020-2021 fiscal year.

Table 3  
Tuition Costs

<u>Description</u>	<u>2020</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percent of Change</u>
Other Public Schools	\$ 55,509	\$ 34,300	\$ (21,209)	-38.21%
Charter Schools	1,082,124	1,764,558	682,434	63.06%
Vocational Tech Schools	1,494,101	1,473,989	(20,112)	-1.35%
Special Education Placement	350,195	274,903	(75,292)	-21.50%
Adj/Private Schools/PRRIs	40,007	46,224	6,217	15.54%
<b>Totals</b>	<b>\$3,021,936</b>	<b>\$3,593,974</b>	<b>\$ 572,038</b>	<b>18.93%</b>



Instructional costs contributed to 63.01% of total program expenses for governmental activities for South Eastern School District in fiscal year 2020-2021.

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

Table 4  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2020	2021	2020	2021
Instruction	\$ 34,489,717	\$ 35,840,459	\$ 27,042,061	\$ 28,358,304
Support Services				
Pupil and instruction staff	4,268,666	4,474,587	3,753,394	3,924,782
Board of Education, Administrative and fiscal	5,482,494	6,611,543	4,874,141	5,926,655
Operation and maintenance of plant	5,555,150	5,517,801	5,250,708	5,234,747
Pupil transportation	2,275,393	2,389,297	1,204,267	498,012
Extracurricular activities	1,122,492	1,148,852	941,930	1,012,050
Community	2,445	4,387	2,445	4,387
Interest on long-term debt	765,448	889,647	556,153	702,075
<b>Total expenses</b>	<b>\$ 53,961,805</b>	<b>\$ 56,876,573</b>	<b>\$ 43,625,099</b>	<b>\$ 45,661,012</b>

Only 19.72% of the 2020-2021 total cost of services for the governmental activities was funded by charges for services, grants, and contributions. The remaining costs were funded by local tax revenues and the basic instructional subsidy received from the state.

## **Business-Type Activities**

The business-type activity at South Eastern School District is the food service operation. The District provides both breakfast and lunch programs for grades K through 12 through a contract with Chartwells, a division of Compass Group USA. Food Service operated under the Seamless Summer Option (SSO) for the 2020-2021 school year. The SSO program and multiple food service waivers by the US Department of Agriculture allowed the District to provide free breakfast and free lunch to all students, and free meals to children in the community through a meals-to-go platform. The food service program had revenues of \$1,148,219, which includes two federal food service equipment grants totaling \$32,060, and a transfer in from the general fund of \$120,000. Expenses were \$1,159,961 for the 2020-2021 fiscal year. The equipment grants provided replacement steamers at Fawn Area Elementary and Kennard-Dale High schools.

School lunch, breakfast and milk prices did not increase in 2020-2021. The School District received 92.79% of its revenues from grants and contributions from the federal and state reimbursable breakfast and lunch programs. Compared to the prior year, revenue from state and federal subsidies increased by 106.06% or \$548,382. Total operating revenues decreased 81.61% or \$367,294 as students only needed to pay for a la carte or extra items. Expenditures increased by 8.50% or \$90,826.

Total net position improved with a reduction from negative \$47,064 to positive \$61,194. The SSO program has been extended to June 2022.

## **General Fund Budgeting Highlights**

For the 2020-2021 fiscal year, general fund revenue was higher than the current budget, reflecting an increase of 4.58% or \$2,512,463. Local revenue was greater than budget by 3.00% or \$1,045,568 mainly due to greater receipts of earned income tax, delinquent earned income tax, and transfer tax. The budget was reduced from the prior year for income taxes due to the expectation that unemployment recovery would take longer than one year. Federal revenue was greater than budget by 150.13% or \$1,192,161 due to CARES ACT ESSER I and ESSER II grant revenue, which were unbudgeted as they were not approved at the time the 2020-2021 budget was passed.

Total general fund expenditures were over the current budget by 3.80% or \$2,124,877. Significant expenditure budget variances are noted below.

- ✚ Salaries and benefits (other than healthcare) were lower than budget due to unfilled support staff positions, unfilled student activity positions, unpaid leave for support staff and professional staff, and virtual education days. Savings are also attributed to the lack of substitutes for custodial and paraprofessional positions. Healthcare costs are a major factor in expenditures exceeding budget.
- ✚ Tuition to other schools was over budget as cyber charter enrollment increased, offset partially by a decrease in vocational education students and special education outside placements. Cyber charter costs are another major factor in expenditures exceeding budget.
- ✚ Fees were overspent as a result of the breakage fee to complete the refinancing of existing debt and borrowing of new debt.
- ✚ Curriculum and Instruction was under budget due to the delay in purchasing a new math program. Staff Development was under budget for fewer conferences and virtual instead of in-person conferences.

- ✦ Transportation costs were under budget by 13.01% or \$356,289 due to paying less than 100% to bus companies for fully virtual education days, lower LIU special education transportation costs, and a reduction in student activity and athletic travel events.

## Fixed Assets

At June 30, 2021, total net governmental capital assets increased by \$682,464. The increase in governmental capital assets resulted from depreciation expense of \$2,861,475 offset by investment in machinery and equipment (Administration building boiler, technology equipment, stadium scoreboard, athletic equipment, security equipment, mowers, classroom equipment and HVAC equipment), building improvements (Kennard-Dale cafeteria floor), site improvement (turf field architectural fees, Kennard-Dale parking lot addition), and business textbooks. Construction in Progress increased for partially completed boiler replacements at South Eastern Middle and Intermediate Schools, automation system controls at South Eastern Intermediate School, and auditorium lights and courtyard project at Kennard-Dale High School. Capital Reserve funds were spent on the synthetic turf stadium field. Student Activity funds were spent on the courtyard project at Kennard-Dale High School. Capital Projects funds were spent on replacement of a twenty-year old wrestling mat. Business-type capital assets increased by \$38,298. The increase resulted from depreciation expense of \$10,032 offset with investment in replacement of three cafeteria kitchen steamers for \$48,330.

Table 5  
Capital Assets at June 30, 2021  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
Land	\$ 1,115,863	\$ 1,115,863	\$ -	\$ -	\$ 1,115,863	\$ 1,115,863
Construction-in-progress	316,224	1,655,044	-	-	316,224	1,655,044
Site improvements	961,348	1,868,382	-	-	961,348	1,868,382
Building and building improvements	53,562,776	51,935,295	-	-	53,562,776	51,935,295
Machinery and equipment	5,268,190	5,332,280	45,635	83,933	5,313,825	5,416,213
Total capital assets	\$ 61,224,401	\$ 61,906,864	\$ 45,635	\$ 83,933	\$ 61,270,036	\$ 61,990,797

## Debt

At June 30, 2021, the South Eastern School District had \$33,738,000 in total debt outstanding, comprised of \$6,968,000 in bonds and \$26,770,000 in notes. Table 6 summarizes and compares debt outstanding for the 2020-2021 and 2019-2020 fiscal years. The Series A of 2013 were refunded in June of 2021 with the Series A of 2021 notes through TD Bank, providing a net present value savings of \$1,243,509 at settlement. Original projected net savings was \$1,043,417. The District financed a new borrowing of \$10,570,000 through TD Bank for future renovation projects with Series B of 2021 notes. The refinancing and new borrowing obligations did not require an increase in tax millage. The District's bonds are rated AA Stable.

Table 6  
Bonds and Notes Outstanding

General Obligation Debt:	2020	2021
Series of 2002 - Refunding of Series of 2000	\$ 1,481,000	\$ 748,000
Series of 2013 - Refunding of Series of 2005, Series A of 2005 and Series of 2008	720,000	-
Series A of 2013 - Elementary Renovations and projects	16,295,000	-
Series of 2020 - Refunding of Series of 2012	7,185,000	6,220,000
Series A of 2021 - Refunding of Series A of 2013	-	16,200,000
Series B of 2021 - Renovation projects	-	10,570,000
Total Outstanding Debt	<u>\$ 25,681,000</u>	<u>\$ 33,738,000</u>

### Ancillary Required Debt Disclosure Data

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

#### DISCLOSURE OF OPERATIONAL DATA

Year	PUPIL ENROLLMENT		
	Elementary	Secondary	Total
2016-2017 Beginning	1,376	1,204	2,580
2016-2017 Year End	1,353	1,221	2,574
2017-2018 Beginning	1,360	1,170	2,530
2017-2018 Year End	1,333	1,189	2,522
2018-2019 Beginning	1,328	1,175	2,503
2018-2019 Year End	1,302	1,185	2,487
2019-2020 Beginning	1,333	1,159	2,490
2019-2020 Year End	1,317	1,166	2,483
2020-2021 Beginning	1,239	1,102	2,341
2020-2021 Year End	1,229	1,114	2,343
2021-2022 Beginning	1,320	1,120	2,440
2022-2023 Projected	1,300	1,070	2,370
2023-2024 Projected	1,311	1,051	2,362
2024-2025 Projected	1,359	1,018	2,377

*Projections from Pennsylvania Department of Education*

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

Bond covenants require disclosure of the District's top ten taxpayers. Accordingly, the ten largest tax assessments by fiscal year from 2018-2019 to 2021-2022 are provided in the chart below. Please note that the District, Municipality, and County are still reviewing with Exelon Generation Company LLC its largest property's assessed value.



DISCLOSURE OF OPERATIONAL DATA  
TOP TEN TAXPAYERS

Name	Property Assessed Value			
	2018-2019	2019-2020	2020-2021	2021-2022
JOHNSON CONTROLS INC.	\$ 39,540,720	\$ 39,540,720	\$ 39,540,720	\$ 39,540,720
EXELON GENERATION COMPANY LLC	33,406,640	33,406,640	33,406,640	33,411,890
CONNECTIV MID MERIT LLC	11,200,650	11,200,650	15,362,400	15,362,400
HOME DEPOT USA INC.	5,000,000	5,000,000	5,000,000	5,000,000
STEWARTSTOWN COURTYARD LP	4,656,690	4,656,690	4,656,690	4,656,690
STONEBRIDGE HOSPITALITY PARTNERSHIP	3,838,960	3,838,960	3,838,960	3,838,960
TWOTON INCORPORATED	3,440,520	3,440,520	3,440,520	3,440,520
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 FLEX I LTD PARTNERSHIP	2,249,000	2,249,000	2,249,000	2,249,000
	<u>\$ 107,896,530</u>	<u>\$ 107,896,530</u>	<u>\$ 112,058,280</u>	<u>\$ 112,063,530</u>

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

Year	Milage	Assessed value of taxable real estate	Total market value of taxable real estate	Common Level Ratio	Real estate levy imposed	Amount of real estate taxes collected current year	Percent of current tax levy	Amount of real estate taxes collected for prior years	Total amount of real estate collected	Percent of current tax levy
2016-2017	22.2503	1,369,755,265	1,594,592,858	85.9%	29,430,567	27,859,525	94.7%	1,014,141	28,873,666	98.1%
2017-2018	22.2503	1,379,308,465	1,684,137,320	81.9%	29,598,727	28,115,212	95.0%	960,581	29,075,793	98.2%
2018-2019	22.2503	1,395,886,751	1,466,159,933	95.2%	31,058,923	28,952,412	93.2%	942,296	29,894,708	96.3%
2019-2020	22.2503	1,400,816,370	1,491,613,574	93.9	31,168,589	29,138,005	93.5%	1,009,788	30,147,793	96.70%
2020-2021	22.2503	1,416,595,347	*	*	31,519,692	29,301,078	93.0%	1,069,446	30,370,524	96.40%

\* Data available August 2022

### Economic Impact/Future Concerns

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

The Public-School Employees' Retirement System (PSERS) rate for 2020-2021 was 34.51% and for 2021-2022 is 34.94%. PSERS has published future rate projections of 35.79%, 36.38%, and 36.83% for fiscal years 2022-2023 to 2024-2025, respectively. To prepare for future rate increases, the District has been successful in managing staffing needs and maintaining a committed fund balance of \$11,753,238 as of June 30, 2021.

## **Economic Impact/Future Concerns (Continued)**

Healthcare costs of the District have been outpacing premiums paid for two consecutive years. The pandemic has worsened this situation. The District participates in a healthcare consortium with 22 educational institutions through Lincoln Benefit Trust. The Trust's medical and prescription drug claims trended at or above market averages. Due to the District's adverse claims experience, a 10% increase in premiums was approved for 2021-2022. It is anticipated that future premium increases will exceed 10% unless there are agreed upon plan design and contribution changes. Healthcare will be a focus of interest in upcoming negotiations with the South Eastern Education Association; the Collective Bargaining Agreement expires June 30, 2022.

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

Student enrollment and capital needs at the Intermediate and Middle School buildings are major concerns for the South Eastern School District. The Intermediate School building was completed in 1976 and renovated in 2002, while the Middle School was finished in 1956 and renovated in 2002. This simply means that a substantial amount of money may be needed for capital improvements moving forward. Along with these older buildings, enrollment trends continue to cause concern. After a 15-year consistent decrease in enrollment, South Eastern School District is seeing some signs of a potential for increase in future kindergarten enrollment over the next five years, but to date the kindergarten numbers are comparable to prior years. To support the District moving forward, a contract has been approved for SitemogIQ® to conduct a thorough district analysis that contains the following components: enrollment and demographic trends, capacity needs, facility physical needs, educational and functional needs. This study was completed and the District is moving forward with a plan to renovate the Middle School, the Intermediate School, and the High School. The timeline is as follows:

- Summer of 2022- South Eastern Middle School
- Summer of 2023- South Eastern Intermediate and Kennard Dale High School

The scope of the work will be both basic renovations (HVAC, LED lighting, paint, new gang bathrooms, ceilings, floors, etc.) and a focus on supporting 21<sup>st</sup> Century Learning through technology upgrades and classroom spaces designed for student collaboration, creativity, critical thinking, and communication.

In the Commonwealth of Pennsylvania, decision-making that occurs at the state level has the potential to significantly impact South Eastern School District economically. Changes to state funding, particularly if it is based upon student enrollment, could have implications since South Eastern School District has seen a pattern of declining enrollment over the past decade. The South Eastern School District currently receives just under 34% of revenue from state sources. A change to state funding could create huge shortfalls for the district.

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

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

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2021**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 26,452,053	\$ 189,605	\$ 26,641,658
Investments	11,679,599	-	11,679,599
Receivables	4,329,336	55,156	4,384,492
Inventories	-	41,776	41,776
Prepaid expenses	2,616,026	11,810	2,627,836
<b>Capital assets</b>			
Land and construction-in-progress	2,770,907	-	2,770,907
Other capital assets, net of depreciation	59,135,957	83,933	59,219,890
Total capital assets	61,906,864	83,933	61,990,797
<b>Total assets</b>	<b>\$ 106,983,878</b>	<b>\$ 382,280</b>	<b>\$ 107,366,158</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts on pension liability	\$ 11,884,000	\$ 36,000	\$ 11,920,000
Deferred amounts on OPEB liabilities	1,257,867	3,759	1,261,626
<b>Total deferred outflows of resources</b>	<b>\$ 13,141,867</b>	<b>\$ 39,759</b>	<b>\$ 13,181,626</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 4,821,800	\$ 46,245	\$ 4,868,045
Unearned revenues	92,527	40,963	133,490
<b>Long-term liabilities</b>			
Due within one year	1,948,000	-	1,948,000
Due in more than one year	33,486,065	10,531	33,496,596
Net pension liability	79,234,000	238,000	79,472,000
OPEB liabilities	6,345,030	18,636	6,363,666
Total long-term liabilities	121,013,095	267,167	121,280,262
<b>Total liabilities</b>	<b>\$ 125,927,422</b>	<b>\$ 354,375</b>	<b>\$ 126,281,797</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts on pension liability	\$ 2,156,000	\$ 6,000	\$ 2,162,000
Deferred amounts on OPEB liabilities	158,108	470	158,578
Deferred amounts on refunding debt	104,381	-	104,381
<b>Total deferred inflows of resources</b>	<b>\$ 2,418,489</b>	<b>\$ 6,470</b>	<b>\$ 2,424,959</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 39,939,352	\$ 83,933	\$ 40,023,285
Restricted	71,435	-	71,435
Unrestricted	(48,230,953)	(22,739)	(48,253,692)
<b>Total net position</b>	<b>\$ (8,220,166)</b>	<b>\$ 61,194</b>	<b>\$ (8,158,972)</b>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2021**

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	\$ 35,840,459	\$ 21,567	\$ 7,460,588	\$ -	\$ (28,358,304)	\$ -	\$ (28,358,304)
Instructional student support	4,474,587	-	549,805	-	(3,924,782)	-	(3,924,782)
Administration and financial support	6,611,543	-	684,888	-	(5,926,655)	-	(5,926,655)
Operation and maintenance of plant	5,517,801	-	283,054	-	(5,234,747)	-	(5,234,747)
Pupil transportation	2,389,297	-	1,891,285	-	(498,012)	-	(498,012)
Student activities	1,148,852	-	136,802	-	(1,012,050)	-	(1,012,050)
Community services	4,387	-	-	-	(4,387)	-	(4,387)
Interest on long-term debt	889,647	-	187,572	-	(702,075)	-	(702,075)
<b>Total governmental activities</b>	<b>56,876,573</b>	<b>21,567</b>	<b>11,193,994</b>	<b>-</b>	<b>(45,661,012)</b>	<b>-</b>	<b>(45,661,012)</b>
<b>Business-Type Activities:</b>							
Food service	1,159,961	82,770	1,065,449	-	-	(11,742)	(11,742)
<b>Total primary government</b>	<b>\$ 58,036,534</b>	<b>\$ 104,337</b>	<b>\$ 12,259,443</b>	<b>\$ -</b>	<b>\$ (45,661,012)</b>	<b>\$ (11,742)</b>	<b>\$ (45,672,754)</b>
<b>General Revenues</b>							
Property taxes, levied for general purposes, net					\$ 30,987,238	\$ -	\$ 30,987,238
Public utility realty, earned income, and other Sec 679 and Act 511 taxes					4,003,378	-	4,003,378
Grants, subsidies and contributions not restricted					10,980,630	-	10,980,630
Investment earnings					32,899	-	32,899
Transfers					(120,000)	120,000	-
Miscellaneous income					51,468	-	51,468
<b>Total general revenues</b>					<b>45,935,613</b>	<b>120,000</b>	<b>46,055,613</b>
<b>Changes in net position</b>					274,601	108,258	382,859
<b>Net Position - July 1, 2020</b>					(8,586,637)	(47,064)	(8,633,701)
<b>Prior Period Adjustment (see Note 1)</b>					91,870	-	91,870
<b>Net Position - July 1, 2020 (restated)</b>					(8,494,767)	(47,064)	(8,541,831)
<b>Net Position - June 30, 2021</b>					<b>\$ (8,220,166)</b>	<b>\$ 61,194</b>	<b>\$ (8,158,972)</b>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2021**

	General Fund	Capital Projects Fund	Debt Service Fund	Student Activity Fund	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 14,145,413	\$ 12,235,206	\$ -	\$ 71,435	\$ 26,452,054
Investments	11,679,599	-	-	-	11,679,599
Receivables					
Taxes	1,273,703	-	-	-	1,273,703
Federal subsidies	1,336,409	-	-	-	1,336,409
State subsidies	1,614,738	-	-	-	1,614,738
Other	104,486	-	-	-	104,486
Due from other funds	11,250	-	-	-	11,250
Prepaid expenses	2,616,026	-	-	-	2,616,026
<b>Total assets</b>	<b>\$ 32,781,624</b>	<b>\$ 12,235,206</b>	<b>\$ -</b>	<b>\$ 71,435</b>	<b>\$ 45,088,265</b>
<b>Liabilities</b>					
Due to other funds	\$ -	\$ 11,250	\$ -	\$ -	\$ 11,250
Accounts payable	562,599	-	-	-	562,599
Accrued salaries and benefits	4,090,746	-	-	-	4,090,746
Payroll withholdings	150,608	-	-	-	150,608
Unearned revenues	92,527	-	-	-	92,527
<b>Total liabilities</b>	<b>4,896,480</b>	<b>11,250</b>	<b>-</b>	<b>-</b>	<b>4,907,730</b>
<b>Deferred Inflows of Resources</b>					
Delinquent property taxes	820,824	-	-	-	820,824
<b>Fund Balances</b>					
Restricted for capital projects	-	12,223,956	-	-	12,223,956
Restricted for student activities	-	-	-	71,435	71,435
Nonspendable	2,616,026	-	-	-	2,616,026
Committed	20,244,450	-	-	-	20,244,450
Unassigned	4,203,844	-	-	-	4,203,844
<b>Total fund balances</b>	<b>27,064,320</b>	<b>12,223,956</b>	<b>-</b>	<b>71,435</b>	<b>39,359,711</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 32,781,624</b>	<b>\$ 12,235,206</b>	<b>\$ -</b>	<b>\$ 71,435</b>	<b>\$ 45,088,265</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, 2021**

<b>Total fund balances - governmental funds</b>	\$	39,359,711
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 \$103,719,019, and the accumulated depreciation is \$41,812,155.		61,906,864
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.		820,824
The difference between the reacquisition price and the net carrying amount of the old debt is a deferred inflow of resources, which is not reported in the funds.		(104,381)
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		(2,156,000)
Deferred outflows		11,884,000
Deferred inflows and outflows of resources related to OPEB are applicable to future periods, and therefore, are not reported within the funds. Deferred inflows and outflows related to OPEB are as follows (see footnote for detail):		
Deferred inflows		(158,108)
Deferred outflows		1,257,867
Bond discounts and premiums are reported in the governmental funds when debt is issued. The Statement of Net Position reports these items as assets or liabilities with amortization over the life of related debt.		
Unamortized bond premiums	(557,849)	(557,849)
Long-term liabilities, including bonds and notes payable, arbitrage-rebate liabilities, compensated absences and net pension liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and notes payable	(33,738,000)	
Accrued interest	(17,848)	
Compensated absences	(1,138,216)	
Net pension liability	(79,234,000)	
Other post-employment benefits	(6,345,030)	(120,473,094)
<b>Total net position - governmental activities</b>	<b>\$</b>	<b>(8,220,166)</b>

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2021

	General Fund	Capital Projects Fund	Debt Service Fund	Student Activity Fund	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 35,908,408	\$ 616	\$ -	\$ 60,740	\$ 35,969,764
State sources	19,497,176	-	-	-	19,497,176
Federal sources	1,986,239	-	-	-	1,986,239
<b>Total revenues</b>	<b>57,391,823</b>	<b>616</b>	<b>-</b>	<b>60,740</b>	<b>57,453,179</b>
<b>Expenditures</b>					
Instructional	34,314,838	-	-	-	34,314,838
Support services	17,140,403	63,316	97,041	-	17,300,760
Operation of noninstructional services	1,036,423	11,250	-	81,175	1,128,848
Capital outlay	1,772,267	814,225	-	-	2,586,492
Debt service	3,779,944	-	291,188	-	4,071,132
Refund of prior year receipts	8,559	-	-	-	8,559
<b>Total expenditures</b>	<b>58,052,434</b>	<b>888,791</b>	<b>388,229</b>	<b>81,175</b>	<b>59,410,629</b>
<b>Deficiency of revenues under expenditures</b>	<b>(660,611)</b>	<b>(888,175)</b>	<b>(388,229)</b>	<b>(20,435)</b>	<b>(1,957,450)</b>
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in	-	6,771	-	-	6,771
Interfund transfers out	(120,000)	-	(6,771)	-	(126,771)
Refunding of debt proceeds	-	-	16,200,000	-	16,200,000
Payment to refunded-bond escrow agent	-	-	(15,805,000)	-	(15,805,000)
Issuance of general obligation note	-	10,570,000	-	-	10,570,000
<b>Total other financing sources (uses)</b>	<b>(120,000)</b>	<b>10,576,771</b>	<b>388,229</b>	<b>-</b>	<b>10,845,000</b>
<b>Net changes in fund balances</b>	<b>(780,611)</b>	<b>9,688,596</b>	<b>-</b>	<b>(20,435)</b>	<b>8,887,550</b>
<b>Fund Balances:</b>					
July 1, 2020	27,844,931	2,535,360	-	-	30,380,291
Prior Period Adjustment (See Note 1)	-	-	-	91,870	91,870
June 30, 2021	\$ 27,064,320	\$ 12,223,956	\$ -	\$ 71,435	\$ 39,359,711

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, 2021**

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<b>Net changes in fund balances - all governmental funds</b>	<b>\$</b>	<b>8,887,550</b>
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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	3,585,005	
Less book value of disposed assets	(41,066)	
Less depreciation expense	(2,861,475)	682,464

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 increased by this amount this year. (132,379)

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. 180,501

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

District pension and OPEB contributions (PSERS)	7,912,000	
Cost of benefits earned net of employee contributions (PSERS)	(9,054,200)	

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	(21,278)	
Other post-employment benefits (District Plan)	(216,039)	(237,317)

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.

Issuance of general obligation debt	(26,770,000)	
Refinancing of general obligation debt	15,805,000	
Repayment of long-term debt	2,908,000	
Amortization of refunding loss	(12,826)	
Amortization of premiums and discounts - net	105,808	(7,964,018)

<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>274,601</b>
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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, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 34,862,840	\$ 34,862,840	\$ 35,908,408	\$ 1,045,568
State sources	19,262,442	19,222,442	19,497,176	274,734
Federal sources	754,078	794,078	1,986,239	1,192,161
<b>Total revenues</b>	<b>54,879,360</b>	<b>54,879,360</b>	<b>57,391,823</b>	<b>2,512,463</b>
<b>Expenditures</b>				
Instructional	33,812,167	33,811,534	34,314,838	(503,304)
Support services	16,409,223	16,984,889	17,140,403	(155,514)
Operation of noninstructional services	1,194,500	1,194,500	1,036,423	158,077
Capital outlay	20,000	155,947	1,772,267	(1,616,320)
Debt services	3,780,686	3,780,686	3,779,944	742
Refund of prior year receipts	-	-	8,559	(8,559)
<b>Total expenditures</b>	<b>55,216,576</b>	<b>55,927,556</b>	<b>58,052,434</b>	<b>(2,124,878)</b>
<b>Deficiency of revenues over expenditures</b>	<b>(337,216)</b>	<b>(1,048,196)</b>	<b>(660,611)</b>	<b>387,585</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(120,000)	(120,000)	(120,000)	-
Budgetary reserve	(1,116,675)	(405,695)	-	(405,695)
<b>Total other financing uses</b>	<b>(1,236,675)</b>	<b>(525,695)</b>	<b>(120,000)</b>	<b>(405,695)</b>
<b>Net changes in fund balance</b>	<b>\$ (1,573,891)</b>	<b>\$ (1,573,891)</b>	<b>(780,611)</b>	<b>\$ (18,110)</b>
<b>Fund Balance:</b>				
July 1, 2020			27,844,931	
June 30, 2021			<u>27,064,320</u>	

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE**  
**June 30, 2021**

<b>Assets</b>	
Cash and cash equivalents	\$ 189,605
Receivables	
Federal subsidies	52,932
State subsidies	2,224
Inventories	41,776
Prepaid expenses	11,810
Other capital assets, net of depreciation	83,933
<b>Total assets</b>	<u><u>\$ 382,280</u></u>
<b>Deferred Outflows of Resources</b>	
Deferred amounts on pension liability	\$ 36,000
Deferred amounts on OPEB liabilities	3,759
<b>Total deferred outflows of resources</b>	<u><u>\$ 39,759</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 46,245
Unearned revenues	40,963
Long-term liabilities	
Compensated absences	10,531
Net pension liability	238,000
OPEB liabilities	18,636
Total long-term liabilities	<u>267,167</u>
<b>Total liabilities</b>	<u><u>\$ 354,375</u></u>
<b>Deferred Inflows of Resources</b>	
Deferred amounts on pension liability	\$ 6,000
Deferred amounts on OPEB liabilities	470
<b>Total deferred inflows of resources</b>	<u><u>\$ 6,470</u></u>
<b>Net Position</b>	
Net investment in capital assets	\$ 83,933
Unrestricted	(22,739)
<b>Total net position</b>	<u><u>\$ 61,194</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, 2021**

<hr/>	
Operating Revenues	
Food service revenues	\$ 82,770
<hr/>	
Operating Expenses	
Salaries	69,812
Employee benefits	17,052
Purchased property service	22,042
Other purchased services	884,400
Supplies	156,623
Depreciation	10,032
<b>Total operating expenses</b>	<b>1,159,961</b>
	<hr/>
<b>Operating loss</b>	<b>(1,077,191)</b>
Nonoperating Revenues	
State sources	49,174
Federal sources	1,016,275
<b>Total nonoperating revenues</b>	<b>1,065,449</b>
<hr/>	
Interfund Transfer In	120,000
<hr/>	
<b>Change in net position</b>	<b>108,258</b>
Net Position:	
July 1, 2020	(47,064)
June 30, 2021	\$ 61,194
<hr/> <hr/>	

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND - FOOD SERVICE  
 Year Ended June 30, 2021**

<hr/>	
Cash Flows From Operating Activities	
Cash received from meal sales	\$ 79,998
Cash payments to employees for services	(128,916)
Cash payments for goods and services	(895,521)
<b>Net cash used in operating activities</b>	<u>(944,439)</u>
Cash Flows From Noncapital Financing Activities	
Federal and state sources	903,687
Interfund transfers in	120,000
<b>Net cash provided by noncapital financing activities</b>	<u>1,023,687</u>
Cash Flows From Capital and Related Financing Activities	
<b>Purchase of property and equipment</b>	<u>(48,330)</u>
<b>Net increase in cash and cash equivalents</b>	30,918
Cash and Cash Equivalents:	
July 1, 2020	158,687
June 30, 2021	<u>\$ 189,605</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (1,077,191)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	10,032
Value of donated commodities	136,636
(Increase) decrease in:	
Inventories	(1,633)
Prepaid expenses	8,883
Deferred outflow resources	(5,470)
(Decrease) increase in:	
Accounts payable	23,658
Unearned revenues	(2,772)
Compensated absences	(734)
Net pension liability	(32,000)
OPEB liabilities	682
Deferred inflow of resources	(4,530)
<b>Net cash used in operating activities</b>	<u>\$ (944,439)</u>
<b>Supplemental Disclosure</b>	
Noncash noncapital financing activity:	
USDA donated commodities	<u>\$ 136,636</u>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2021**

	Private-Purpose Trust Fund
<hr/>	
<b>Assets</b>	
Investments	\$ 10,000
Other receivables	830
<b>Total assets</b>	<u>\$ 10,830</u>
<b>Liabilities</b>	
Due to student groups	<u>\$ -</u>
<b>Net Position</b>	
Restricted for student scholarship funds	\$ 10,830
<b>Total net position</b>	<u>\$ 10,830</u>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
PRIVATE-PURPOSE TRUST FUND  
Year Ended June 30, 2021**

	Private-Purpose Trust Fund
<hr/>	
Additions	
Investment earnings	\$ 408
<b>Change in net position</b>	<hr/> 408
Net Position - July 1, 2020	10,422
Net Position - June 30, 2021	<hr/> <hr/> \$ 10,830

See Notes to Financial Statements.

# **SOUTH EASTERN SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

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

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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



## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

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

The District reports the following major governmental funds:

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

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

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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

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

The District maintains the following fiduciary fund types:

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

## **SOUTH EASTERN SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

A physical inventory of the Proprietary Fund food and supplies was taken as of June 30, 2021. 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 expected and actual experience, changes in assumptions, changes in proportion, the difference between employer contributions and proportionate share of total contributions, and the contributions subsequent to the measurement date as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Outflows of Resources - Other Post-Employment Benefits: The District recognizes the difference between expected and actual experience, changes in assumptions, net difference between projected and actual investment earnings, changes in proportion, the difference between employer contributions and proportionate share of total contributions, benefit payments subsequent to the measurement date and contributions subsequent to the measurement date as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences: The District's policy regarding payments for compensated absences varies based on the contract under which the individual is employed. Upon retirement from the District's service, teachers will receive a non-elective contribution to a 403(b) account of the greater of (1) \$150 per year for years of service with the option to receive \$200 per year for year of service if notice is given by October 1<sup>st</sup>, or (2) \$35.00 per accumulated sick day up to a maximum of 200 days with the option to receive \$40.00 per accumulated sick day up to the maximum of 200 days if notice is given by October 1<sup>st</sup>. Hourly support staff will receive the greater of (1) \$100 for each year of consecutive service or (2) \$25.00 per accumulated sick day up to a maximum of 120 days as a lump sum payment. Administrators will receive a non-elective contribution to a 403(b) account of (1) \$200 per consecutive year served in the District or (2) \$60.00 per accumulated sick day up to a maximum of 200 days. Upon separation, due to retirement or termination of employment, administrative and support employees are compensated for any remaining earned vacation and personal leave days based on their per-diem rate. In the governmental funds, the cost of sick leave is recognized when payments are made to employees.

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

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

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

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

The balances of the District's OPEB obligations and deferred resources at June 30, 2021, are as follows:

	Governmental Activities	Business-Type Activities	Total
<b>OPEB Obligations</b>			
PSERS Cost Sharing Plan - OPEB Liabilities (Note 13)	\$ 3,475,000	\$ 10,000	\$ 3,485,000
District Plan - OPEB Liabilities (Note 12)	2,870,030	8,636	2,878,666
Total	<u>\$ 6,345,030</u>	<u>\$ 18,636</u>	<u>\$ 6,363,666</u>
<b>Deferred Outflows of Resources</b>			
PSERS Cost Sharing Plan Liability	\$ 407,500	\$ 1,200	\$ 408,700
District OPEB Plan Liability	850,367	2,559	852,926
Total	<u>\$ 1,257,867</u>	<u>\$ 3,759</u>	<u>\$ 1,261,626</u>
<b>Deferred Inflows of Resources</b>			
PSERS Cost Sharing Plan Liability	\$ 101,700	\$ 300	\$ 102,000
District OPEB Plan Liability	56,408	170	56,578
Total	<u>\$ 158,108</u>	<u>\$ 470</u>	<u>\$ 158,578</u>

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 the difference between expected and actual experience, the net difference between projected and actual investment earnings and changes in proportion as deferred inflows of resources. These amounts are amortized over the average remaining services lives of active and inactive members.

Deferred Inflows of Resources - Other Post-Employment Benefits: The District recognizes the changes in assumptions and changes in proportion as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

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

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

#### Fund Balance:

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

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

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

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

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

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

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.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

Restatement of Net Position and Fund Balance Beginning Balances: As of July 1, 2020, the School implemented Governmental Accounting Standards Board Statement GASB No. 84, *Fiduciary Activities*. The implementation of GASB No. 84 required the School to report student sponsored activities, previously reported as an agency fund in the fiduciary funds financial statements, as a special revenue fund in the governmental funds financial statements. This change has resulted in a restatement of government-wide net position and governmental fund balance of \$91,870.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through Month XX, 2021, the date the financial statements were available to be issued.

#### Note 2. Deposits and Investments

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

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

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



## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

##### Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank default, the District's investments may not be returned to it. A summary of the District's deposits at June 30, 2021, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	M&T Bank
Insured (FDIC)	5,181,649	5,181,649	Various Banks CD's
Uninsured and collateralized by assets maintained in conformity with Act 72	996,481	1,427,311	
	<u>\$ 6,428,130</u>	<u>\$ 6,858,960</u>	

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

##### Investments

As of June 30, 2021, the District had the following investments:

	Credit Rating	Weighted Avg. Maturity in Years	Carrying Value
Pennsylvania School District Liquid Asset Fund (PSDLAF)			
PSDMAX	AAAm	.148	\$ 25,405,178
PSDLAF US Treasury Bill	NA	NA	3,497,704
PSDLAF Full Flex Pool	NA	.025	3,000,246
			<u>\$ 31,903,128</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.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

##### Portfolio Assets (Continued)

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.

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.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

#### Weighted-Average Maturity

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

#### Interest Rate Risk

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

#### 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 penalty of 10% was waived for current real estate taxes uncollected at October 31<sup>st</sup> for the 2020-2021 fiscal year only. The District tax rate for all purposes in 2020-2021 was 22.25 mills (\$22.2503 per \$1,000 assessed valuation). Ninety-six percent of the assessed taxes were collected. The York County Tax Claim Bureau collects delinquent taxes for the District.

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

A summary of the taxes receivable and related accounts at June 30, 2021, follows:

	Amount
Taxes Receivable	\$ 1,273,703
Taxes to be collected within 60 days	\$ 452,879
Deferred inflows of resources - delinquent property taxes	820,824
Taxes receivable	\$ 1,273,703
Deferred Inflow of Resources	
Delinquent taxes	\$ 820,824
Total deferred inflow of resources	\$ 820,824

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Interfund Accounts and Transfers**

All interfund receivable/payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances are expected to be repaid within the following year. As of June 30, 2021, the interfund receivable/payable balances are as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities		
General Fund	\$ 11,250	\$ -
Capital Projects Fund	-	11,250
	<u>\$ 11,250</u>	<u>\$ 11,250</u>

Individual fund transfers during the fiscal year ended June 30, 2021, are as follows:

	Transfers in	Transfers out
Governmental Activities		
General Fund	\$ -	\$ 120,000
Capital Projects Fund	6,771	-
Debt Service Fund	-	6,771
Business-Type Activities - Food Service	120,000	-
	<u>\$ 126,771</u>	<u>\$ 126,771</u>

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

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2021, was as follows:

	July 1, 2020	Increases	Decreases	June 30, 2021
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 1,115,863	\$ -	\$ -	\$ 1,115,863
Construction-in-progress	316,224	1,655,044	(316,224)	1,655,044
Total capital assets, not being depreciated	1,432,087	1,655,044	(316,224)	2,770,907
Capital assets being depreciated				
Site improvements	3,887,373	1,007,493	-	4,894,866
Buildings and building improvements	81,927,758	65,180	-	81,992,938
Furniture and equipment	13,153,719	1,173,512	(266,923)	14,060,308
Total capital assets being depreciated	98,968,850	2,246,185	(266,923)	100,948,112
Less accumulated depreciation				
Site improvements	2,926,027	100,457	-	3,026,484
Buildings and building improvements	28,364,981	1,692,662	-	30,057,643
Furniture and equipment	7,885,529	1,068,356	(225,857)	8,728,028
Total accumulated depreciation	39,176,537	2,861,475	(225,857)	41,812,155
Total capital assets being depreciated, net	59,792,313	(615,290)	(41,066)	59,135,957
Total Governmental Activities, Capital Assets - Net	\$ 61,224,400	\$ 1,039,754	\$ (357,290)	\$ 61,906,864
<b>Business-Type Activities:</b>				
Capital assets being depreciated				
Furniture and equipment	\$ 836,097	\$ 48,330	\$ (13,800)	\$ 870,627
Less accumulated depreciation for machinery and equipment	790,462	10,032	(13,800)	786,694
Total Business-Type Activities, Capital Assets - Net	\$ 45,635	\$ 38,298	\$ -	\$ 83,933

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 6. Capital Assets (Continued)**

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

	Amount
Governmental Activities:	
Instruction	\$ 804,879
Instructional student support	3,563
Administration and financial support	407,036
Operation and maintenance of plant	1,603,552
Student activities	42,445
Total Governmental Activities	<u>2,861,475</u>
Business-Type Activities:	
Food Service	10,032
Total Primary Government	<u><u>\$ 2,871,507</u></u>

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### Note 7. Long-Term Obligations

During the fiscal year ended June 30, 2021, long-term debt changed as follows:

	Balances			Balances	
	July 1, 2020	Increases	Decreases	June 30, 2021	Due within one year
<b>General Obligation Debt</b>					
Series of 2002	\$ 1,481,000	\$ -	\$ (733,000)	\$ 748,000	\$ 748,000
Series of 2013	720,000	-	(720,000)	-	-
Series A of 2013	16,295,000	-	(16,295,000)	-	-
Series of 2020	7,185,000	-	(965,000)	6,220,000	1,195,000
Series A of 2021*	-	16,200,000	-	16,200,000	-
Series B of 2021*	-	10,570,000	-	10,570,000	5,000
Bond premium (discount)	992,885	-	(435,036)	557,849	-
<b>Total General Obligation Debt</b>	<b>26,673,885</b>	<b>26,770,000</b>	<b>(19,148,036)</b>	<b>34,295,849</b>	<b>1,948,000</b>
Compensated absences	1,128,203	20,544	-	1,148,747	-
<b>Totals</b>	<b>\$ 27,802,088</b>	<b>\$ 26,790,544</b>	<b>\$ (19,148,036)</b>	<b>\$ 35,444,596</b>	<b>\$ 1,948,000</b>

\* Direct Borrowing Note

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

General Obligation Bonds - Series of 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 were paid off during 2020-2021.

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. In the year ended June 30, 2021, the District issued General Obligation Bonds Series A of 2021 to fully refund this obligation.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

	<b>Bonds</b>		<b>Direct Borrowings</b>		<b>Minimum Debt Service</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2021	\$ 1,943,000	\$ 223,585	\$ 5,000	\$ 269,424	\$ 2,441,009
2022	1,605,000	178,000	865,000	371,540	3,019,540
2023	1,660,000	128,800	870,000	360,710	3,019,510
2024	880,000	70,400	2,050,000	349,818	3,350,218
2025	880,000	35,200	2,125,000	324,175	3,364,375
2026-2033	-	-	20,855,000	1,185,527	22,040,527
	<b>\$ 6,968,000</b>	<b>\$ 635,985</b>	<b>\$ 26,770,000</b>	<b>\$ 2,861,194</b>	<b>\$ 37,235,179</b>

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



# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

### Note 8. Fund Balance Designations

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

<u>Description of committed</u>	<u>Amount</u>
General Fund	
PSERS	\$ 11,753,238
Capital Improvement Projects	8,491,212
	<u>\$ 20,244,450</u>
<u>Description of nonspendable</u>	<u>Amount</u>
General Fund	
Lincoln Benefit Trust deposit	\$ 2,304,164
Prepaid trainings and licensing	311,862
	<u>\$ 2,616,026</u>

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 9. Lincoln Benefit Trust

The School District is exposed to risk of loss related to employee health care. In July 1989, the District joined the Lincoln Benefit Trust, a public-entity risk pool currently operating as a claim servicing pool for member school districts and the intermediate unit. The School District is liable for all claims up to \$150,000. Claims incurred for \$150,001-\$300,000 are paid from a stop-loss pool fund on a shared risk basis. Claims incurred for \$300,001-\$500,000 are paid from a stop-loss insurance policy purchased by the Trust. Stop-loss insurance is purchased through an insurance carrier for \$500,000 and above, per individual. At June 30, 2021, the District's funding for claims exceeded the payments to date; accordingly, the District has a prepaid balance of \$2,316,886 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, 2021:

	Amount
Net assets available for benefits	\$ 85,107,384
Accumulated plan benefits	\$ 9,132,600

The accumulated plan benefits represent estimated claims incurred, but not reported to the Plan Administrator at June 30, 2021. 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 five-year copier agreement with Marco Technologies, LLC, that consists of a monthly payment of \$4,339. The lease will expire in July 2026. The future minimum lease payments are as follows:

Years	Amount
2021-2022	\$ 52,071
2022-2023	52,071
2023-2024	52,071
2024-2025	52,071
2025-2026	52,071
	<u>\$ 260,355</u>

#### Note 11. Defined-Benefit Pension Plan

##### Plan Description

PSERS (Pennsylvania Public School Employees' Retirement System or the System) is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.pasers.pa.gov](http://www.pasers.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 upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

##### 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 contractually required contribution rate for the fiscal year ended June 30, 2021, was 34.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The 34.51% rate is composed of a contribution rate of 33.51% for pension benefits, .18% for Act 5 defined contribution retirement benefits and .82% for healthcare insurance premium assistance (OPEB benefits).

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

#### Contribution Rates (Continued)

##### Employer Contributions (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, relating to pension benefits, for the year ended June 30, 2021, was \$7,747,271, and is equal to the required contribution for the year. For the year ended June 30, 2021, the District recognized gross retirement subsidy revenue from the Commonwealth in the amount of \$4,122,516.

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

At June 30, 2021, the District reported a liability of \$79,472,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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, 2020, the District's proportion was .1614 percent, which was a increase of .0002% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$8,861,000. At June 30, 2021, 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	\$ 208,000	\$ 1,905,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	3,492,000	-
Changes in proportion	428,000	233,000
Difference between employer contributions and proportionate share of total contributions	45,000	24,000
Contributions subsequent to the measurement date	7,747,000	-
	<u>\$ 11,920,000</u>	<u>\$ 2,162,000</u>

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

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

\$7,747,000 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to measurement date and will be recognized as an increase of the net pension liability in the year ending June 30, 2022. 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>
2022	\$ (300,000)
2023	199,000
2024	1,065,000
2025	1,044,000
2026	3,000
Thereafter	-
	<u><u>\$ 2,011,000</u></u>

##### Actuarial Assumptions

The total pension liability as of June 30, 2020, was determined by rolling forward the System's total pension liability as of the June 30, 2019 to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurements:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.25%, includes inflation at 2.75%.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

##### Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of an actuarial experience study that was performed for the five year the period ended June 30, 2016.

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.

For the year ended June 30, 2020, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.68%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	15.0%	5.2%
Fixed income	15.0%	7.2%
Commodities	36.0%	1.1%
Absolute return	8.0%	1.8%
Risk parity	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Alternative investments	8.0%	3.3%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
	<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, 2020.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 98,323,000	\$ 79,472,000	\$ 63,502,000

#### Pension Plan Fiduciary Net Position

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

#### Plan Payables

At June 30, 2021, the District has payables to the PSERS pension plan of \$2,587,090. This total is composed of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions in the second quarter of 2021.

#### Pension Reform

Pursuant to Commonwealth Act 2017-5, members hired on or after July 1, 2019, are required to choose one of three new retirement plan design options for retirement benefits. The current defined benefit plan will no longer be available to new members hired on or after July 1, 2019. The new plan design options include two hybrid plans consisting of defined benefit and defined contribution components. The third option is a standalone defined contribution plan. PSERS school employers will be charged interest at the assumed rate of return, currently 7.25%, for delinquent payments to PSERS rather than 6%.



# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 12. Other Post-Employment Benefits - Single Employer District Plan

#### Plan Description and Benefit Terms

The District provides retiree health, vision and dental-care benefits, including prescription-drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. Benefits are provided to all faculties, academic staff and support staff who meet the requirements listed in the chart below. Currently, the plan has 358 active participants and 12 retired participants. The plan does not issue a separate, stand-alone set of financial statements.

#### Funding Policy

Group	Eligibility	Coverage and Premium Sharing	Duration
I. Former Business Manager	N/A - Already Retired	Coverage: Medical Prescription Drug, Dental and Vision  Premium Sharing District pays 100% cost for member and spouse.	Coverage is provided for life for member and spouse
II. Former Superintendent	N/A - Already Retired	Coverage: Medical Prescription Drug, Dental and Vision  Premium Sharing: With 5 or more years of service with the District, District pays 100% of cost for member. Otherwise, member pays 100% of cost. Dependent coverage available if member pays 100% of extra premium.	Coverage for member is provided until Medicare eligibility. Coverage for dependents is provided until earlier of member Medicare eligibility and member death.
III. Current Superintendent, Assistant Superintendent, Current Business Manager, Director of Human Resources and Act 93	Must retire from PSERS District	Coverage: Medical Prescription Drug, Dental and Vision  Premium Sharing: With 10 or more years of service with the District, District pays \$100 per month, and member pays the remainder. Otherwise, member pays 100% of cost. Dependent coverage available if member pays 100% of extra premium.	Same as II.
IV. Teachers A) ERIP for 2010-2011 school year	N/A - Already Retired	Coverage: Medical Prescription Drug, Dental and Vision  Premium Sharing: With 34 or more years of service with the District, District pays 100% of cost for member and 100% of cost for dependents if member pays \$100 PSERS supplement. With 30 or more years of PSERS service, member pays \$100 PSERS supplement and 100% of cost for Dental and District pays the remainder for 5 years. Member pays 100% of cost for dependent coverage.	Same as II.
B) All other Teachers	Must retire from PSERS	Act 110/43	Same as II.
V. Support Staff	Must retire from PSERS with 20 years of service with District	Act 110/43	Same as II.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 12. Other Post-Employment Benefits - Single Employer District Plan (Continued)**

Funding Policy (Continued)

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

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

At June 30, 2021, the District reported a liability of \$2,878,666 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2020, and was determined by an actuarial valuation as of July 1, 2020. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	\$ 2,288,620
Service cost	141,488
Interest	79,448
Changes of benefit terms	25,742
Differences between expected and actual experience	148,384
Changes in assumptions	316,050
Estimated Benefit payments	(121,066)
Net changes	590,046
Total OPEB Liability, ending	<u>\$ 2,878,666</u>

For the year ended June 30, 2021, the District recognized OPEB expense of \$304,703. At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 388,241	\$ -
Changes in assumptions	314,882	56,578
Benefit payments subsequent to the measurement date	149,803	-
	<u>\$ 852,926</u>	<u>\$ 56,578</u>

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 12. Other Post-Employment Benefits - Single Employer District Plan (Continued)

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

Of the total amount reported as deferred outflows of resources related to OPEB, \$149,803 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year	Total
2022	\$ 58,025
2023	58,025
2024	58,025
2025	58,025
2026	58,025
Thereafter	356,420
	<u>\$ 646,545</u>

##### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - 2.5%
- Salary Increases - 2.5% cost of living adjustment, 1% real wage growth and for teachers and administrators a merit increases which varies by age from 2.75 to 0%.
- Investment rate of return - 1.86%. Based on S&P Municipal Bond 20-year High Grade Rate Index at 7/1/2020.
- Health care cost trend rate - 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retirees' Share of Benefit Related Costs - Retiree contributions are assumed to increase at the same rate as Health Care Cost Trend Rate.

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

Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 12. Other Post-Employment Benefits - Single Employer District Plan (Continued)**

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

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

	1% Decrease 0.86%	Current Discount Rate 1.86%	1% Increase 2.86%
District's proportionate share of the net OPEB liability	\$ 3,093,274	\$ 2,878,666	\$ 2,674,013

The discount rate used to measure the Total OPEB liability decreased from 3.36% as of July 1, 2019 to 1.86% as of July 1, 2020.

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,539,429	\$ 2,878,666	\$ 3,279,887

**Note 13. Other Post-Employment Benefits - PSERS Cost Sharing Plan**

System Administration

The administrative staff of the Pennsylvania Public School Employees’ Retirement System (PSERS or the System) administers a defined benefit pension plan, and two postemployment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The System is a governmental cost-sharing, multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania (Commonwealth). The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 13. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)**

The control and management of the System, including the investment of its assets is vested in the Board of Trustees (Board). The Commonwealth's General Assembly has the authority to amend the benefit terms of the System by passing bills in the Senate and House of Representatives and sending them to the Governor for approval.

#### Plan Description and Benefits Provided - Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

#### Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

#### Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2021, was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$188,565 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$3,485,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one year reported covered payroll as it relates to the total one year reported covered payroll. At June 30, 2021, the District's proportion was .1613% percent, which was an increase of .0001% from its proportion measured as of June 30, 2020.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. Other Post-Employment Benefits - PSERS Cost Sharing Plan (continued)**

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$176,300. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 32,000	\$ -
Changes in assumptions	142,000	76,000
Changes in proportion	6,000	-
Net difference between projected and actual investment earnings	36,000	24,000
Difference between employer contributions and proportionate share of total contributions	3,700	2,000
Contributions subsequent to the measurement date	189,000	-
	<u>\$ 408,700</u>	<u>\$ 102,000</u>

\$189,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years	Amount
2022	\$ 17,300
2023	17,700
2024	16,700
2025	30,900
2026	24,100
Thereafter	11,000
	<u>\$ 117,700</u>

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 13. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

##### Actuarial Assumptions

The Total OPEB Liability as of June 30, 2020, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2019 to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.76% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of an actuarial experience study that was performed for the five year the period ended June 30, 2016.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018, determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 13. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

##### Investments

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.3%	1.0%
US Core Fixed Income	46.5%	0.1%
Non-US Developed Fixed	3.2%	0.1%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class of June 30, 2020.

##### Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.66%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.66% which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

##### Change in Actuarial Assumptions

The discount rate used to measure the total OPEB liability decreased from 2.79% as of June 30, 2019 to 2.66% as of June 30, 2020.



**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. Other Post-Employment Benefits - PSERS Plan (Continued)**

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

The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (between 5% to 7.5%) that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 3,485,000	\$ 3,485,000	\$ 3,486,000

Sensitivity of the District’s Total OPEB liability to changes in the discount rate

The following presents the District’s total OPEB liability, calculated using the discount rate of 2.66%, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (1.66%) or one-percentage point higher (3.66%) than the current discount rate:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
Total OPEB liability	\$ 3,974,000	\$ 3,485,000	\$ 3,081,000

OPEB Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2021, the District has payables to the OPEB plan of \$62,969.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 14. Joint Ventures**

##### York County School of Technology

The District is one of 14-member school districts participating in the operation of the York County School of Technology (YCST). YCST is operated, administered and managed by a joint operating committee consisting of board members from the "14-member school districts." Member districts are responsible for funding the major portion of YCST's operating budget. The District's share of annual operating costs for YCST is based on the number of students attending the school from the District and is reflected as instructional expenditures of the District's General Fund. For the year ended June 30, 2021, the District paid \$1,365,609 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 14 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, 2021, the District's pro-rata share represented 5.60% of total assessed value. The District made a lease rental payment to YCST in the amount of \$187,451 the payment is included in the instructional expenditures of the District's General Fund.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### Note 14. Joint Ventures (Continued)

As of the report date, audited financial statements for the York County School of Technology for the year ended June 30, 2021, are not yet available. The following is condensed financial information for the YCST, excerpted from the June 30, 2020, audited financial statements, available for inspection at the School District's Business Office:

	Amount
Total assets and deferred outflows	\$ 14,616,991
Total liabilities and deferred inflows	53,559,360
Net assets	
Investments in capital assets, net of related debt	2,377,920
Unrestricted	(41,320,289)
Total net assets	<u>\$ (38,942,369)</u>
Total revenues (including \$19,311,508 from member districts)	\$ 30,052,192
Total expenses	<u>30,690,710</u>
Change in net assets	<u>\$ (638,518)</u>

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

Year Ending	Principal	Interest	Total
September 30			
2022	\$ 131,880	\$ 51,523	\$ 183,403
2023	138,320	44,938	183,258
2024	145,320	38,031	183,351
2025	109,200	30,773	139,973
2026	83,160	25,739	108,899
2027-2031	480,480	63,866	544,346
2032	44,800	1,400	46,200
Total	<u>1,133,160</u>	<u>\$ 256,270</u>	<u>\$ 1,389,430</u>
Less: due within one year	131,880		
Total long-term outstanding	<u>\$ 1,001,280</u>		

## **SOUTH EASTERN SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 14. Joint Ventures (Continued)**

##### York/LIU Joint Authority

The District is one of 13 York County School Districts which are included within the Lincoln Intermediate Unit (LIU), which provides classes and other programs to students within each of the member school districts. In 2005, the LIU determined that it needed a facility in York County to house classes and other programs which it provides to York County students. During March 2006, the York/LIU Joint Authority (the Authority) was created with the purpose of purchasing the property and leasing it to the LIU. The LIU and the school districts which formed the Authority are not liable or responsible for the debts or obligations of the Authority. The Authority leases the property to the LIU for a monthly rental fee which is sufficient to provide the Authority with funds to pay (a) all interest and other payments which are due with respect to the debt incurred by the Authority and (b) the other costs and expenses which the Authority will incur. Total liabilities include a Construction Loan Note - Series of 2017, with a balance of \$1,200,133 as of June 30, 2021.

#### **Note 15. Construction Commitments**

The District has approved \$3,320,517 of construction projects as of June 30, 2021. The District expended approximately \$1,655,044 during the 2020-2021 year which is shown in expenditures in the governmental funds. The remaining \$1,665,473 is an outstanding commitment of the District.

#### **Note 16. 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, 2021, the District abated property taxes totaling \$592,799. The District will be foregoing tax revenue through the 20-year period running from 2017-2038.

## **SOUTH EASTERN SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 17. 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, 2021, the District did not incur any significant losses that were not covered by insurance.

Recent developments arising from the coronavirus pandemic and efforts to mitigate the disease's domestic and global impacts have impacted the operations and finances of school districts. Changes in service approach, labor and personnel changes, facility closings, contracted service disruptions, personal protective equipment purchases, and technological equipment acquisitions have affected all school districts. Unstable conditions enhance school district's risk factors as they have significant reliance on revenues from taxpayers and governmental agencies to fund their operations. These factors impact revenue recognition, cash flows and liquidity and contingencies. Presently, the ultimate, effects of this crisis on financial position, results of operations, and cash flows are indeterminable because the duration of the crisis is also indeterminable; however, management continues to monitor developments.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH EASTERN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -**

**DISTRICT SINGLE EMPLOYER PLAN**

**Year Ended June 30**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service cost	\$ 141,488	\$ 141,824	\$ 116,025	\$ 113,743
Interest	79,448	69,819	61,114	48,029
Changes of benefit terms	25,742	-	769	-
Differences between expected and actual experience	148,384	-	326,652	29,861
Changes in assumptions	316,050	(66,864)	2,361	-
Estimated Benefit payments	(121,066)	(124,932)	(162,864)	(178,997)
Net changes	590,046	19,847	344,057	12,636
Total OPEB Liability - Beginning	2,288,620	2,268,773	1,924,716	1,912,080
Total OPEB Liability - Ending	<u>\$ 2,878,666</u>	<u>\$ 2,288,620</u>	<u>\$ 2,268,773</u>	<u>\$ 1,924,716</u>
District's Covered Payroll	<u>\$22,531,619</u>	<u>\$20,903,127</u>	<u>\$20,903,127</u>	<u>\$16,811,686</u>
Total OPEB Liability as a % of Covered Payroll	12.78%	10.95%	10.85%	11.45%

**Notes to Schedule:**

Changes of Assumptions: The discount rate changed from 3.36% to 1.86%

Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions

Note: This information will be shown for the most recent 10 years, when available. June 30, 2021, was the fourth year of implementation.

**SOUTH EASTERN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -  
PSERS COST SHARING PLAN**

**Year Ended June 30**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
District's proportion of the net OPEB liability	0.1613%	0.1612%	0.1610%	0.1630%
District's proportionate share of the net OPEB liability	<u>\$ 3,485,000</u>	<u>\$ 3,428,000</u>	<u>\$ 3,357,000</u>	<u>\$ 3,321,000</u>
District's covered payroll	<u>\$22,644,139</u>	<u>\$22,230,186</u>	<u>\$21,676,522</u>	<u>\$21,703,884</u>
District's proportionate share of net OPEB liability as a percentage of its covered payroll	15.39%	15.42%	15.49%	15.30%
Plan fiduciary net position as a percentage of the total OPEI	5.69%	5.56%	5.56%	5.73%

Note: This information will be shown for the most recent 10 years, when available. June 30, 2021, was the fourth year of implementation.



**SOUTH EASTERN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS COST SHARING PLAN  
Year Ended June 30**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 188,565	\$ 190,353	\$ 184,465	\$ 179,668
Contributions in relation to the contractually required contri	(188,565)	(190,353)	(184,465)	(179,668)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$22,967,570</u>	<u>\$22,645,476</u>	<u>\$22,231,334</u>	<u>\$21,683,701</u>
Contributions as a percentage of covered payroll	0.82%	0.84%	0.83%	0.83%

Note: This information will be shown for the most recent 10 years, when available. June 30, 2021, was the fourth year of implementation.

**SOUTH EASTERN SCHOOL DISTRICT**

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.1614%	0.1612%	0.1610%	0.1630%	0.1596%	0.1528%	0.1577%
District's proportionate share of the net pension liability	<u>\$ 79,472,000</u>	<u>\$ 75,414,000</u>	<u>\$ 77,288,000</u>	<u>\$ 80,503,000</u>	<u>\$ 79,093,000</u>	<u>\$ 66,185,000</u>	<u>\$ 62,418,000</u>
District's covered payroll	<u>\$ 22,644,139</u>	<u>\$ 22,230,186</u>	<u>\$ 21,676,522</u>	<u>\$ 21,703,884</u>	<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 payroll	350.96%	339.24%	356.55%	370.92%	382.63%	336.71%	310.09%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

Note: This information will be shown for the most recent 10 years, when available.

**SOUTH EASTERN SCHOOL DISTRICT**

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 7,747,271	\$ 7,580,118	\$ 7,245,260	\$ 6,870,693	\$ 6,143,580	\$ 5,175,995	\$ 3,940,670
Contributions in relation to the contractually required contribution	(7,747,271)	(7,580,118)	(7,245,260)	(6,870,693)	(6,143,580)	(5,175,995)	(3,940,670)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 22,967,570	\$ 22,645,476	\$ 22,231,334	\$ 21,683,701	\$ 21,708,088	\$ 20,665,042	\$ 19,652,834
Contributions as a percentage of covered payroll	33.73%	33.47%	32.59%	31.69%	28.30%	25.05%	20.05%

Note: This information will be shown for the most recent 10 years, when available.

**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, 2021, 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 11, 2021.

**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 & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania  
November 11, 2021

**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, 2021. 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, 2021.

## 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.

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 11, 2021



**SOUTH EASTERN SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2021**

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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, 2021**

Identification of the major programs:

Assistance Listing Number(s)	Name of Federal Programs/Cluster
84.425D	Elementary & Secondary School Emergency Relief Fund
	<b>Child Nutrition Cluster</b>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.579	Child Nutrition Discretionary Grants Limited Availability Program

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

Auditee qualified as low-risk auditee?  X  Yes   No

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**Section II -- Financial Statement Findings**

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A. Significant Deficiency (ies) in Internal Control

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

B. Compliance Findings

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

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

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A. Compliance Findings

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

B. Significant Deficiency (ies) in Internal Control

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

**SOUTH EASTERN SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2021**

	Assistance Listing 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	013-21-0395	20-21	\$ 344,425
Title II - Supporting Effective Instruction State Grants	84.367	020-21-0395	20-21	\$ 70,636
Title IV - Student Support and Academic Enrichment Grant	84.424	144-21-0395	20-21	\$ 27,158
COVID-19 Elementary & Secondary School Emergency Relief Fund I	84.425D	200-20-0395	20-21	\$ 294,126
COVID-19 Elementary & Secondary School Emergency Relief Fund II	84.425D	200-21-0395	20-21	\$ 1,271,855
COVID -19 - SECIM Special Education Mitigation Grant (GEER)	84.027	252-20-1395	20-21	\$ 12,583
Total passed through the Pennsylvania Department of Education				
Passed through the Lincoln Intermediate Unit:				
Title III - English Language Acquisition Grants Special Education Cluster	84.365	010-20-0612	20-21	\$ 1,188
Special Education - Grants to States	84.027	N/A	20-21	\$ 543,947
Early Intervention - Special Education Preschool Grants	84.173	N/A	20-21	\$ 4,500
Total Special Education Cluster				
Total passed through the Lincoln Intermediate Unit				
Passed through the Lancaster Lebanon Intermediate Unit:				
Special Education - Grant to States	84.027	062-20-0033	20-21	\$ 10,000
Total passed through the Lancaster Lebanon Intermediate Unit				
<b>Total U.S. Department of Education</b>				

(Continued)

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2020	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2021	Provided to Subrecipients
\$ 344,425	\$ -	\$ 344,425	\$ 344,425	\$ -	\$ -
70,636	-	70,636	70,636	-	-
27,158	-	27,158	27,158	-	-
139,323	86,631	207,495	207,495	154,803	-
91,147	-	1,271,855	1,271,855	1,180,708	-
12,583	-	13,482	13,482	899	-
685,272	86,631	1,935,051	1,935,051	1,336,410	-
1,188	-	1,188	1,188	-	-
543,947	-	543,947	543,947	-	-
4,500	-	4,500	4,500	-	-
548,447	-	548,447	548,447	-	-
549,635	-	549,635	549,635	-	-
8,996	-	10,000	10,000	1,004	-
8,996	-	10,000	10,000	1,004	-
1,243,903	86,631	2,494,686	2,494,686	1,337,414	-

**SOUTH EASTERN SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**

**Year Ended June 30, 2021**

	Assistance Listing Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award
<b>U.S. Department of Treasury</b>				
Passed through the Pennsylvania				
Commission on Crime & Delinquency:				
COVID-19 - Coronavirus Relief Fund	21.019	2020-CS-01-33439	19-20	\$ 225,487
Passed through the County of York				
COVID-19 - Coronavirus Relief Fund	21.019	N/A	20-21	N/A
<b>Total U.S. Department of Treasury</b>				
<b>U.S. Department of Agriculture</b>				
Passed through the Pennsylvania				
Department of Education:				
National School Lunch Program	10.555	N/A	19-20	N/A
National School Lunch Program	10.555	N/A	20-21	N/A
School Breakfast Program	10.553	N/A	19-20	N/A
School Breakfast Program	10.553	N/A	20-21	N/A
Child Nutrition Discretionary Grants - High School	10.579	20-0005	20-21	\$ 16,030
Child Nutrition Discretionary Grants - Elementary School	10.579	20-0006	20-21	\$ 16,030
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	20-21	N/A

**Total U.S. Department of Agriculture**

**Total Expenditures of Federal Awards**

Child Nutrition Cluster (Assistance Listing Numbers - 10.553, 10.555, and 10.579)

Special Education Cluster (Assistance Listing Numbers - 84.027 and 84.173)

Economic Stabilization Fund (Assistance Listing Numbers 84.425)

See Notes to Schedule of Expenditures of Federal Awards.

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2020	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2021	Provided to Subrecipients
\$ 225,487	\$ 225,487	\$ -	\$ -	\$ -	\$ -
50,000	-	50,000	50,000	-	-
275,487	225,487	50,000	50,000	-	-
18,663	18,663	-	-	-	-
553,747	-	590,056	590,056	36,309	-
572,410	18,663	590,056	590,056	36,309	-
10,153	10,153	-	-	-	-
240,899	-	257,523	257,523	16,624	-
251,052	10,153	257,523	257,523	16,624	-
16,030	-	16,030	16,030	-	-
-	-	16,030	16,030	16,030	-
839,492	28,816	879,639	879,639	68,963	-
136,636	-	136,636	136,636	-	-
976,128	28,816	1,016,275	1,016,275	68,963	-
\$ 2,495,518	\$ 340,934	\$ 3,560,961	\$ 3,560,961	\$ 1,406,377	\$ -
\$ 976,128	\$ 28,816	\$ 1,016,275	\$ 1,016,275	\$ 68,963	\$ -
\$ 570,026	\$ -	\$ 571,929	\$ 571,929	\$ 1,903	\$ -
\$ 230,470	\$ 86,631	\$ 1,479,350	\$ 1,479,350	\$ 1,335,511	\$ -

## **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, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the District's operations, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

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

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

**SOUTH EASTERN SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**Year Ended June 30, 2021**

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There were no prior year's audit findings.